PRESS RELEASE

27 July 2021

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO" OR "THE COMPANY")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Confident in the long-term prospects for prime central London, in particular the West End

Ian Hawksworth, Chief Executive of Capco, commented:

"Capco's actions, commitment and creativity over the last 18 months have ensured that Covent Garden is the most vibrant district in the West End. We are confident that our approach and the quality of our estate, underpinned by our strong balance sheet, position Capco for recovery.

The elevated level of enquiries, strong transactional activity and improving sentiment indicate that the worst of the pandemic may be behind us.

Looking ahead, there are challenges in the near term, as the economy moves towards more normal levels of activity, however we remain confident in the resilience of London's West End and the enduring appeal of Covent Garden."

Key financials

- Total equity of £1.7 billion (Dec 2020: £1.8 billion)
- EPRA NTA declined by 6 per cent to 199 pence per share (Dec 2020: 212 pence per share)
- Total property value of £1.8 billion, a decrease of 5.1 per cent (like-for-like) (Dec 2020: £1.9 billion)
- Group net debt to gross assets ratio of 28 per cent (Dec 2020: 28 per cent)
- Covent Garden loan to value ratio of 18 per cent (Dec 2020: 19 per cent)
- Underlying earnings of nil pence per share (Jun 2020: 0.3 pence per share)
- Reported net rental income £21.0 million (Jun 2020 £18.2 million)
- Recommencement of dividend distribution with proposed interim dividend of 0.5 pence per share (Jun 2020: nil)

Covent Garden portfolio

- Covent Garden total property value of £1.7 billion, like-for-like movement of £85 million or 4.9 per cent since 31 Dec 2020
- ERV decreased by 4.3 per cent (like-for-like) to £76 million (Dec 2020: £81 million) while the equivalent yield was stable at 3.94 per cent

Proactive asset management and strong leasing momentum

- 29 new leases and renewals were agreed during the period representing £6.0 million contracted income (6 per cent below Dec 2020 ERV) with a further £3.1 million under offer
- Government restrictions have been lifted with retail and hospitality customers fully reopen
- Growing customer sales recorded through the period with certain premium and luxury categories amongst the highest performing
- High occupancy with EPRA vacancy at 3.4 per cent (Dec 2020: 3.5 per cent) performing strongly versus central London
- 12 new openings scheduled over the course of 2021 including Peloton, Glossier and Ave Mario
- Improved rent collection; 65 per cent of June quarter collected (adjusted for payment plans)
- Customer support provided in H1 2021 on a case by case basis and expected to reduce with easing of restrictions
- Pedestrianisation of key streets extended; additional al fresco dining providing over 800 covers
- Six month cultural programme launched; digital engagement, public art installations, pop-up bars and terraces across the estate
- Realised value from the sale of two residential-led blocks on Southampton Street for £50 million (before costs)

Net Zero Carbon by 2030 underlining commitment to sustainability

- Environment, Sustainability and Community ("ESC") Board Committee setting clear actions
- Detailed pathway to Net Zero Carbon by 2030 to be published later this year
- Commitment to enhancing air quality with continued pedestrianisation of streets around Piazza

- Customer engagement programme commenced on carbon, water and waste, intending to reduce environmental impact
- Partnership with the Wild West End, a charitable partnership which aims to enhance the quality of green space and the local environment
- Support provided in respect of homelessness charities, local food banks and the elderly as well as hospitality, retail and cultural foundations

Strong balance sheet position with significant financial flexibility

- Covent Garden net debt of £304 million (Dec 2020: £352 million) and loan to value ratio of 18 per cent (Dec 2020: 19 per cent)
- Group net debt of £668 million (Dec 2020: £710 million) and net debt to gross assets of 28 per cent (Dec 2020: 28 per cent)
- Access to Group liquidity comprising undrawn facilities and cash of £989 million (Dec 2020: £1 billion)
- Capital commitments of £5 million (Dec 2020: £2 million)
- Weighted average maturity on drawn debt of 5.4 years (Dec 2020: 5.4 years) and average cost of debt of 2.8 per cent (Dec 2020: 2.6 per cent)

Other investments

- Investment in Shaftesbury PLC valued at £552 million (Dec 2020: £552 million), compared with a £501 million cost; dividend income from Shaftesbury PLC shares of £2.3 million received in July 2021
- Lillie Square property value of £108 million, a decrease of 7.9 per cent (like-for-like) since 31 Dec 2020. JV loan facility repaid in full during the period
- Final £15 million of deferred consideration from the Earls Court sale due in November 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2021	Year ended 31 December 2020
Total equity	**£1,657m**	£1,760m
Total equity per share	**194.6p**	206.8p
-6.1% Total return for six months ended 30 June 2021 (full year 2020: -27.2%)		
EPRA net tangible assets[1]	**£1,696m**	£1,806m
EPRA net tangible assets per share[1]	**199.2p**	212.1p
Dividend per share	**0.5p**	–
-4.1% Total property return for six months ended 30 June 2021 (full year 2020: -24.4%)		
Property market value[2]	**£1,796m**	£1,942m
Net rental income from continuing operations[3]	**£21.0m**	£15.8m
Loss for the period	**-£104.1m**	-£702.7m
Headline loss per share	**-1.4p**	-1.3p
Basic loss per share[1]	**-12.2p**	-82.5p
Underlying earnings/(loss) per share[4]	–	-0.7p

1. From continuing and discontinued operations. Refer to note 11 “Earnings per share and Net Assets Per Share” on page 41.
2. On a Group share basis. Refer to Property Portfolio on page 59 for the Group’s percentage ownership of property.
3. On a Group share basis. Refer to note 2 “Segmental Reporting” on page 35.
4. From continuing and discontinued operations. Refer to “Underlying Earnings” on page 38.

ENQUIRIES

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A presentation to analysts and investors will take place today at 9.45am through a webcast on the Group's website www.capitalandcounties.com followed by analyst Q&A.

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).

OPERATING REVIEW

Valuations

The total property value of the Group decreased by 5.1 per cent (like-for-like) in the period to £1.8 billion.

As at 30 June 2021, Covent Garden total property value was £1,688 million, representing a 4.9 per cent like-for-like decrease (31 December 2020: £1,825 million). The main contributor was a 4.3 per cent (like-for-like) decline in ERV, primarily in the retail and office portfolios, to £75.8 million. The valuers have taken account of recent market transactions and the positive leasing momentum across the estate reflecting improving sentiment. The valuers' assumption on loss of income has reduced from £27 million to £11 million, resulting in a positive adjustment of £16 million in the period. The equivalent yield was stable at 3.94 per cent (31 December 2020: 3.95 per cent adjusted for the sale of the Southampton Street properties), reflecting the valuers' view of the strength of demand for this prime central London estate. The total valuation decline since 31 December 2019 is 31 per cent (like-for-like), comprising a 26 per cent ERV decline and 28 basis point outward yield movement.

CBRE's independent valuation of the Covent Garden estate 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.

The property valuation of the Lillie Square joint venture as at 30 June 2021 was £108 million (Capco share), a 7.9 per cent decline (like-for-like) against the 31 December 2020 valuation of £117 million.

	Market Value 30 June 2021 £m	Market Value 31 December 2020 £m	Valuation Change Like-for-like[1]
Covent Garden	**1,687.7**	1,825.1	**(4.9)%**
Other[2]	**107.9**	117.3	**(7.9)%**
Group share of total property[3]	**1,795.6**	1,942.4	**(5.1)%**

1. Valuation change takes account of amortisation of tenant lease incentives, capital expenditure, disposals, fixed head leases and unrecognised trading surplus.
2. Includes Capco's interest in the Lillie Square joint venture and Lillie Square Holdings Group.
3. A reconciliation of carrying value of investment, development and trading property to the market value is shown in note 12 'Property Portfolio'.

COVENT GARDEN

A world-class destination

The Covent Garden estate represents a carefully assembled portfolio in the heart of London's West End, comprising retail, dining, leisure and cultural space complemented by high quality offices and residential apartments. Through creative asset management and disciplined investment, Covent Garden has been established as an exceptional mixed-use portfolio with a world-class customer line up. The estate represents approximately 1.1 million square feet of lettable space, across 73 buildings and 507 units.

Positive reopening with footfall and sales growing

Following a year characterised by government restrictions and stop-start trading conditions for retail and hospitality customers, the roll out of the vaccination programme is now enabling the gradual return of footfall, resulting in a return of consumer and business confidence as well as more normal patterns of activity.

The enduring appeal of Covent Garden continues to be seen by recovery in footfall and trade following the easing of measures. There has been a gradual return of office workers which is anticipated to continue gathering pace following the final stage of lifting of restrictions around working from home and physical distancing. The recent reopening of nightlife and theatres returning to full capacity will further stimulate the West End's economy. There remain limitations on international leisure and business travel, however there has been a significant rise in the number of domestic tourists and Londoners coming to Covent Garden for both day visits and longer stays.

Footfall and sales are gradually improving since the reopening of non-essential shops. Footfall trends are broadly in line with West End reported benchmarks and while customer sales data relate to a relatively short period, the trajectory has been very encouraging with certain categories performing strongly. Covent Garden's restaurants are recovering more quickly as the consumer has sought high quality experiences within a strong overall setting. In partnership with Westminster, a number of additional streets in Covent Garden continue to be pedestrianised allowing Capco to provide 800 al fresco seats across 35 restaurants enhancing hospitality customers' trading prospects. In general, trading activity remains below pre-pandemic levels, however certain customers are trading in line with or in excess of 2019 levels. Capco has been encouraged by the level of activity with a significant number of customers noting greater conversion rates and larger basket sizes. Capco's targeted categories and concepts with strong productivity and margins including premium and luxury operators are amongst the highest performing since reopening.

Creative asset management and positive leasing momentum

Actions taken over the past 18 months have positioned this part of London strongly and competitively to benefit from a recovery. Occupancy across the estate remains high with a vibrant customer line up and new sought-after concepts continue to be signed to the estate.

Capco's proactive approach to asset management has ensured that EPRA vacancy remains low at 3.4 per cent (31 December 2020: 3.5 per cent), positioning it strongly against central London. 6.2 per cent of ERV is in or is held for development or refurbishment (31 December 2020: 6.4 per cent).

The valuation of the estate decreased by 4.9 per cent like-for-like over the first half of the year to £1.7 billion. The valuers have taken account of recent market transactions and the significant demand across the estate reflecting improving sentiment. The valuers' assumption on loss of income has reduced from £27 million to £11 million, resulting in a positive adjustment of £16 million. The equivalent yield was stable at 3.94 per cent, (31 December 2020: 3.95 per cent adjusted for the sale of the Southampton Street properties) reflecting the valuers' view of the strength of demand for this prime central London estate.

Customers continue to invest in the estate with a number of new openings including Vashi's flagship jewellery store, the upsizing of Bucherer and two new restaurants on Henrietta Street, Ave Mario and Mrs Riot. Digitally native brands Glossier and Reformation have agreed terms to open new flagship stores on King Street. As well as such new signings, there are a number of brands including Peloton and Strathberry which are completing their fit out and will open in the coming months. There is a strong leasing pipeline, from high-quality brands consistent with Capco's creative vision for the estate. The pipeline of customers will augment and support the fantastic line up, which has been carefully curated over many years.

Capco has over many years adopted a flexible approach to commercial arrangements with customers including features such as turnover related and shorter leases, which have enabled the business to drive change and continue to reposition the estate. Many of these concepts have transitioned into longer term occupation. The new concepts introduced continue to include both long and shorter-term arrangements, providing the opportunity for both Capco and the customer to benefit from increased sales over time. 29 leasing transactions (-6 per cent against 31 December 2020 ERV) completed in the first half of the year representing £6.0 million of contracted income (H1 2020: £2.7 million).

On an underlying basis, net rental income reduced by £0.1 million to £25.2 million compared with 30 June 2020. Income collection continues to be impacted by the limited ability for the majority of our customers to trade for much of the first half of the year. Overall 61 per cent of rent has been collected in respect of the first half of the year. 65 per cent of June 2021 quarterly rents have been collected after adjusting for monthly payment plans.

As a long-term investor in the estate, Capco has provided support on a case-by-case basis to customers experiencing cash flow challenges as a result of COVID-19. Capco's direct relationships with customers have enabled the business to take a proactive approach and maintain the strong customer line up, ensuring that tenant failures have been minimal over the period. Customer support was provided in H1 2021 on a case by case basis and is expected to extend into H2 2021 for a selection of customers where appropriate, but on a reduced basis. Growing footfall, sales and customer demand should result in improved cash income over time.

Consumer engagement with the launch of an extensive cultural programme

Capco continues to implement its consumer focused marketing strategy and is collaborating closely with occupiers and stakeholders to promote Covent Garden and the West End. Capco's reopening strategy had a clear objective to provide its customers with the confidence to reopen and encourage visitors to return, whilst protecting the estate and ensuring its prosperity over time.

In order to sustain and enhance demand from customers and visitors during the lockdown period earlier this year, Capco continued to engage directly with the consumer with a curated schedule of digital first experiences to bring Covent Garden to everyone at home through a new digital activity hub. This is consistent with Capco's investment in digital marketing over recent years which has resulted in strong digital engagement across its channels.

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

A cultural programme was launched which includes public art installations, over 800 al-fresco dining seats and a new botanical garden outdoor picnic area. Indoor dining reopened from 17 May 2021, providing Covent Garden with over 2,500 additional dining seats. To coincide with the reopening of indoor hospitality, Capco launched a Rosé Festival with a selection of pop up bars and terraces across the Piazza. Covent Garden hosted a six-week-long street food festival in partnership with Feast It with a weekly changing roster of dining experiences.

From 10 July 2021, Capco is partnering with The Royal Opera House ('ROH') for a month long festival of creativity 'ROH Unlocked' with a schedule of open-air performances showcasing ballet and opera on the Piazza. This coincides with the Covent Garden Summer Festival which includes a Fever Tree Spritz Bar, Wimbledon screenings and a revolving selection of street food brands.

Sustainability, environmental stewardship and stakeholder engagement

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

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

Sustainability is embedded across the business but continues to grow in importance as tackling the challenges of climate change requires immediate action. Capco has committed to achieve Net Zero Carbon by 2030 with a detailed pathway to be published over the coming months. During the period, Capco commenced a customer engagement programme to inform and identify opportunities to lower carbon impacts across the estate and collaborate to minimise water consumption and waste generation. Capco aims to minimise its own impact on the environment by employing an active approach to reduce traffic and congestion therefore enhancing air quality. One of Covent Garden's key differentiators is its largely pedestrianised nature. In partnership with

Westminster City Council, Capco continues to make enhancements to the public realm across the additional pedestrianised streets in the Covent Garden area allowing over 800 outdoor seats enhancing the customer experience for visitors.

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

Capco continues to encourage Covent Garden visitors to make better environmental choices and supports its restaurants and retailers in their efforts to become more sustainable. Throughout 'Plastic Free' July various programmes were implemented across the estate including reusable cup initiatives, water refill stations, product recycling and sustainable takeaway packaging alternatives to tackle plastic waste. Covent Garden's sustainability efforts have also been extended to its greening programme which has introduced thousands of new plants across the estate, alongside reducing plastic wastage by over 60 per cent.

Capco has continued to provide assistance to local charity partners. Financial aid is provided in support of homelessness, food banks, and the elderly as well as hospitality and retail foundations.

Throughout COVID Capco did not furlough any of its employees nor has it taken up any other government support measures. Capco conducted an employee survey in April 2021, which received both very high engagement scores and a very high response rate of over 90 per cent, as well as high scores in most areas. The survey covered the following topics: working at Capco, corporate strategy (including sustainability) and support, dealing with the pandemic, new ways of working and a feedback section. The employee survey results demonstrated Capco's entrepreneurial and dynamic culture with strong and positive performance. Capco's people continue to be highly engaged which is a key strength and differentiator.

Retail

Retail space represents 50 per cent of the portfolio by value. Capco's retail strategy is to focus on concepts relevant to the consumer in targeted categories with a strong omni-channel presence. These targeted categories include digitally native, sustainable, jewellery, contemporary fashion, beauty, lifestyle and sports.

Retailers continue to adapt to changes in consumer shopping behaviour. COVID-19 has demonstrated that successful retailers will continue to need physical stores to build brand awareness, customer capture and retention. Retailers will not need as many stores as before but will be focused on leading global destinations placing 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 estate recognition and brand engagement.

A number of global brands have agreed terms to take space in Covent Garden. Sustainable fashion brand Reformation has agreed terms to open a new London flagship store on King Street. Reformation is a lifestyle brand which combines stylish, vintage-inspired designs with sustainable practices. Its designs are 100 per cent water, waste and carbon neutral, with a commitment to being climate positive by 2025. As a sustainable, digitally native fashion brand, Reformation will add to the existing unique shopping experience that the estate offers for consumers.

Following the success of Glossier's Floral Street pop-up store in 2019, the digital-first beauty company has agreed terms for a long-term lease on King Street. Glossier is a millennial favourite with a cult online following and is expected to open in the coming months.

Bespoke jewellery brand Vashi opened its new London flagship store on James Street in June 2021. The state-of-the-art workshop allows customers to be at the heart of the design process to co-create their own bespoke piece. This new opening joins established luxury brands Tiffany & Co. and Bucherer, which opened in a new prominent location in the Royal Opera House Arcade having doubled the size of its store.

Designer accessories brand Strathberry and gold jewellery boutique Sacred Gold will open in the Market Building in the second half of the year. Outdoor apparel brand Arc'teryx agreed terms earlier this year for a store on Long Acre.

During the period, Spokesafe opened on Long Acre. Alongside secure cycle storage, E-bike chargers, lockers, a repair station and multiple air pumps are available for visitors to use on a daily, weekly or monthly basis.

Dining

Covent Garden continues to introduce high quality innovative food concepts which have been central to the dining strategy. Dining space represents 22 per cent of the portfolio by value.

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

Mrs Riot opened on Henrietta Street and is an experience led bistro and cocktail bar offering live entertainment every day of the week with interiors designed by Hollywood film designer Sonja Klaus. Following a pop-up on James Street, The Gentlemen Baristas has signed a longer term lease to open a new flagship bar, restaurant and café on Henrietta Street. Greggs have taken space on the Strand and are expected to open later this year.

Hospitality and leisure

Covent Garden is benefiting from the increased level of city staycations, with the area home to a number of new hotels from independent and boutique operators including The Henrietta Hotel and budget friendly Z hotel. Covent Garden has hotels for every price range for visitors to explore London.

Capco has recently partnered with a number of hotels in the area to reward guests with a Covent Garden Black Card which unlocks discounts and special offers across restaurants, shops and experiences in and around the Covent Garden estate.

Following the acquisition of the London Film Museum by Warner Bros, a new Harry Potter exhibition has been launched of behind-the-scenes images from the Harry Potter film series in the London Film Museum located on Wellington Street. In addition, Disney have launched a 'Disney on Stage' family friendly exhibition in Covent Garden showcasing a number of Disney productions.

Office

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

Office space represents 15 per cent of the portfolio by value. The valuation of the office portfolio decreased by 9 per cent like-for-like to £257 million, primarily driven by more prudent letting and capital expenditure assumptions for future developments and refurbishments.

As a result of the pandemic, physical occupation of office space in central London is currently low however is anticipated to increase following the easing of restrictions. A theme that has also been amplified by COVID-19 is increased demand for 'plug and play' space on flexible lease terms in the London office market. A number of flexible spaces have been introduced across the estate in recent years including the opening of WeWork on Long Acre in 2020.

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

Residential

Covent Garden is established as a premium residential address. Residential space represents 8 per cent of the portfolio by value. During the pandemic there has been an increased level of vacancy across the portfolio with many overseas residents in particular not renewing tenancies. However following the easing of restrictions, there has been a significant increase in enquiries with strong leasing demand for residential accommodation across the estate. Vacancy across this portfolio has reduced significantly since 31 December 2020 with seven units available to let.

Investment activity

Capco continues its disciplined approach to capital allocation. In June 2021, Capco completed the sale of two freehold properties 26-27 Southampton Street and 30-32 Southampton Street to a private investor for £50.2 million (before costs) realising a loss of £7.7 million against the 31 December 2020 valuation. The properties comprise a greater proportion of larger residential units and have been sold at a price representing a capital value of £1,775 per square feet. The buildings comprise 17 residential apartments and two retail units across 28,000 square feet located on Southampton Street with a total ERV of £1.6 million and £1.4 million passing rent at 31 December 2020.

Assets in the area remain tightly held. Capco has a strong balance sheet and access to significant liquidity to take advantage of market opportunities. There are a number of properties on or around the estate being actively tracked for repositioning opportunities. Capco's extensive knowledge of the district, close network of contacts and proven track record mean Capco is often the best positioned to acquire properties, frequently off-market.

Active asset management and refurbishment initiatives continue across the estate including office refurbishments at 35 King Street and 5-6 Henrietta Street which are expected to come to market next year. Total current capital commitments across the Covent Garden estate are modest at £3.9 million.

OTHER INVESTMENTS

Shaftesbury PLC shareholding

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

At 30 June 2021, the share price of Shaftesbury PLC shares was 569.5 pence, resulting in Capco's investment being valued at £552 million (31 December 2020: £552 million). On 2 July 2021, Shaftesbury PLC paid an interim dividend of 2.4 pence per share, generating £2.3 million of dividend income.

The Shaftesbury investment represents a significant stake in an exceptional mixed-use real estate portfolio of approximately 600 buildings, adjacent to Capco's world-class Covent Garden estate. The investment provides the opportunity to benefit from the recovery of the broader West End.

Lillie Square

Capco owns 50 per cent of the Lillie Square joint venture, a one million square foot (GEA) residential development located in West London.

The property valuation as at 30 June 2021 was £106 million (Capco share), a 7.9 per cent decline (like-for-like) against the 31 December 2020 valuation of £115 million. In addition, Capco owns £2 million of other related assets adjacent to the Lillie Square estate.

Development of Lillie Square is well-progressed. Handover of 227 Phase 1 units is complete, with a small number of units available. The handover of Phase 2 continues with 97 units handed over, representing £118 million of net cash proceeds (£59 million Capco share). Ten contracts, representing approximately £13 million in value, have been rescinded resulting in non-completion of pre-sold units.

During the period, the joint venture restructured the previously announced bulk sale of 49 units and 31 car parking spaces representing £66 million (£33 million Capco share). Contracts have been exchanged on a revised deal with a consortium of investors for the sale of 19 units and 20 car parking spaces for £38 million. £18.6 million of cash proceeds has been paid to date with the remaining proceeds due on completion which is expected in the autumn.

Proceeds from the sale have been used to repay the loan facility in full. The joint venture is in a cash position of £21.1 million. 70 units remain available in Phase 2 representing £104 million (£52 million Capco share).

Earls Court deferred proceeds

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

OUTLOOK

Capco's actions, commitment and creativity over the last 18 months have ensured that Covent Garden is the most vibrant district in the West End. We are confident that our approach and the quality of our estate, underpinned by our strong balance sheet, position Capco for recovery.

The elevated level of enquiries, strong transactional activity and improving sentiment indicate that the worst of the pandemic may be behind us. There remain challenges in the near term however the return of office workers and opening of nightlife and theatres will help the economy move towards more normal levels of activity. Covent Garden vacancy remains low, although wider vacancy issues across the West End may take some time to be absorbed by the market.

We are particularly pleased by the resilience of our high quality customer line up, the level of investment of new customers fitting out space and our strong leasing pipeline. Customer sales data is moving in the right direction with positive trajectory to date and it will be important this continues for the rest of the year to build towards the important Christmas trading period. The pace of rental decline has slowed and yields are stable reflecting the valuers' view on improving sentiment and the strength of demand for this prime central London estate.

Capco will remain disciplined in the allocation of its capital and is well-positioned to take advantage of market opportunities. We will continue to focus on responsible stewardship, implementing our ESC strategy and working to achieve our Net Zero Carbon target by 2030.

Through our long-term vision and entrepreneurial culture, we have positioned the business competitively. Capco is in a strong financial position with significant financial flexibility. Looking ahead we remain confident in the resilience of London's West End and the enduring appeal of Covent Garden.

FINANCIAL REVIEW

The COVID-19 pandemic has continued to have a material impact on the financial results of the Group, reflecting the further period of significant disruption to our customers' businesses during much of the first half of the year, as demonstrated by the 4.9 per cent like-for-like decline in the independent property valuation of the Covent Garden portfolio. Income collection continues to be impacted by the limited ability for the majority of our customers to trade for much of the first half of the year. Overall 61 per cent of rent has been collected for the first six months of the year. Adjusting for monthly payment plans, 65 per cent of June 2021 quarterly rents have been collected. Rent collection as measured 21 days after the due date was 47 per cent, for June 2021 billing which represents a significant improvement when compared with the average over the previous five quarters during the pandemic of 34 per cent.

Overall EPRA NTA (net tangible assets) per share decreased by 6.1 per cent during the period, from 212.1 pence to 199.2 pence. The total return for the period was -6.1 per cent. Total shareholder return for the period, reflecting the movement in the share price from 145 pence to 161 pence, was 11.0 per cent.

Underlying earnings from continuing activities was nil compared with £2.5 million for the six months ended 30 June 2020, driven primarily by increased interest costs (being the result of a higher level of average net debt year on year following the Shaftesbury investment) offset by a reduction in underlying administrative expenses.

Rental income

In view of the continued disruption to business and consumer activity, bespoke support has been provided to customers in respect of the period, including rent deferrals, rent-free periods and other arrangements reflecting the position of each customer. As was the case in the second half of 2020, for many retail and F&B customers rental agreements have been linked to turnover in exchange for other provisions such as removal of breaks, lease extensions and enhanced sharing of data.

On a group share basis, gross rental income decreased by £2.7 million to £35.6 million, a 7 per cent reduction compared with the same period of 2020. Net rental income has however increased by £2.8 million compared with the first half of 2020, driven largely by a £4.8 million reduction in bad debt expense (£1.0 million in 2021 versus £5.8 million in 2020), offset in part by a £2.2 million increase in property costs primarily due to increased void and COVID-19 related costs.

Lease modification costs and impairment of tenant lease incentives of £4.2 million are excluded from underlying net rental income as they are at levels not experienced prior to the COVID-19 pandemic nor expected to be incurred once tenant support measures required as a result of COVID-19 and related restrictions conclude. On an underlying basis, net rental income has reduced by £0.1 million to £25.2 million.

Balance sheet

The property valuation of the Covent Garden estate has decreased by 4.9 per cent (like-for-like) to £1,688 million primarily as a result of a 4.3 per cent decline in ERV to £75.8 million. The Group completed the sale of two assets on Southampton Street in June 2021 for total proceeds of £50.2 million, recording a loss in the income statement against the 31 December 2020 valuation of £7.7 million. The proceeds from the sale were used in part to repay the revolving credit facility (which is now fully undrawn) with the balance held as cash deposits.

Despite the impact of COVID-19, the Group is well-positioned with a clear focus to grow its property investment business centred around the West End, supported by a strong financial position. With net debt to gross assets of 28 per cent and access to substantial cash and undrawn facilities, currently £989 million, the Group has the ability to withstand market volatility, capitalise on investment opportunities and deliver long-term value creation.

The Group has a shareholding of 25.2 per cent in Shaftesbury represented by 96,971,003 shares, acquired at a blended price (before costs) of 517 pence per share or £501 million in total. As at 30 June 2021 the investment was valued at £552 million based on the closing price of 569.5 pence per share on 30 June 2021. After the period end, on 2 July 2021, the group received dividend income from Shaftesbury of £2.3 million.

Development of Lillie Square, in which Capco has a 50 per cent interest, is well-progressed. Handover of 227 Phase 1 units is complete, with a small number of units remaining available. The completion of Phase 2 continues with 97 units handed over, representing £118 million of net cash proceeds. Ten contracts, representing approximately £13 million in value, have been rescinded resulting in non-completion of pre-sold units for which deposits of £2.4 million were retained.

The property valuation as at 30 June 2021 was £106 million (Capco share), a 7.9 per cent decline (like-for-like) against the 31 December 2020 valuation of £115 million. In addition, Capco owns £2 million of other related assets adjacent to the Lillie Square estate.

During the period, the joint venture restructured the previously announced bulk sale of 49 units and 31 car parking spaces representing £66 million. Contracts have been exchanged on a revised deal with a consortium of investors for the sale of 19 units and 20 car parking spaces for £38 million. £18.6 million of cash proceeds have been paid with the remaining proceeds due on completion which is expected in the autumn.

Proceeds from the sale have been used to repay the loan facility in full. The joint venture is in a cash position of £21.1 million.

Basis of preparation

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

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

One of the key performance measures the Group uses is underlying earnings. The Group considers the presentation of underlying earnings to be useful supplementary information as it removes unrealised and certain other items and therefore better represents the recurring, underlying performance of the business. Items that are excluded are net valuation gains or losses (including profits or losses on disposals), fair value changes, impairment charges, net refinancing charges, costs of termination of derivative financial instruments and other non-recurring costs and income. Given the scale of the rental support provided to tenants during the current period and during 2020, the non-cash lease modification expenses and impairment of incentives totalling £4.2 million remain material and at levels not experienced prior to the pandemic nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Accordingly, they have been excluded from underlying earnings on a basis consistent with the presentation in the Group's 2020 Annual Report and Accounts. Underlying earnings is reported on a Group share basis.

A summary of EPRA performance measures and key Group measures included within these condensed consolidated interim financial statements is shown in EPRA measures on pages 56 to 58.

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

FINANCIAL PERFORMANCE

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

SUMMARY INCOME STATEMENT

	30 June 2021		
Continuing operations	**Group share £m**	**Joint ventures[1] £m**	**IFRS £m**
Net rental income[2]	21.0	0.2	21.2
Loss on revaluation and sale of investment and development property	(92.4)	–	(92.4)
Change in fair value of listed equity investment	0.5	–	0.5
Administration expenses[3]	(12.1)	–	(12.1)
Net finance costs	(16.3)	–	(16.3)
Taxation	1.2	–	1.2
Profit on sale of trading property	5.2	(5.2)	–
Write down of trading property	(7.1)	7.1	–
Other[4]	(6.2)	–	(6.2)
Loss for the period from continuing operations	(106.2)	2.1	(104.1)
Adjustments[5]:			
Net rental income – non-underlying[2]			4.2
Loss on revaluation and sale of investment and development property			92.4
Change in fair value of listed equity investment			(0.5)
Administration expenses – non-underlying[3]			3.0
Other[4]			6.3
Taxation on non-underlying items			(1.3)
Underlying earnings from continuing operations			–
Underlying earnings per share (pence)			–
Weighted average number of shares			851.1m

1. Lillie Square and Innova Investments.

2. Net rental income includes £4.2 million of non-underlying costs in relation to lease modification costs and impairment of tenant incentives. Underlying net rental income, excluding these items, is £25.2 million.

3. Administration expenses includes £3.0 million of non-underlying costs primarily related to the assignment of the Group's previous head office lease totalling £1.8 million and other transaction related costs which are all considered non-recurring in nature.

4. Includes other costs, impairment of other receivables and other finance income including change in fair value of derivatives.

Further details regarding the EPRA and Company specific adjustments are disclosed within EPRA measures on page 56.

	30 June 2020		
Continuing operations	Group share £m	Joint ventures[1] £m	IFRS £m
Net rental income[2]	18.2	(0.1)	18.1
Loss on revaluation and sale of investment and development property	(431.8)	0.2	(431.6)
Change in fair value of listed equity investment	(8.0)	–	(8.0)
Administration expenses	(16.6)	–	(16.6)
Net finance costs	(10.4)	–	(10.4)
Taxation	0.6	–	0.6
Other[3]	5.3	2.1	7.4
Loss for the period from continuing operations	(442.7)	2.2	(440.5)
Adjustments[4]:			
Net rental income – non-underlying[2]			7.1
Loss on revaluation and sale of investment and development property			431.6
Change in fair value of listed equity investment			8.0
Administration expenses – non-underlying			4.4
Other[3]			(8.5)
Taxation on non-underlying items			0.4
Underlying earnings from continuing operations			2.5
Underlying earnings per share (pence)			0.3
Weighted average number of shares			853.0m

1. Lillie Square and Innova Investments.

2. Net rental income includes £7.1 million of non-underlying costs in relation to lease modification costs and impairment of tenant incentives. Underlying net rental income, excluding these items, is £25.3 million.

3. Includes write-back of other receivables, profit on sale of trading property and other finance income.

4. Further details regarding the EPRA and Company specific adjustments are disclosed within EPRA measures on page 56.

Net rental income

	30 June 2021			30 June 2020		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Rental income	**35.6**	**(1.0)**	**34.6**	38.3	(0.5)	37.8
Property and service charge expenses	**(9.4)**	**1.2**	**(8.2)**	(7.2)	0.4	(6.8)
Bad debt expenses	**(1.0)**	**–**	**(1.0)**	(5.8)	–	(5.8)
Underlying net rental income	**25.2**	**0.2**	**25.4**	25.3	(0.1)	25.2
Impairment of tenant lease incentives	**(1.6)**	**–**	**(1.6)**	(5.7)	–	(5.7)
Lease modification expenses	**(2.6)**	**–**	**(2.6)**	(1.4)	–	(1.4)
Net rental income	**21.0**	**0.2**	**21.2**	18.2	(0.1)	18.1

1. Lillie Square.

Overall rental income has reduced by 7 per cent to £35.6 million from £38.3 million due primarily to tenant movements in 2020.

Property expenses have increased by £2.2 million reflecting increased void and COVID-19 costs across Covent Garden and Lillie Square. The 2020 cost was offset in part by a rates rebate of £0.2 million.

Net rental income has continued to be impacted due to the disruption caused by COVID-19. Overall IFRS reported net rental income was £21.2 million, an increase of £3.1 million from £18.1 million in the first half of 2020 driven by a lower overall bad debt charge in the period.

Included in the net rental income for the first half of 2021 is £2.6 million of lease modification expense reflecting the derecognition of initial direct costs associated with entering into lease concessions with tenants. In view of challenging market conditions, an assessment of the tenant lease incentives held on balance sheet has resulted in a further £1.6 million impairment being recorded in the first half of 2021. Both of these items represent non-cash items for the period.

Taking into account other factors, including the government announcement of the extension of the rent moratorium, a further detailed impairment analysis has been undertaken on the recoverability of rent receivable representing outstanding rent, service charge, deferrals and other lease charges. As at 30 June 2021 the rent receivable balance was £34.2 million. Based on this assessment, the balance sheet position has been impaired by £12.7 million reflecting 37 per cent of the gross balance (43 per cent net) being provided against with the majority of this relating to the retail and F&B sectors. Additional cash collateral and guarantees are held and if included in the assessment, 66 per cent of the net balance has been provided against. Including bad debt write-offs in the period the total charge to net rental income is £1.0 million.

Loss on revaluation and sale of investment and development property

The loss on revaluation and sale of the Covent Garden investment and development property was £92.3 million. The property valuation of the Covent Garden estate has decreased by 4.9 per cent (like-for-like) to £1,688 million, primarily as a result of a 4.3 per cent decline in ERV to £75.8 million with the equivalent yield stable at 3.94 per cent. The Group completed the sale of two assets on Southampton Street in June 2021 for total proceeds of £50.2 million, resulting in a loss on sale of £7.7 million relative to the 31 December 2020 valuation.

Administration expenses

Administration expenses have decreased by £4.5 million from £16.6 million to £12.1 million. Underlying administration costs were £9.1 million representing a like-for-like reduction of £3.1 million (25 per cent) mainly due to savings on head office costs. Non-underlying costs in the current period relate to the assignment of the group's previous head office lease and other transaction-related expenses not expected to recur in future periods (2020: transaction costs of £4.4 million).

The Group has announced previously that it is targeting underlying administration costs of £20 million for the 2021 financial year, and notwithstanding certain upward cost pressures and disruption to business activity caused by COVID-19, progress towards this has continued to be made during the period.

Net finance costs

Due to a higher level of net debt during the period relative to the first half of 2020 following the investment in Shaftesbury shares and related financing activity, net finance cost has increased from £10.4 million to £16.2 million. Underlying finance costs of £16.3 million represents finance costs for the period associated with the gross debt drawn of approximately £950 million. Interest earned on cash held on deposit was negligible. In addition, there is a commitment fee on the £705 million RCF which was largely undrawn over the period and £2.4 million was incurred on amortisation of debt issue costs.

Taxation

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

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

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. As a minimum, 90 per cent of the income arising from qualifying activities is required to be distributed as a Property Income Distribution ("PID") to the shareholders of the Group. The full amount of PIDs received from the Shaftesbury investment are also required to be distributed to shareholders. Non-REIT activities, such as disposals of trading property, are subject to UK corporation tax in the normal way. A tax charge can arise for the Group (currently at 19 per cent) if the minimum PID requirement is not met within 12 months of the end of the period.

The UK REIT provisions also require a group to satisfy certain tests to maintain its REIT status. The Group expects to satisfy all requirements needed to maintain REIT status throughout 2021. The UK REIT provisions can impose a UK tax charge on the Group if certain interest cover tests are not met. HMRC has indicated that it is not within the intention of the REIT regime to issue a tax charge in relation to these interest cover tests, where it can be established that COVID-19 is the reason for a breach. As this would be the case for the period to 31 December 2021, the Group does not anticipate a tax charge arising, or for there to be a material risk to the Group's REIT status, due to these tests not being met.

The tax credit of £1.2 million in the income statement comprises a deferred tax charge of £0.4 million in relation to derivative financial instruments and share-based payments, and a deferred tax credit of £1.7 million mainly in relation to the restatement of trading losses carried forward to reflect the increase in tax rate. The main rate of corporation tax remained unchanged at 19 per cent throughout the period. The UK Budget announced on 3 March 2021, confirmed an increase in the main corporation tax rate from 19 to 25 percent with effect from 1 April 2023. This change has been substantively enacted on 24 May 2021 and therefore has been reflected in the Group's deferred tax balances where applicable.

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

Dividends

The Board has proposed an interim dividend of 0.5 pence per share to be paid on 23 September 2021 to shareholders on the register at 27 August 2021. Subject to SARB approval, the Board intends to offer a scrip alternative. The dividend will comprise 0.25 pence in the form of a PID and 0.25 pence of ordinary dividend.

FINANCIAL POSITION

At 30 June 2021 the Group's EPRA NTA was £1.7 billion (31 December 2020: £1.8 billion) representing 199.2 pence per share (31 December 2020: 212.1 pence).

SUMMARY ADJUSTED BALANCE SHEET

	30 June 2021		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**
Investment, development and trading property	1,762.2	(105.8)	1,656.4
Financial assets at fair value through profit and loss	552.2	-	552.2
Net debt	(667.9)	(11.1)	(679.0)
Other assets and liabilities[2]	41.3	85.6	126.9
Net assets	1,687.8	(31.3)	1,656.5
Adjustments:			
Fair value of derivative financial instruments			1.7
Fair value adjustment of financial instruments – bond option			8.3
Unrecognised surplus on trading property			0.1
Revaluation of other non-current assets			31.3
Deferred tax adjustments			(1.6)
EPRA net tangible assets			1,696.3
EPRA net tangible assets per share (pence)[3]			199.2

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 30 June 2021 was 851.5 million.

	31 December 2020		
	Group share £m	Joint ventures[1] £m	IFRS £m
Investment, development and trading property	1,908.8	(113.0)	1,795.8
Financial assets at fair value through profit and loss	551.8	-	551.8
Net debt	(710.4)	(5.1)	(715.5)
Other assets and liabilities[2]	42.9	84.7	127.6
Net assets	1,793.1	(33.4)	1,759.7
Adjustments:			
Fair value of derivative financial instruments			7.2
Fair value adjustment of financial instruments – bond option			5.5
Unrecognised surplus on trading property			2.2
Revaluation of other non-current assets			33.4
Deferred tax adjustments			(2.2)
EPRA net tangible assets			1,805.8
EPRA net tangible assets per share (pence)[3]			212.1

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

Investment, development and trading property

The Group share of investment, development and trading property carrying value has decreased from £1,908.8 million at 31 December 2020 to £1,762.2 million. This movement comprises capital expenditure of £4.1 million, offset by disposals of £58.9 million and a revaluation loss of £91.7 million.

The Covent Garden portfolio valuation reduced by 4.9 per cent like-for-like, driven primarily by a 4.3 per cent decline in ERV, to £1,687.7 million.

The unrecognised surplus on trading property declined by £2.1 million, and together with the revaluation on investment and development property the total revaluation loss was £94.5 million, representing a 5.1 per cent like-for-like decrease in value, which compares to the MSCI Capital Return for the equivalent period of a 3.5 per cent gain.

Total property return for the period was -4.1 per cent. The MSCI Total Return Index recorded a 6.2 per cent gain for the corresponding period.

Trading property is carried on the consolidated balance sheet at the lower of cost and net realisable value, therefore valuation surpluses on trading property are not recorded. Any unrecognised surplus is however reflected within the EPRA net tangible assets measure. At 30 June 2021, the unrecognised surplus on trading property was £0.1 million (31 December 2020: £2.2 million) which arises solely on the Group's share of trading property at Lillie Square.

Financial assets at fair value through profit or loss

The gain in fair value of listed equity investment of £0.5 million reflects the difference in the Shaftesbury share price between 31 December 2020 (569 pence per share) and 30 June 2021 (569.5 pence per share).

Debt and gearing

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

The Group's cash and undrawn committed facilities at 30 June 2021 were £988.8 million (31 December 2020: £1,010.2 million), the reduction being due to the cancellation of the Lillie Square facility in the current period. A reconciliation between IFRS and Group share is shown below:

	30 June 2021			31 December 2020		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Cash and cash equivalents	**273.8**	**(11.1)**	**262.7**	375.8	(10.7)	365.1
Undrawn committed facilities	**715.0**	**-**	**715.0**	634.4	(59.4)	575.0
Cash and undrawn committed facilities	**988.8**	**(11.1)**	**977.7**	1,010.2	(70.1)	940.1

1. Primarily Lillie Square.

Net debt decreased by £42 million to £667.9 million in the period, principally as a result of the repayment of the revolving credit facility with disposal proceeds on the sale of two assets on Southampton Street. £110 million of the proceeds from the secured loan was held in cash at 31 December 2020 and was used to repay part of the revolving credit facility in early 2021. In view of the amount of liquidity available to the Group, it is intended that the £705 million revolving credit facility, which is currently undrawn and has a maturity date of December 2022, will be refinanced at a reduced size during the second half of 2021.

The gearing measure most widely used in the industry is loan to value ("LTV"), however in order to address the fact that LTV does not take into account the value of the shareholding in Shaftesbury, the Group focusses on net debt to gross assets which stood at 27.5 per cent at 30 June 2021. This is comfortably within the Group's internal limit of no more than 40 per cent.

	30 Jun 2021	31 Dec 2020
Net debt to gross assets	**27.5%**	27.5%
Loan to value – Covent Garden debt covenant	**18.0%**	19.3%
Interest cover – Group	**100.0%**	76.1%
Interest cover – Covent Garden debt covenant	**198.9%**	53.8%
Weighted average debt maturity – drawn and undrawn facilities	**3.7 years**	4.1 years
Weighted average debt maturity – drawn facilities	**5.4 years**	5.4 years
Weighted average cost of debt	**2.8%**	2.6%
Gross debt with interest rate protection	**100%**	100%

The Group's policy is to eliminate substantially the medium and long-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating rate basis but are generally swapped to fixed rate or capped using derivative contracts. At 30 June 2021 the proportion of gross debt with interest rate protection was 100 per cent (31 December 2020: 100 per cent). The revolving credit facility was fully undrawn at period end.

The principal financial covenants within the Covent Garden debt are to maintain a loan to value ratio of not more than 60 per cent and an interest cover ratio of at least 120 per cent. Based on the current loan to value position under the Covent Garden debt, there is substantial headroom with the ability for property valuations to fall by a further 70 per cent. The interest cover covenant has been met for the six months ended 30 June 2021 and a waiver is in place with the Covent Garden lenders in relation to this period and for the year ending 31 December 2021.

At 30 June 2021 the Group had capital commitments of £5.2 million (£2.2 million at 31 December 2020), comprising £3.9 million for Covent Garden and £1.3 million for Lillie Square.

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

CASH FLOW

A summary of the Group's cash flow for the period ended 30 June 2021 is presented below:

SUMMARY CASH FLOW

	30 June 2021		
	Group share £m	Joint ventures[1] £m	IFRS £m
Operating cash flows after interest and tax	**(4.2)**	**(0.7)**	**(4.9)**
Purchase and development of property, plant and equipment	**(3.7)**	**0.6**	**(3.1)**
Transactions with joint venture partners	**(2.1)**	**1.1**	**(1.0)**
Net sales proceeds from property and investments	**57.0**	**(6.8)**	**50.2**
Net cash flow before financing	**47.0**	**(5.8)**	**41.2**
Finance facilities repaid	**(148.7)**	**5.3**	**(143.4)**
Other	**(0.9)**	**0.7**	**(0.2)**
Net cash flow	**(102.6)**	**0.2**	**(102.4)**

1. Primarily Lillie Square.

	30 June 2020		
	Group share £m	Joint ventures[1] £m	IFRS £m
Operating cash flows after interest and tax	(31.9)	5.7	(26.2)
Purchase and development of property, plant and equipment	(12.5)	5.8	(6.7)
Transactions with joint venture partners and non-controlling interests	(0.3)	(0.4)	(0.7)
Net sales proceeds from discontinued operation	89.7	-	89.7
Net sales proceeds from property and joint investments	41.8	(41.4)	0.4
Equity investment acquisition	(347.7)	-	(347.7)
Net cash flow before financing	(260.9)	(30.3)	(291.2)
Financing	427.5	22.5	450.0
Share buyback	(11.8)	–	(11.8)
Dividends paid	(4.6)	–	(4.6)
Other	(0.8)	0.3	(0.5)
Net cash flow	149.4	(7.5)	141.9

1. Primarily Lillie Square.

Operating cash outflows of £4.2 million are as a result of the reduced cash rental collections in the period leading to increased rent receivable balance, the payment of administration expenses and interest.

During the period, £3.1 million was invested at Covent Garden for capital expenditure on a number of small projects. At Lillie Square, £0.6 million was incurred in relation to ongoing development.

At Covent Garden the Southampton Street disposals generated gross proceeds of £50.2 million (before costs). Proceeds were used in part to repay the outstanding balance on the revolving credit facility after an initial repayment was made in early 2021 with proceeds from the £125 million secured loan.

IFRS cash and cash equivalents decreased by £102.4 million to £262.7 million.

Going concern

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

At 30 June 2021 the Group had cash and undrawn committed facilities of £989 million and capital commitments of £5.2 million. The Covent Garden loan to value ratio was 18 per cent compared with a covenant level of 60 per cent and covenant waivers are in place with the Covent Garden lenders in relation to interest cover for the period up to and including 31 December 2021. During the remainder of the going concern period (being the period to September 2022) there is projected to be headroom against the interest cover covenant, including in a severe but plausible downside scenario.

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 condensed consolidated interim financial statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these condensed consolidated interim financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

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

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

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

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

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 period. 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 the Annual Report and Accounts 2020 and note 1 'Principal Accounting Policies' within 'Critical accounting judgements and key sources of estimation and uncertainty'.

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

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

The long term impact of COVID-19 on future demand for and use of lettable space, evolution of consumer behaviour (including an acceleration of trends in online shopping) and travel patterns could have further implications for the real estate market and our portfolio. In view of the unpredictable nature of the pandemic, the evolution of policy measures such as the removal of government support measures and other government guidance will be monitored closely together with the impact of related emerging risks. Since the July 2021 announcements about the relaxation of restrictions we expect to see a gradual return to more normal economic conditions but the length of time it will take to get to pre-pandemic levels remains uncertain.

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

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

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

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

- the impact on the London and UK economy, including exchange rate volatility and potential disruption in the financial markets

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

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

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

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

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

Emerging risks

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

CORPORATE

Risk	Impact on strategy	Mitigation
Economic conditions		
Decline in real estate valuations due to macro-economic conditions Decline in fair value of listed investments held Relative attractiveness of other asset classes or locations Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour	Reduced return on investment and development property Reduced return on listed investments Higher finance costs Reduced profitability	Focus on prime assets Regular assessment of investment market conditions including bi-annual external valuations Regular strategic reviews Strategic focus on creating retail-led destinations and residential districts with unique attributes

COVID-19 impact and measure to mitigate

Impact:

COVID-19 has resulted in high levels of macro-economic and market uncertainty and volatility. This uncertainty combined with a significant reduction in footfall due to government action has led to a reduction in rental income and property valuations.

Restrictions on international and local travel have had a significant impact on footfall and business activity on the estate, leading to tenant cash flow issues.

The Group focuses on prime assets in the West End of London primarily in the retail and hospitality sector. Due to travel restrictions and changing consumer behaviour the geographical and asset class concentration risk of impact of valuation and rents has been increased.

The increased risk of an economic downturn as a result of COVID-19 could further impact demand for space, and result in changes to lease structures, and therefore the valuation of our assets and rental income.

Measures to mitigate:

We remain in regular dialogue with our tenants to understand their financial position and consider providing support where appropriate. Rental support has been provided to retail and hospitality tenants experiencing cash flow pressures, with rental agreements being adjusted on a case-by-case basis to include deferrals and turnover-linked arrangements where appropriate. Following the July 2021 government announcements about relaxation of restrictions we expect to see a gradual return to normality but remain wary about the possible impact of the withdrawal of government support measures on our tenants.

The Group remains in regular dialogue with local authorities to understand future plans and work constructively to position the estate in the best possible manner to benefit from a recovery and prosper over the medium term including implementing pedestrianisation and al fresco dining where appropriate.

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

Limited business interruption insurance is held by the Group and continues to be assessed for applicability to the COVID-19 impacts. During 2021 we have seen a trend of increasing insurance premia and reduced risk appetite from insurers in the market.

Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the COVID-19 pandemic to help plan for future impacts on the business.

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

COVID-19 impact and measure to mitigate

Impact:

Reduction in net rental income and property valuations as well as increased finance costs as a result of COVID-19 have increased the risk of the Group having limited headroom against or not meeting its financial covenants.

Measures to mitigate:

Funding, debt and treasury metrics are monitored on a continual basis with a focus on preserving liquidity and capital. Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the COVID-19 pandemic to help monitor any impact on debt covenants.

Due to the impact of COVID-19 on the Group's net rental income, waivers are in place with lenders in relation to the Covent Garden interest cover covenant for the period up to and including 31 December 2021. The interest cover and LTV covenants were however both met as at 30 June 2021.

A downside scenario has been analysed in connection with the going concern assessment, details of which are set out in note 1 to the condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been prepared on a going concern basis.

Political climate		
Uncertain political climate or changes to legislation and policies Disruption from completing the transition period of leaving the EU could result in an adverse impact on business and consumer confidence, increase material costs and reduce labour supply	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

COVID-19 impact and measure to mitigate

Impact:

The economic and political uncertainty around legislation and policy changes has been heightened due to the global impact of COVID-19 with potential long-term impacts. In addition the impact of Brexit remains a risk with disruption likely.

Measures to mitigate:

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

Catastrophic external event		
Such as a terrorist attack, health pandemic or cyber security crime	Diminishing London's status Heightened by concentration of investments Reduced rental income and/or capital values Business disruption or damage to property Reputational damage	Terrorist insurance On-site security Health and safety policies and procedures Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities Regular training

COVID-19 impact and measure to mitigate

Impact:

The COVID-19 pandemic is a global crisis which has brought about unprecedented challenges and disruptions to our customers and visitor numbers in the near-term.

Measures to mitigate:

The Group's priority throughout the pandemic has been the health and safety of the Group's people, tenants and visitors. Additional cleaning and security measures have been implemented and deployed across the Group's estate and offices and other initiatives have been pursued including pedestrianisation to enable social distancing.

Our teams have started to return to working from our offices on the estate but a significant amount of working from home remains. A review of cyber security was performed in 2020 to ensure appropriate controls are in place and ensure all employees remain vigilant to potential risks.

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

COVID-19 impact and measure to mitigate

Impact:

In response to COVID-19, all employees have been working from home to a large extent since March 2020 albeit a significant proportion have started to return to the office as restrictions have eased.

There remains a risk of illness across employees, management or service providers which would disrupt the day-to-day activities of the Group's business and running of the estate.

Measures to mitigate:

Risk assessments were performed for all employees to ensure they are well equipped and able to work from home effectively.

Government guidance has been followed with regular contact with staff to ensure well-being.

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

The Group's offices have been made COVID secure in readiness for a return to normal working practices.

Government guidelines will be followed as employees return to normal working practices including rotas if required to enable physical distancing.

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

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

We continue to carefully monitor employees' mental and physical well-being and the health and safety of our employees and service providers remains a top priority. Risk assessments for returning to the office have been undertaken with all employees.

Health and safety		
Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties	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

COVID-19 impact and measure to mitigate

Impact:

The COVID-19 pandemic resulted in various closures of all non-essential retail premises for a large part of the first half of the year and required employees to work from home. Health and safety risks and evolving guidelines and legislation have been taken into account across the business.

Measures to mitigate:

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

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

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

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

Compliance with law, regulations and contracts		
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes Exit from REIT regime due to non-compliance with REIT requirements	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes

COVID-19 impact and measures to mitigate

Impact:

Measures to respond to COVID-19 include the imposition of new legislation, regulations and requirements for our people, customers and visitors, which have an impact on matters such as recoverability of rents, health and safety and other matters.

Reduced rental income as a result of COVID-19 has made it more challenging for the Group to meet the REIT requirements, without some dispensation from HMRC.

Measures to mitigate:

The COVID committee, and additional working groups set up to monitor and manage the impact of COVID-19 on the business, has been meeting regularly to review emerging legislation and requirements and regularly communicated these to the business and employees, ensuring timely implementation.

Formal protocols have been put in place and communicated across the various stakeholder groups to ensure everyone is aware of the new legislation and requirements.

We remain in close communication with HMRC regarding our REIT status, the Group's ability to comply with the requirements and the approach which HMRC will take in relation to a breach of the REIT conditions resulting from COVID-19.

Climate change		
Physical impact on our assets from rising temperatures or other extreme climate-related event such as flooding Transitional challenge of increasing and more onerous compliance and reporting requirements, as well as retrofitting, insuring or leasing our assets in a heritage environment on an appropriate whole life carbon basis Inability to keep pace with customer and consumer demand for proactive action to manage and mitigate climate-related risk	Reduced capital values or business disruption, reduced income through disruption Increased operating costs to meet reporting and target metrics and compliance. Increased capital costs of retrofitting, or inability to resolve listed building or planning challenges, leads to buildings becoming carbon stranded Reduced income through lower rents and longer void periods due to reduced tenant demand	Board and management ESC Committees established to manage climate-related risks and opportunities with appointment of Director of Sustainability and Technology Net Zero Carbon commitment for 2030 and full asset by asset review to be completed in 2021 as part of Net Zero Carbon pathway. Continued engagement with planning stakeholders to preserve heritage buildings, while enhancing environmental performance Pro-active customer and consumer engagement programme and setting of appropriate climate-related targets on both development and operations

COVID-19 impact and measure to mitigate

Impact:

Reduced ability to access the estate to implement planned carbon reduction measures.

Reduced customer engagement on environmental matters due to focus on their own COVID-19 related business challenges.

Measures to mitigate:

Long term planning and mobilisation of asset by asset carbon mitigation strategy and continued implementation of appropriate measures where still on site.

A bespoke approach to COVID-19 support has been undertaken by the Group with its tenants, which will encourage climate-related engagement following the lifting of government restrictions.

PROPERTY

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

COVID-19 impact and measures to mitigate

Impact:

The majority of retail and F&B tenants were closed for business or operated on a very restricted basis in early 2021. This has had a significant impact on leasing activity and rent collection.

Evolving lease structures may also have an impact on underlying property valuations and rental income.

COVID-19 has affected suppliers and their business activities, which could lead to delays or inability to provide some services.

Measures to mitigate:

As a long-term investor in the estate, the Group took early action to ensure the safety and security of Covent Garden whilst also providing support on a case-by-case basis to customers experiencing cash flow challenges as a result of COVID-19.

Bespoke solutions have been agreed which include rent deferrals, rent-free periods and other arrangements reflecting the financial position of each customer. This has continued during 2021 following the restrictions in the first quarter of the year however we expect a lower level in the future as a result of our tenants being open for trade following the continued relaxation of restrictions into the summer months.

For certain tenants which are experiencing short-term cash flow issues, rental agreements have been linked to turnover for certain periods in exchange for other provisions such as lease extensions.

We have a focused reopening strategy in place and through active asset management our main objective is to assist our tenants to return as the restrictions have continued to ease, ensuring the business is well-positioned to benefit from a recovery and prosper over the medium and long term.

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

Risk	Impact on strategy	Mitigation
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

COVID-19 impact and measure to mitigate

Impact:

Given the broad implications and evolving nature of the pandemic and its economic implications, there is an increased risk of misalignment of objectives with stakeholders and business partners.

Delays in development due to government restrictions on how building contracts operate on-site during COVID-19.

Changes to planning regulations with the amendment to The Town and Country Planning Regulations 2020, from September 2020 allowing for flexibility in change in use of commercial units. Higher than anticipated reductions in sales prices as a result of the pandemic might deliver lower returns on units not yet completed.

The Group maintains strong relationships and regular, open and constructive dialogue with stakeholders.

We continue to consider different market scenarios in light of evolving circumstances.

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Capital & Counties Properties PLC are listed in the Capital & Counties Properties PLC Annual Report for 31 December 2020. A list of current Directors is maintained on the Capital & Counties Properties PLC website: www.capitalandcounties.com.

By order of the Board

Ian Hawksworth
Chief Executive
26 July 2021

Situl Jobanputra
Chief Financial Officer
26 July 2021

Independent review report to Capital & Counties Properties PLC
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Capital & Counties Properties PLC's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Capital & Counties Properties PLC for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2021;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Capital & Counties Properties PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
26 July 2021

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2021

	Notes	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Continuing operations				
Revenue	2	**34.9**	38.1	73.0
Rental income		**34.6**	37.8	73.9
Rental expenses[1]	4	**(13.4)**	(19.7)	(58.0)
Net rental income	2	**21.2**	18.1	15.9
Other income/(costs)		**0.3**	0.3	(1.0)
Loss on revaluation and sale of investment and development property	5	**(92.4)**	(431.6)	(693.1)
Change in fair value of financial assets through profit or loss	13	**0.5**	(8.0)	50.9
(Impairment)/write-back of investments and other receivables	6	**(5.5)**	1.9	(28.2)
		(75.9)	(419.3)	(655.5)
Administration expenses		**(12.1)**	(16.6)	(31.0)
Operating loss		**(88.0)**	(435.9)	(686.5)
Finance income	7	**0.1**	0.4	0.5
Finance costs	8	**(16.3)**	(10.8)	(24.1)
Other finance income	7	**6.0**	13.2	20.5
Other finance costs	8	**(0.9)**	–	(0.6)
Change in fair value of derivative financial instruments	14	**(6.2)**	(8.0)	(14.5)
Net finance costs		**(17.3)**	(5.2)	(18.2)
Loss before tax from continuing operations		**(105.3)**	(441.1)	(704.7)
Current tax		**–**	(0.2)	0.8
Deferred tax		**1.2**	0.8	0.2
Taxation	9	**1.2**	0.6	1.0
Loss for the period from continuing operations		**(104.1)**	(440.5)	(703.7)
Discontinued operation				
(Loss)/profit for the period from discontinued operation		**–**	(0.2)	1.0
Loss for the period		**(104.1)**	(440.7)	(702.7)
Loss per share				
Basic and diluted loss per share		**(12.2)p**	(51.7)p	(82.5)p
Loss per share from continuing operations[2]				
Basic and diluted loss per share	11	**(12.2)p**	(51.6)p	(82.6)p
Weighted average number of shares	11	**851.1m**	853.0m	852.0m

1. Included in rental expenses is £2.6 million (30 June 2020: £11.5 million and 31 December 2020: £25.1 million) of expected credit loss relating to bad debt expense in relation to rent receivables and impairment of tenant lease incentives. Rental expenses also include £2.6 million (30 June 2020: £1.4 million and 31 December 2020: £16.7 million) of lease modification expenses. See note 4 'Rental Expenses' for further information.

2. Earnings per share from the discontinued operation are shown in note 11 'Earnings per Share and Net Assets Per Share'.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2021

	Notes	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Loss for the period		**(104.1)**	(440.7)	(702.7)
Total comprehensive expense for the period		**(104.1)**	(440.7)	(702.7)
Arising from:				
Continuing operations		**(104.1)**	(440.5)	(703.7)
Discontinued operation		**–**	(0.2)	1.0

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2021

	Notes	**As at 30 June 2021 £m**	As at 31 December 2020 £m
Non-current assets			
Investment and development property	12	**1,656.4**	1,795.8
Property, plant and equipment		**0.6**	4.4
Investment in joint ventures	15	**0.3**	0.3
Financial assets at fair value through profit or loss	13	**552.2**	551.8
Deferred tax	21	**8.0**	6.8
Trade and other receivables	16	**122.6**	118.2
		2,340.1	2,477.3
Current assets			
Trade and other receivables	16	**60.3**	65.7
Tax asset		**0.5**	–
Cash and cash equivalents	17	**262.7**	365.1
		323.5	430.8
Total assets		**2,663.6**	2,908.1
Non-current liabilities			
Borrowings, including lease liabilities	19	**(941.0)**	(1,079.0)
Derivative financial instruments	14	**(25.3)**	(22.5)
		(966.3)	(1,101.5)
Current liabilities			
Borrowings, including lease liabilities	19	**(0.7)**	(1.6)
Tax liabilities		**–**	(1.0)
Trade and other payables	18	**(40.1)**	(44.3)
		(40.8)	(46.9)
Total liabilities		**(1,007.1)**	(1,148.4)
Net assets		**1,656.5**	1,759.7
Equity			
Share capital	22	**212.8**	212.8
Other components of equity		**1,443.7**	1,546.9
Total equity		**1,656.5**	1,759.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2021

	Share capital £m	Share premium £m	Capital Redemption reserve £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2021	**212.8**	**232.2**	**1.5**	**313.7**	**6.4**	**(0.4)**	**993.5**	**1,759.7**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(104.1)**	**(104.1)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(104.1)**	**(104.1)**
Transactions with owners								
Realisation of merger reserve[1]	**–**	**–**	**–**	**(20.0)**	**–**	**–**	**20.0**	**–**
Realisation of share-based payment reserve on issue of shares	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**0.1**	**–**
Fair value of share-based payment	**–**	**–**	**–**	**–**	**0.8**	**–**	**–**	**0.8**
Realisation of cash flow hedge	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Total transactions with owners	**–**	**–**	**–**	**(20.0)**	**0.7**	**0.1**	**20.1**	**0.9**
Balance at 30 June 2021	**212.8**	**232.2**	**1.5**	**293.7**	**7.1**	**(0.3)**	**909.5**	**1,656.5**

	Notes	Share capital £m	Share premium £m	Capital Redemption reserve £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020		213.6	228.9	–	367.6	6.0	(0.4)	1,661.8	2,477.5
Loss for the period		–	–	–	–	–	–	(440.7)	(440.7)
Total comprehensive expense for the period		–	–	–	–	–	–	(440.7)	(440.7)
Transactions with owners									
Ordinary shares issued[2]	22	0.7	3.3	–	–	–	–	(0.4)	3.6
Share buy-back	22	(1.5)	–	1.5	–	–	–	(11.8)	(11.8)
Dividends	10	–	–	–	–	–	–	(8.5)	(8.5)
Realisation of share-based payment reserve on issue of shares		–	–	–	–	(0.9)	–	0.8	(0.1)
Fair value of share-based payment		–	–	–	–	0.7	–	–	0.7
Realisation of cash flow hedge		–	–	–	–	–	0.1	–	0.1
Total transactions with owners		(0.8)	3.3	1.5	–	(0.2)	0.1	(19.9)	(16.0)
Balance at 30 June 2020		212.8	232.2	1.5	367.6	5.8	(0.3)	1,201.2	2,020.8

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve relates to the Southampton Street sales in the period as the properties were originally acquired using proceeds from the share placements.
2. Share premium includes £3.3 million of ordinary shares issued relating to the bonus issue of shares in lieu of cash dividends. Refer to note 10 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the year ended 31 December 2020

	Notes	Share capital £m	Share premium £m	Capital Redemption reserve £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020		213.6	228.9	–	367.6	6.0	(0.4)	1,661.8	2,477.5
Loss for the year		–	–	–	–	–	–	(702.7)	(702.7)
Total comprehensive expense for the year ended 31 December 2020		–	–	–	–	–	–	(702.7)	(702.7)
Transactions with owners									
Ordinary shares issued[2]	22	0.7	3.3	–	–	–	–	–	4.0
Share buyback	22	(1.5)	–	1.5	–	–	–	(11.8)	(11.8)
Dividends	10	–	–	–	–	–	–	(8.5)	(8.5)
Realisation of merger reserve[1]		–	–	–	(53.9)	–	–	53.9	–
Realisation of share-based payment reserve on issue of shares		–	–	–	–	(0.9)	–	0.8	(0.1)
Fair value of share-based payment		–	–	–	–	1.3	–	–	1.3
Total transactions with owners		(0.8)	3.3	1.5	(53.9)	0.4	–	34.4	(15.1)
Balance at 31 December 2020		212.8	232.2	1.5	313.7	6.4	(0.4)	993.5	1,759.7

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

2. Share premium includes £3.3 million of ordinary shares issued relating to the bonus issue of shares in lieu of cash dividends. Refer to note 10 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2021

	Notes	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Cash flows from operating activities				
Cash generated from/(utilised in) operations	25	**7.7**	(15.5)	(32.3)
Interest paid		**(11.2)**	(10.6)	(22.7)
Interest received		**0.1**	0.4	0.5
Tax paid		**(1.5)**	(0.3)	(0.3)
Net cash outflow from continuing operating activities		**(4.9)**	(26.0)	(54.8)
Net cash outflow from discontinued operating activities		**–**	(0.2)	–
Net cash outflow from operating activities		**(4.9)**	(26.2)	(54.8)
Cash flows from investing activities				
Purchase and development of property, plant and equipment		**(3.1)**	(6.7)	(23.9)
Sale of property		**50.2**	0.2	76.8
Sale of discontinued operation		**–**	89.7	194.1
Sale of subsidiaries		**–**	0.2	0.2
Acquisition of listed equity investment		**–**	(347.7)	(500.9)
Amounts advanced to joint ventures		**(1.0)**	(0.7)	3.2
Net cash inflow/(outflow) from investing activities		**46.1**	(265.0)	(250.5)
Cash flows from financing activities				
Share buy-back		**–**	(11.8)	(11.8)
Borrowings drawn		**–**	450.0	930.0
Borrowings repaid		**(140.0)**	–	(390.0)
Principal element of lease payment		**(0.2)**	(0.5)	(0.9)
Purchase and repayment of derivative financial instruments		**(3.4)**	–	(5.4)
Cash dividends paid	10	**–**	(4.6)	(4.6)
Net cash (outflow)/inflow from financing activities		**(143.6)**	433.1	517.3
Net (decrease)/increase in cash and cash equivalents		**(102.4)**	141.9	212.0
Unrestricted cash and cash equivalents at 1 January		**365.1**	153.1	153.1
Unrestricted cash and cash equivalents at period end		**262.7**	295.0	365.1

NOTES TO THE ACCOUNTS (UNAUDITED)

1 PRINCIPAL ACCOUNTING POLICIES

General information

Capital & Counties Properties PLC (the "Company") was incorporated and registered in England and Wales on 3 February 2010 under the Companies Act as a public company limited by shares, registration number 7145051. The registered office of the Company is Regal House, 14 James Street, London, WC2E 8BU, United Kingdom. The principal activity of the Company is to act as the ultimate parent company of Capital & Counties Properties PLC Group (the "Group"), whose principal activity is the development and management of property.

The Group's assets principally comprise investment and development property at Covent Garden.

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. Capital & Counties Properties PLC transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition.

The Group's condensed consolidated interim financial statements are prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and with UK adopted International Accounting Standards 34 'Interim Financial Reporting' in conformity with the requirements of the Companies Act 2006. The condensed consolidated financial statements should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2020, which have been prepared in accordance with IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006. The condensed consolidated financial statements are prepared in British pounds sterling.

The condensed consolidated interim financial statements for the six months ended 30 June 2021 are reviewed, not audited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors on 8 March 2021 and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 498 of the Companies Act 2006.

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

There is no material seasonal impact on the Group's financial performance.

These condensed consolidated financial statements were approved by the Board of Directors on 26 July 2021.

Going concern

The Directors continue to assess the impact of the pandemic on the business, in particular focusing on the appropriateness of adopting the going concern basis in preparing the consolidated condensed financial statements. The Group's going concern assessment covers the period to 30 September 2022, being a period of at least 12 months from the date of authorisation of these consolidated condensed financial statements (the "going concern period").

Following the easing of restrictions on non-essential retail and hospitality businesses since April 2021, there has been an improvement in footfall and tenant sales metrics. The level of tenant failures has been negligible, the EPRA vacancy level remains low and cash collections continue to improve, however physical occupation of office space in central London is currently low and the outlook for international travel remains uncertain. The Group's conservative base case therefore assumes a gradual recovery in business and consumer sentiment, based on the assumption that footfall and sales will return to pre-pandemic levels by the end of 2023.

In determining the potential future downside impact of COVID-19, the Group has also assessed a "severe but plausible" downside scenario which captures the possibility of UK Government restrictions in response to the pandemic resulting in a further deterioration in trading conditions over the going concern period. The Group has adopted a severe but plausible downside scenario with a level of impact in line with its year end assessment.

This includes the following key assumptions:

- Rent concessions, including turnover–linked arrangements over the near term, continue to be provided to a range of tenants, focusing particularly on the retail, F&B and leisure sectors combined with extended voids and tenant failures, leading to a substantial reduction in forecast net rental income over the going concern period. The rental concessions provided to tenants, notably rent-free periods, create a divergence between cash collected and reported net rental income as rent-free periods are amortised over the lease term. These assumptions have also been factored into the expected credit loss assessment.
- Declines in rental values, the impact of which would be seen through lease breaks, expiries or defaults, along with a widening of yields, result in further reduced asset values and a significant reduction in rental income.

Notwithstanding the backdrop of closure of non-essential retail and hospitality until 12 April 2021, the Group traded ahead of its severe but plausible downside forecast for the period. The Group has a strong financial position with net debt to gross assets of 28 per cent and access to cash and undrawn facilities of £989 million as at 30 June 2021. As at the period end, the Covent Garden group had net debt of £304 million and a loan to value ratio of 18 per cent, which compares with a debt covenant level of 60 per cent. The interest cover ratio in relation to the Covent Garden debt for the first half of 2021 was 199 per cent, comfortably ahead of the covenant level of 120 per cent. The Covent Garden debt matures between 2022 and 2037, with the December 2022 maturity relating to the revolving credit facility which is currently undrawn. No debt facilities are due to mature and no new financing is assumed during the going concern period. To the extent that the revolving credit facility is refinanced in advance of its maturity date, it is anticipated that the financial covenants would be equivalent to those currently in place.

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

The independent property valuation could withstand a further 70 per cent decline during the going concern period before a breach of the loan to value covenant, absent any mitigating actions which the Group may take. A waiver of the interest cover covenant is in place in relation to the period up to and including 31 December 2021. During the remainder of the going concern period there is projected to be sufficient headroom against the interest cover covenant, including in the severe but plausible downside scenario. Mitigating actions, including those within the Group's control such as reducing certain discretionary expenses and finance costs through repayment of Covent Garden debt, would provide further headroom.

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

Critical accounting judgements and key sources of estimation and uncertainty

The preparation of condensed 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 valuations

The most significant area of estimation and uncertainty in the consolidated condensed financial statements is in respect of the valuation of the property portfolio, where external valuations are obtained.

The fair value of the Group's investment, development and trading property at 30 June 2021 was determined by independent, appropriately qualified external valuers CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards.

As various inputs used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of uncertainty. Our external valuers have made a number of assumptions as outlined within note 12 'Property Portfolio' in forming their opinion on the valuation of our investment and trading properties and although these assumptions are in accordance with the RICS Valuation Professional Standards, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the condensed financial statements, which could have a material effect on the Group's financial position.

Impairment of trade receivables

COVID-19 has caused significant operational and financial challenges to our tenants and as a result tenant default risk has remained high in the period with rent collections significantly impacted. In view of disruption to business and consumer activity, bespoke support has been provided to customers on a case-by-case basis, which includes rent deferrals, rent-free periods and other arrangements reflecting the position of each customer.

Assumptions are involved in the calculation of the impairment provision, using the expected credit loss model within IFRS 9, in respect of rent receivable balances outstanding at the period end. The expected credit loss rates are based on forward-looking information as well as historical evidence of collection with the March 2020 to June 2021 quarterly collection statistics providing 15 months of information as an indication of the COVID-19 trading period. However, in the current market, with greater uncertainty, additional information has been reviewed in calculating the expected credit loss. All tenants are allocated a risk rating, as determined by management, and provided a rating of maximum, high, medium and low risk. Maximum risk tenants, which account for 10 per cent of the commercial portfolio, are predominantly in the retail and F&B sector. The classification is developed by taking into consideration information on the tenant's credit rating, current financial position, historical trading performance, historical default rate and the current impact of COVID-19 on the operational performance of the business.

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

The provision for expected credit loss against rent receivables is £12.7 million (31 December 2020: £12.4 million) and is included within the rent receivable balance included in note 16 'Trade and Other Receivables'. An overall expense has been recorded through net rental income of £1.0 million (31 December 2020: £14.0 million) reflecting the rent receivables derecognised in the year for tenant failures or tenants who have vacated as well as the movement on the balance sheet provision.

Retail and F&B represents approximately 72 per cent of the Group's portfolio and have been the sectors most impacted by COVID-19 and government restrictions, with these sectors making up over 76 per cent of the rent receivable balance. Tenants classified as maximum risk have been provided in full. High and medium risk tenants within the retail and F&B sectors represented 47 per cent of the overall provision and the Group has effectively provided for 48 per cent of the arrears. If the expected credit loss was increased by 10 per cent the provision would increase by £0.5 million. If the expected credit loss was reduced by 10 per cent the provision would decrease by £0.9 million.

The key areas of accounting judgement are:

Property classification

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

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

Changes in accounting policies

The condensed consolidated financial statements have been prepared using the accounting policies, significant judgements, key assumptions and estimates set out on pages 123 to 130 of the Group's Annual Report & Accounts for 2020 with the exception of the below new accounting policies and amendments.

New accounting policies

During 2021, the following accounting standards and interpretations have been adopted by the Group:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)Standards
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

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

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

No new accounting policies have been adopted during the six month period ended 30 June 2021.

2 SEGMENTAL REPORTING

Management has determined the operating segments based on reports reviewed by the Executive Directors, who are deemed to be the chief operating decision makers. The principal performance measures have been identified as net rental income and net asset value.

For management and reporting purposes the Group is organised into the following divisions:

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

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

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

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

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

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Six months ended 30 June 2021					
	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	34.6	–	1.0	35.6	(1.0)	34.6
Proceeds from sale of trading property	–	–	6.8	6.8	(6.8)	–
Other income	–	0.2	–	0.2	0.1	0.3
Revenue	34.6	0.2	7.8	42.6	(7.7)	34.9
Rent receivable	32.0	–	0.1	32.1	(0.1)	32.0
Service charge income	2.6	–	0.9	3.5	(0.9)	2.6
Rental income	34.6	–	1.0	35.6	(1.0)	34.6
Property and service charge expenses	(8.0)	(0.2)	(1.2)	(9.4)	1.2	(8.2)
Bad debt expenses	(1.0)	–	–	(1.0)	–	(1.0)
Underlying net rental income/(expense)	25.6	(0.2)	(0.2)	25.2	0.2	25.4
Lease modification and impairment of tenant lease incentives	(4.2)	–	–	(4.2)	–	(4.2)
Net rental income/(expense)	21.4	(0.2)	(0.2)	21.0	0.2	21.2
Profit on sale of trading property	–	–	5.2	5.2	(5.2)	–
Write down of trading property	–	–	(7.1)	(7.1)	7.1	–
Other income	–	0.1	–	0.1	0.2	0.3
Loss on revaluation and sale of investment and development property	(92.3)	–	(0.1)	(92.4)	–	(92.4)
Impairment of investments and other receivables	–	–	–	–	(5.5)	(5.5)
Change in fair value of financial assets at fair value through profit or loss	–	0.5	–	0.5	–	0.5
Segment result	(70.9)	0.4	(2.2)	(72.7)	(3.2)	(75.9)
Unallocated costs:						
Administration expenses				(12.1)	–	(12.1)
Operating loss				(84.8)	(3.2)	(88.0)
Net finance costs[1]				(22.6)	5.3	(17.3)
Loss before tax				(107.4)	2.1	(105.3)
Taxation				1.2	–	1.2
Loss for the period				(106.2)	2.1	(104.1)
Summary balance sheet						
Total segment assets[2]	1,976.1	582.3	127.1	2,685.5	(33.8)	2,651.7
Total segment liabilities[2]	(592.3)	(414.9)	(2.1)	(1,009.3)	2.6	(1,006.7)
Segmental net assets	1,383.8	167.4	125.0	1,676.2	(31.2)	1,645.0
Unallocated assets[1]				11.5	–	11.5
Net assets				1,687.7	(31.2)	1,656.5
Other segment items:						
Depreciation	(0.1)	–	–	(0.1)	–	(0.1)
Capital expenditure	(2.6)	–	(1.6)	(4.2)	1.6	(2.6)

1. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.
2. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Six months ended 30 June 2020					
	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	37.8	–	0.5	38.3	(0.5)	37.8
Proceeds from sale of trading property	–	–	46.4	46.4	(46.4)	–
Other income	–	0.2	–	0.2	0.1	0.3
Revenue	37.8	0.2	46.9	84.9	(46.8)	38.1
Rent receivable	35.2	–	0.1	35.3	(0.1)	35.2
Service charge income	2.6	–	0.4	3.0	(0.4)	2.6
Rental income	37.8	–	0.5	38.3	(0.5)	37.8
Property and service charge expenses	(6.6)	(0.2)	(0.4)	(7.2)	0.4	(6.8)
Bad debt expenses	(5.8)	–	–	(5.8)	–	(5.8)
Underlying net rental income/(expense)	25.4	(0.2)	0.1	25.3	(0.1)	25.2
Lease modification and impairment of tenant lease incentives	(7.1)	–	–	(7.1)	–	(7.1)
Net rental income/(expense)	18.3	(0.2)	0.1	18.2	(0.1)	18.1
Profit on sale of trading property	–	–	6.5	6.5	(6.5)	–
Write down of trading property	–	–	(0.8)	(0.8)	0.8	–
Other income	–	0.2	–	0.2	0.1	0.3
(Loss)/gain on revaluation and sale of investment and development property	(431.2)	–	(0.6)	(431.8)	0.2	(431.6)
Impairment of investments and other receivables	–	–	–	–	1.9	1.9
Change in fair value of financial asset at fair value through profit and loss	–	(8.0)	–	(8.0)	–	(8.0)
Segment result	(412.9)	(8.0)	5.2	(415.7)	(3.6)	(419.3)
Unallocated costs:						
Administration expenses				(16.6)	–	(16.6)
Operating loss				(432.3)	(3.6)	(435.9)
Net finance costs[1]				(11.0)	5.8	(5.2)
Loss before tax				(443.3)	2.2	(441.1)
Taxation				0.6	–	0.6
(Loss)/profit for the period from continuing operations				(442.7)	2.2	(440.5)
Discontinued operation						
Loss for the period from discontinued operation				(0.2)	–	(0.2)
(Loss)/profit for the period				(442.9)	2.2	(440.7)
Summary balance sheet						
Total segment assets[2]	2,432.1	479.5	164.7	3,076.3	(52.3)	3,024.0
Total segment liabilities[2]	(1,061.8)	(12.5)	(45.1)	(1,119.4)	44.9	(1,074.5)
Segmental net assets	1,370.3	467.0	119.6	1,956.9	(7.4)	1,949.5
Unallocated assets[1]				71.3	–	71.3
Net assets				2,028.2	(7.4)	2,020.8
Other segment items:						
Depreciation	(0.2)	(0.5)	–	(0.7)	–	(0.7)
Capital expenditure	(6.9)	–	(6.5)	(13.4)	5.5	(7.9)

1. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Year ended 31 December 2020					
	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	73.9	–	1.9	75.8	(1.9)	73.9
Proceeds from sale of trading property	–	–	64.9	64.9	(64.9)	–
Other income	–	(0.4)	–	(0.4)	(0.5)	(0.9)
Revenue	73.9	(0.4)	66.8	140.3	(67.3)	73.0
Rent receivable	68.8	–	0.2	69.0	(0.2)	68.8
Service charge income	5.1	–	1.7	6.8	(1.7)	5.1
Rental income	73.9	–	1.9	75.8	(1.9)	73.9
Property and service charge expenses	(15.8)	(0.4)	(2.0)	(18.2)	2.0	(16.2)
Bad debts expenses	(14.0)	–		(14.0)	–	(14.0)
Underlying net rental income/(expense)	44.1	(0.4)	(0.1)	43.6	0.1	43.7
Lease modification and impairment of tenant lease incentives	(27.8)	–	–	(27.8)	–	(27.8)
Net rental income/(expense)	16.3	(0.4)	(0.1)	15.8	0.1	15.9
Profit on sale of trading property	–	–	8.9	8.9	(8.9)	–
Write down of trading property			(1.4)	(1.4)	1.4	–
Other costs	–	(0.5)	–	(0.5)	(0.5)	(1.0)
(Loss)/gain on revaluation and sale of investment and development property	(692.6)	–	(0.7)	(693.3)	0.2	(693.1)
Impairment of investments and other receivables	–	–	–	–	(28.2)	(28.2)
Change in fair value of financial asset at fair value through profit or loss	–	50.9	–	50.9	–	50.9
Segment result	(676.3)	50.0	6.7	(619.6)	(35.9)	(655.5)
Unallocated costs:						
Administration expenses				(31.5)	0.5	(31.0)
Operating loss				(651.1)	(35.4)	(686.5)
Net finance costs[1]				(29.7)	11.5	(18.2)
Loss before tax				(680.8)	(23.9)	(704.7)
Taxation				1.0	–	1.0
Loss for the year from continuing operations				(679.8)	(23.9)	(703.7)
Discontinued operation						
Loss for the year from discontinued operation				1.0	–	1.0
Loss for the year				(678.8)	(23.9)	(702.7)
Summary balance sheet						
Total segment assets[2]	2,209.6	586.7	137.1	2,933.4	(46.8)	2,886.6
Total segment liabilities[2]	(740.5)	(408.3)	(12.9)	(1,161.7)	13.4	(1,148.3)
Segmental net assets	1,469.1	178.4	124.2	1,771.7	(33.4)	1,738.3
Unallocated assets[1]				21.4	–	21.4
Net assets				1,793.1	(33.4)	1,759.7
Other segment items:						
Depreciation	(0.3)	(1.2)	–	(1.5)	–	(1.5)
Capital expenditure	(19.1)	–	(8.1)	(27.2)	7.0	(20.2)

1. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.
2. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

3 UNDERLYING EARNINGS

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

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

The calculation of underlying earnings was reviewed in the prior year due to the impact of COVID-19 and as a result it was determined to remove the impairment of tenant incentives and lease modification expenses recorded in rental expenses from underlying earnings. £2.6 million lease modification expenses comprise directly attributable lease costs previously held on balance sheet and amortised in accordance with IFRS 16. These non-cash costs have been incurred as a result of the Group providing rental support to its tenants during the COVID-19 pandemic and written off in the current period in accordance with our accounting policy. The £1.6 million costs relate to impairment of tenant incentives in respect of tenants who have entered administration during the pandemic or are experiencing significant disruption to cash flows.

Given the scale of the rental support provided to tenants in the current and prior periods these non-cash lease modification expenses and impairment of incentives remain material and at levels not experienced prior to the pandemic nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Accordingly they have been excluded from underlying profit. Details of all APMs used by the Group are set out in the APM section on page 54.

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

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

Continuing operations	Note	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Net rental income		**25.2**	25.3	43.6
Other income/(costs)		**0.2**	0.2	(0.5)
Administration costs		**(9.1)**	(12.2)	(25.0)
Operating profit		**16.3**	13.3	18.1
Finance costs		**(16.3)**	(10.8)	(24.3)
Finance income		**0.1**	0.4	0.5
Net finance costs		**(16.2)**	(10.4)	(23.8)
Profit/(loss) before tax		**0.1**	2.9	(5.7)
Taxation		**(0.1)**	(0.4)	(0.5)
Underlying earnings/(loss)		–	2.5	(6.2)
Underlying earnings/(loss) per share from continuing operations (pence)		–	0.3	(0.7)
Weighted average number of shares in issue	11	**851.1m**	853.0m	852.0m

Reconciliation to IFRS:

Underlying earnings/(loss) from continuing operations		–	2.5	(6.2)
Adjustment to reconcile to IFRS:				
Lease modification expense	4	**(2.6)**	(1.4)	(16.7)
Impairment of tenant lease incentives	4	**(1.6)**	(5.7)	(11.1)
Loss on revaluation and sale of investment and development property	5	**(92.4)**	(431.6)	(693.1)
(Impairment)/write-back of investments and other receivables	6	**(5.5)**	1.9	(28.2)
Non-recurring administration expenses		**(3.0)**	(4.4)	(6.5)
Other finance income	7	**6.0**	13.2	20.5
Other finance costs	8	**(0.9)**	–	(0.6)
Change in fair value of financial asset at fair value through profit or loss	13	**0.5**	(8.0)	50.9
Change in fair value of derivative financial instruments	14	**(6.2)**	(8.0)	(14.5)
Taxation		**1.3**	0.3	1.5
Other		**0.3**	0.7	0.3
Loss for the period from continuing operations		**(104.1)**	(440.5)	(703.7)

4 RENTAL EXPENSES

Continuing operations	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Property expenses[1]	**5.6**	4.2	11.1
Service charge costs	**2.6**	2.6	5.1
Bad debt expense	**1.0**	5.8	14.0
Total property outgoings	**9.2**	12.6	30.2
Lease modification expense[2]	**2.6**	1.4	16.7
Impairment of tenant lease incentives[2]	**1.6**	5.7	11.1
Total rental expenses	**13.4**	19.7	58.0

1. Included in property expenses for the current period is £0.3 million (30 June 2020: £0.4 million and 31 December 2020: £1.2 million) of COVID-19 related security, cleaning and equipment costs.
2. Lease modification expenses and impairment of tenant lease incentives have been excluded from underlying earnings. See note 3 'Underlying Earnings' for further details.

5 LOSS ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

Continuing operations	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Loss on revaluation of investment and development property	**(84.7)**	(431.6)	(692.2)
Loss on sale of investment property	**(7.7)**	–	(0.9)
Loss on revaluation and sale of investment and development property	**(92.4)**	(431.6)	(693.1)

6 (IMPAIRMENT)/WRITE-BACK OF INVESTMENTS AND OTHER RECEIVABLES

Continuing operations	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
(Impairment)/write-back of investments and other receivables	**(5.5)**	1.9	(28.2)

Following an impairment review of amounts receivable from joint ventures by the Group, an impairment of £5.5 million has been recognised (30 June 2020: £1.9 million and 31 December 2020: £28.2 million) in relation to the Lillie Square 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 £5.7 million finance income on these deep discount bonds for the six months ended 30 June 2021 (30 June 2020: £5.7 million and 31 December 2020: £11.3 million). Although the Group's investment in the Lillie Square joint venture has been previously fully impaired and the Group's carrying value of investment in Lillie Square is nil, the Group has issued funding to the joint venture in the form of 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 assessment resulted in a write down of £5.5 million (30 June 2020: £1.9 million and 31 December 2020: £28.2 million) of which £1.1 million (31 December 2020: £3.1 million) was recognised against the intercompany debtor and £4.4 million (31 December 2020: £25.1 million) against the deep discount bonds.

The key assumptions made in the impairment assessment were the cash flows to be generated over the project life and the timing thereof. In terms of IFRS 9 requirements the Group applied a pre-tax discount rate of 12 per cent, being the historical effective interest rate on the deep discount bonds to the cash flows which are in line with the strategic plan of the joint venture. As a result, the Group concluded that the recoverable amounts were not greater than the carrying amounts and an impairment was required.

Impairment of amounts receivable from joint ventures recognised by the Group of £5.5 million (cumulative £109.2 million) and the finance income on the Lillie Square deep discount bonds of £5.7 million have been calculated based on the requirements under IFRS 9 'Financial Instruments'. The accounting for the Group's deep discount bonds differ from the Lillie Square joint venture based on a difference arising in the application of derecognition guidance under IFRS 9 'Financial Instruments', which is different for financial assets and financial liabilities. An amendment to the terms of the deep discount bonds in 2018 resulted in a derecognition of the financial liability in the Lillie Square joint venture and a new financial liability being recognised based on the revised terms of the bonds. The application of the derecognition guidance in IFRS 9 to the financial asset recognised by the Group for the deep discount bonds resulted in a modification to the carrying value of the balance rather than derecognition. Had the Group recognised a new financial asset based on the revised terms of the bond in 2018, the current year impairment of the deep discount bonds from the joint venture would have been £3.9 (cumulative £63.4 million) and the finance income on the deep discount bonds would have been £3.6 million, compared to £5.7 million in the period. The total current period difference between the financial asset accounting by the Group and the financial liability accounting by the joint venture is adjusted from EPRA adjusted earnings and EPRA net assets per share measures to reflect the accounting mismatch between the two treatments.

7 FINANCE INCOME

Continuing operations	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Finance income:			
On deposits and other	**0.1**	0.4	0.5
Finance income	**0.1**	0.4	0.5
Other finance income:			
On deep discount bonds[1]	**5.7**	5.7	11.3
On deferred consideration[2]	**0.3**	7.5	9.2
Other finance income	**6.0**	13.2	20.5

1. Excluded from the calculation of underlying earnings as deep discount bonds eliminate on a Group share basis due to the Lillie Square joint venture having the corresponding finance cost.

2. Excluded from the calculation of underlying earnings as the deferred consideration relates to the proceeds from the sale of Earls Court Properties during 2019.

8 FINANCE COSTS

Continuing operations	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
On bank facilities and loan notes	**11.9**	10.4	22.4
On exchangeable bonds	**4.0**	–	0.9
On obligations under lease liabilities	**0.4**	0.4	0.8
Finance costs	**16.3**	10.8	24.1
Other finance costs:			
Exceptional finance charges[1]	**0.9**	–	0.6
Other finance costs	**0.9**	–	0.6

1. Excluded from the calculation of underlying earnings as the charges relate to non-recurring costs in connection with debt covenant waivers. These charges have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

9 TAXATION

Continuing operations	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Deferred income tax:			
On accelerated capital allowances	**–**	–	0.1
On fair value of derivative financial instruments	**0.4**	(1.4)	(1.5)
On Group losses	**(1.7)**	0.3	0.4
On other temporary differences	**0.1**	0.3	0.8
Deferred income tax	**(1.2)**	(0.8)	(0.2)
Current income tax charge on non-underlying items	**–**	0.1	–
Adjustments in respect of previous periods – current income tax	**–**	0.1	(0.8)
Total income tax credit reported in the consolidated income statement	**(1.2)**	(0.6)	(1.0)

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. Non-qualifying activities are subject to UK corporation tax.

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

10 DIVIDENDS

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Ordinary shares			
Prior period final dividend[1]	**–**	8.5	8.5
Dividend expense	**–**	8.5	8.5
Bonus issue in lieu of cash dividends[2]	**–**	(3.9)	(3.9)
Cash dividends paid	**–**	4.6	4.6
Proposed interim dividend[3]	**4.3**	–	–

1. Prior period final dividend of 1.0 pence per share relates to the payment of the final dividend for 2019, which was paid in May 2020.
2. 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.
3. Proposed interim dividend of 0.5p per share (30 June 2020: nil and 31 December 2020: nil).

As a REIT, Capco must distribute at least 90 per cent of the Group's income profits from its tax-exempt property rental business and 100 per cent of the Group's UK REIT investment profits, by way of a dividend, which is known as a Property Income Distribution (PID). These distributions can be subject to withholding tax at 20 per cent. Dividends from profits of the Group's taxable residual business are non-PID and will be taxed as an ordinary dividend. A corporation tax charge will arise for the Group at 19 per cent if the minimum PID requirement is not met within 12 months of the end of the period.

There will be no PID payable by the Group in 2021 in relation to the Group's qualifying activities for 2020, as these have resulted in a property rental tax loss. The Group will be required to distribute 100 per cent of the Group's UK REIT investment income received from Shaftesbury PLC during 2021, by 31 December 2022.

11 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Weighted average number of ordinary shares

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Number of ordinary shares in issue[1]	**851.1**	853.0	852.0
Adjustments:			
Dilutive effect of contingently issuable share option awards[2]	**0.3**	1.7	0.3
Dilutive effect of contingently issuable deferred share awards[2]	**0.1**	0.3	0.1
Adjusted, diluted number of ordinary shares in issue	**851.5**	855.0	852.4

1. Weighted average number of shares in issue for 2020 includes 2.5 million bonus shares in connection with the scrip dividend scheme.
2. The dilutive effect of contingently issuable share option awards were not included in the calculation of diluted earnings per share for the period ended 30 June 2021 because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

11 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

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

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Continuing operations			
Loss used for calculation of basic and diluted loss per share	**(104.1)**	(440.5)	(703.7)
Basic and diluted loss per share (pence)	**(12.2)**	(51.6)	(82.6)
Discontinued operation			
(Loss)/earnings used for calculation of basic and diluted (loss)/earnings per share	**–**	(0.2)	1.0
Basic and diluted earnings per share (pence)[1]	**–**	–	0.1

1. EPRA Earnings per share is disclosed in Table 1 of the EPRA measures on page 57.

(c) Headline earnings per share

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

	Six months ended 30 June 2021			Six months ended 30 June 2020			Year ended 31 December 2020		
	(Loss)/ earnings £m	**Shares[1] million**	**(Loss)/ earnings per share (pence)**	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)
Continuing and discontinued operations									
Basic loss	**(104.1)**	**851.1**	**(12.2)**	(440.7)	853.0	(51.7)	(702.7)	852.0	(82.5)
Group adjustments:									
Loss on revaluation and sale of investment and development property	**92.4**			431.6			693.1		
Deferred tax adjustments	**–**			(1.6)			–		
Current tax adjustments	**–**			0.4			(0.6)		
Profit on disposal and IFRS 5 impairment of discontinued operation	**–**			–			(1.0)		
Joint venture adjustments:									
Loss on revaluation and sale of investment and development property	**–**			0.2			0.2		
Headline loss	**(11.7)**	**851.1**	**(1.4)**	(10.1)	853.0	(1.1)	(11.0)	852.0	(1.3)
Dilutive effect of contingently issuable share option awards	**–**	**0.3**		–	1.7		–	0.3	
Dilutive effect of contingently issuable deferred share awards	**–**	**0.1**		–	0.3		–	0.1	
Diluted headline loss	**(11.7)**	**851.5**	**(1.4)**	(10.1)	855.0	(1.1)	(11.0)	852.4	(1.3)

1. Weighted average number of shares in issue in 2020 includes 2.5 million bonus shares in connection with the scrip dividend scheme.

11 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

(d) Net assets per share

	As at 30 June 2021 £m	As at 31 December 2020 £m
Number of ordinary shares in issue	**851.1**	851.1
Adjustments:		
Dilutive effect of contingently issuable share option awards	**0.3**	0.3
Dilutive effect of contingently issuable deferred share awards	**0.1**	0.1
Adjusted, diluted number of ordinary shares in issue	**851.5**	851.5

EPRA NRV, NTA and NDV are alternative performance measures that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA) to provide a transparent and consistent basis to enable comparison between European property companies. See Alternative Performance Measures and EPRA measures on pages 54 to 56.

	As at 30 June 2021			As at 31 December 2020		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity	**1,656.5**	**1,656.5**	**1,656.5**	1,759.7	1,759.7	1,759.7
Diluted NAV	**1,656.5**	**1,656.5**	**1,656.5**	1,759.7	1,759.7	1,759.7
Group adjustments:						
Revaluation of other non-current assets[1]	**31.3**	**31.3**	**31.3**	33.4	33.4	33.4
Unrecognised surplus on trading property – joint venture	**0.1**	**0.1**	**0.1**	2.2	2.2	2.2
Diluted NAV at Fair Value	**1,687.9**	**1,687.9**	**1,687.9**	1,795.3	1,795.3	1,795.3
Fair value of derivative financial instruments[2]	**1.7**	**1.7**	**–**	7.2	7.2	–
Fair value adjustment of financial instruments – bond option	**8.3**	**8.3**	**–**	5.5	5.5	–
Real Estate Transfer Tax	**115.1**	**–**	**–**	124.5	–	–
Excess fair value of debt over carrying value[3]	**–**	**–**	**(2.1)**	–	–	(37.1)
Deferred tax adjustments	**(1.6)**	**(1.6)**	**–**	(2.2)	(2.2)	–
NAV	**1,811.4**	**1,696.3**	**1,685.8**	1,930.3	1,805.8	1,758.2
Diluted number of shares	**851.5**	**851.5**	**851.5**	851.5	851.5	851.5
NAV per share (pence)	**212.7**	**199.2**	**198.0**	226.7	212.1	206.5

1. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within note 6 'Impairment of Investments and Other Receivables'.

2. This relates to the fair value of interest rate collars. Further details are disclosed within note 14 'Derivative Financial Instruments'.

3. Includes fair value of exchangeable bond option component included under derivative liabilities as disclosed in note 14 'Derivative Financial Instruments'.

12 PROPERTY PORTFOLIO

a) Investment and development property

	Property portfolio			Tenure	
	Covent Garden £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2020	2,544.0	1.5	2,545.5	1,441.7	1,103.8
Additions from acquisitions	–	1.1	1.1	–	1.1
Additions from subsequent expenditure	19.1	–	19.1	14.7	4.4
Disposals	(77.7)	–	(77.7)	(77.5)	(0.2)
Loss on revaluation	(691.7)	(0.5)	(692.2)	(344.2)	(348.0)
At 31 December 2020	**1,793.7**	**2.1**	**1,795.8**	**1,034.7**	**761.1**
Additions from subsequent expenditure	**2.6**	**–**	**2.6**	**1.9**	**0.7**
Disposals	**(57.3)**	**–**	**(57.3)**	**(57.3)**	**–**
Loss on revaluation	**(84.6)**	**(0.1)**	**(84.7)**	**(37.1)**	**(47.6)**
At 30 June 2021	**1,654.4**	**2.0**	**1,656.4**	**942.2**	**714.2**

b) Market value reconciliation of total property

	Covent Garden £m	Other £m	Total £m
Carrying value of investment and development property at 30 June 2021	**1,654.4**	**2.0**	**1,656.4**
Adjustment in respect of fixed head leases (Right of use asset)	**(6.1)**	**–**	**(6.1)**
Adjustment in respect of tenant lease incentives	**39.4**	**–**	**39.4**
Market value of investment and development property at 30 June 2021	**1,687.7**	**2.0**	**1,689.7**
Joint venture:			
Carrying value of joint venture investment, development and trading property at 30 June 2021	**–**	**105.8**	**105.8**
Unrecognised surplus on joint venture trading property[1]	**–**	**0.1**	**0.1**
Market value of investment, development and trading property on a Group share basis at 30 June 2021	**1,687.7**	**105.9**	**1,795.6**

	Covent Garden £m	Other £m	Total £m
Carrying value of investment, development and trading property at 31 December 2020	1,793.7	2.1	1,795.8
Adjustment in respect of fixed head leases (Right of use asset)	(6.1)	–	(6.1)
Adjustment in respect of tenant lease incentives	37.5	–	37.5
Market value of investment, development and trading property at 31 December 2020	1,825.1	2.1	1,827.2
Joint venture:			
Carrying value of joint venture investment, development and trading property at 31 December 2020	–	113.0	113.0
Group share of unrecognised surplus on joint venture trading property[1]	–	2.2	2.2
Market value of investment, development and trading property on a Group share basis at 31 December 2020	1,825.1	117.3	1,942.4

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

At 30 June 2021, the Group was contractually committed to £3.9 million (31 December 2020: £0.8 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 30 June 2021 was determined by independent, appropriately qualified external valuers, CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

There has been no change in the valuation methodology used as a result of COVID-19.

12 PROPERTY PORTFOLIO CONTINUED

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 30 June 2021 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, held within the Lillie Square joint venture have been valued on the basis of their development potential which differs from their existing use. In respect of development valuations, the valuer ordinarily considers the gross development value of the completed scheme based upon assumptions of capital values, rental values and yields of the properties which would be created through the implementation of the development. Deductions are then made for anticipated costs, including an allowance for developer's profit before arriving at a valuation.

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

Whilst the property valuations reflect the external valuers' assessment as at the valuation date, a sensitivity analysis has been presented based on the following assumptions: +/- five per cent for ERV and +/-25bps movement on yields.

Covent Garden properties are valued under the income capitalisation method and if all other factors remained equal, an increase in estimated rental value of five per cent would result in an increased asset valuation of £69.5 million (31 December 2020: £75.4 million). A decrease in the estimated rental value of five per cent would result in a decreased asset value of £68.7 million (31 December 2020: £74.7 million). Conversely, an increased equivalent yield of 25 basis points would result in a decreased asset valuation of £102.2 million (31 December 2020: £110.9 million). A decreased equivalent yield of 25 basis points would result in an increased asset valuation of £115.6 million (31 December 2020: £125.7 million).

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

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	As at 30 June 2021 £m	As at 31 December 2020 £m
Non-current assets		
Listed equity securities[1]	**552.2**	551.8

1. Listed equity securities comprise 96.97 million shares in Shaftesbury held at the 30 June 2021 closing share price of 569.5 pence per share.

During the period, the following gain/(loss) were recognised in profit or loss:

Profit or loss	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Fair value gain/(loss) on financial assets at fair value through profit or loss	**0.5**	(8.0)	50.9

14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative liabilities	**As at 30 June 2021 £m**	As at 31 December 2020 £m
Non-current		
Interest rate collars	**1.7**	7.2
Derivative liability – exchangeable bonds	**23.6**	15.3
Derivative financial liabilities	**25.3**	22.5

During the period, the following fair value movement on derivative financial liabilities was recognised in profit or loss:

Profit or loss	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Fair value (gain)/loss on interest rate collars	**(2.1)**	8.0	9.0
Fair value loss on derivative liability – exchangeable bonds	**8.3**	–	5.5
Change in fair value of derivative financial instruments	**6.2**	8.0	14.5

15 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 30 June 2021, joint ventures comprise the Lillie Square joint venture ("LSJV"), Innova Investment ("Innova"), and The Great Capital Partnership ("GCP").

LSJV

LSJV was established as a joint venture arrangement with the Kwok Family Interests ("KFI"), in August 2012. The joint venture was established to own, manage and develop land interests at Lillie Square. LSJV comprises Lillie Square LP, Lillie Square GP Limited, acting as general partner to the partnership, and its subsidiaries. All major decisions regarding LSJV are taken by the Board of Lillie Square GP Limited, through which the Group shares strategic control.

The summarised income statement and balance sheet of LSJV are presented below.

LSJV	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Summarised income statement			
Revenue	**15.6**	92.9	133.6
Net rental (expenses)/income	**(0.4)**	0.1	(4.1)
(Loss)/gain on revaluation of investment and development property	**–**	(0.3)	(0.5)
Proceeds from the sale of trading property	**13.6**	92.8	129.8
Cost of sale of trading property	**(3.2)**	(76.1)	(106.1)
Agent, selling and marketing fees	**–**	(1.1)	(2.1)
Write down of trading property	**(14.2)**	(1.5)	(2.8)
Administration expenses	**(0.3)**	(0.4)	0.1
Net finance costs[1]	**(6.4)**	(6.9)	(14.3)
(Loss)/profit for the period	**(10.9)**	6.6	–

1. Finance costs includes £7.1 million (30 June 2020: £6.9 million and 31 December 2020: £13.9 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 although the joint venture partners have agreed not to call for redemption on this date. The discount applied is unwound over the period to maturity using an effective interest rate. Finance income receivable by the Group of £5.7 million (30 June 2020: £5.7 million and 31 December 2020: £11.3 million) is recognised in the consolidated income statement within other finance income.

15 INVESTMENT IN JOINT VENTURES CONTINUED

LSJV	As at 30 June 2021 £m	As at 31 December 2020 £m
Summarised balance sheet		
Investment and development property	**3.3**	3.3
Other non-current assets	**6.5**	6.4
Trading property	**208.4**	222.7
Cash and cash equivalents[1]	**21.1**	20.4
Other current assets	**0.4**	–
Borrowings	**–**	(11.2)
Other current liabilities[2]	**(291.3)**	(283.5)
Amounts payable to joint venture partners[3]	**(78.6)**	(77.5)
Net liabilities	**(130.2)**	(119.4)

Capital commitments	**2.6**	2.8

Carrying value of investment, development and trading property	**211.6**	226.0
Unrecognised surplus on trading property[4]	**0.2**	4.4
Market value of investment, development and trading property[4]	**211.8**	230.4

1. Includes restricted cash and cash equivalents of £12.1 million (31 December 2020: £10.9 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion. There is a corresponding liability of £12.1 million (31 December 2020: £10.9 million) within other current liabilities.
2. Other current liabilities relate to deep discount bonds. The current year balance of £273.9 million is included under other current liabilities as the bonds are redeemable at their nominal value of £276.1 million on 24 August 2021. Recoverable amounts receivable by the Group, net of impairments, of £86.3 million (31 December 2020: £85.0 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 information 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"). 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	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Summarised income statement			
Impairment of other receivables	**–**	–	(5.0)
Loss for the period	**–**	–	(5.0)

Innova	As at 30 June 2021 £m	As at 31 December 2020 £m
Summarised balance sheet		
Cash and cash equivalents	**0.9**	0.9
Other current liabilities	**(0.5)**	(0.5)
Net assets	**0.4**	0.4

15 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 2020	0.1	(119.4)	0.4	(118.9)
Elimination of joint venture partners' interest	–	59.7	(0.2)	59.5
Cumulative losses restricted[1]	–	59.7	–	59.7
Carrying value at 31 December 2020	0.1	–	0.2	0.3
Net assets/(liabilities) of joint ventures at 30 June 2020	**0.1**	**(130.2)**	**0.4**	**(129.7)**
Elimination of joint venture partners' interest	**–**	**65.1**	**(0.2)**	**64.9**
Cumulative losses restricted[1]	**–**	**65.1**	**–**	**65.1**
Carrying value at 30 June 2021	**0.1**	**–**	**0.2**	**0.3**

1. Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. As a result the carrying value of the investment in LSJV is nil (31 December 2020: nil) in accordance with the requirements of IAS 28.

Reconciliation of investment in joint ventures

The table below reconciles the opening to closing carrying value of investment in joint ventures presented on the consolidated balance sheet.

Investment in joint ventures	GCP £m	LSJV £m	Innova £m	Total £m
At 1 January 2021	0.1	–	0.2	0.3
Loss for the period	**–**	**(10.9)**	**–**	**(10.9)**
Loss restricted	**–**	**10.9**	**–**	**10.9**
At 30 June 2021	**0.1**	**–**	**0.2**	**0.3**

16 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 £m	As at 31 December 2020 £m
Non-current		
Other receivables[1]	**0.2**	0.1
Prepayments and accrued income[2]	**36.1**	33.1
Amounts receivable from joint ventures[3]	**86.3**	85.0
Trade and other receivables	**122.6**	118.2
Current		
Rent receivable[4]	**21.5**	22.3
Other receivables[1]	**29.9**	31.0
Prepayments and accrued income[2]	**8.9**	12.4
Trade and other receivables	**60.3**	65.7

1. Includes £15.3 million (31 December 2020: £15.1 million) which represents the discounted balance of the deferred consideration in respect of the Earls Court disposal, which is due in November 2021.
2. Includes tenant lease incentives, comprising surrender premia paid and incentives offered to new tenants, of £39.4 million (31 December 2020: £37.5 million).
3. Amounts receivable from joint ventures relate to deep discount bonds that were issued by LSJV to the Group. The nominal value of the bonds including accrued interest of £149.8 million has been impaired by £4.4 million in the current period (cumulative £63.5 million). Working capital funding has been advanced to LSJV from the Group for £45.3 million (2020: £44.2 million) which has been impaired in full in both years. The deep discount bonds are due for repayment in August 2021 but it is the intention of the Group, and joint venture partner, that the deep discount bonds will be restructured, extending the maturity past the end of August 2021 and therefore they are presented as non-current.
4. Rent receivable is shown net of bad debt provision of £12.7 million (31 December 2020: £12.4 million).

17 CASH AND CASH EQUIVALENTS

	As at 30 June 2021 £m	As at 31 December 2020 £m
Cash at hand	**1.5**	1.5
Cash on short-term deposit	**261.2**	363.6
Cash and cash equivalents	**262.7**	365.1

18 TRADE AND OTHER PAYABLES

	As at 30 June 2021 £m	As at 31 December 2020 £m
Rent in advance	**14.9**	15.5
Accruals	**9.6**	12.1
Other payables	**12.2**	13.9
Other taxes and social security	**3.4**	2.8
Trade and other payables	**40.1**	44.3

19 BORROWINGS, INCLUDING LEASE LIABILITIES

	30 June 2021						
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Lease liability obligations	**0.7**	**0.7**	**–**	**0.7**	**–**	**0.7**	**0.7**
Borrowings, including lease liabilities	**0.7**	**0.7**	**–**	**0.7**	**–**	**0.7**	**0.7**
Non-current							
Bank loans	**122.7**	**122.7**	**–**	**–**	**122.7**	**125.0**	**125.0**
Loan notes	**548.3**	**–**	**548.3**	**548.3**	**–**	**557.3**	**550.0**
Exchangeable bonds	**264.6**	**264.6**	**–**	**264.6**	**–**	**264.8**	**275.0**
Borrowings	**935.6**	**387.3**	**548.3**	**812.9**	**122.7**	**947.1**	**950.0**
Lease liability obligations	**5.4**	**5.4**	**–**	**5.4**	**–**	**5.4**	**5.4**
Borrowings, including lease liabilities	**941.0**	**392.7**	**548.3**	**818.3**	**122.7**	**952.5**	**955.4**
Total borrowings, including lease liabilities	**941.7**						
Cash and cash equivalents	**(262.7)**						
Net debt	**679.0**						

	31 December 2020						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Lease liability obligations	1.6	0.7	0.9	1.6	–	1.6	1.6
Borrowings, including lease liabilities	1.6	0.7	0.9	1.6	–	1.6	1.6
Non-current							
Bank loans	262.2	123.4	138.8	–	262.2	265.0	265.0
Loan notes	548.2	–	548.2	548.2	–	514.5	550.0
Exchangeable bonds	260.3	260.3	–	260.3	–	269.4	275.0
Borrowings	1,070.7	383.7	687.0	808.5	262.2	1,048.9	1,090.0
Lease liability obligations	8.3	5.4	2.9	8.3	–	8.3	8.3
Borrowings, including lease liabilities	1,079.0	389.1	689.9	816.8	262.2	1,057.2	1,098.3
Total borrowings, including lease liabilities	1,080.6						
Cash and cash equivalents	(365.1)						
Net debt	715.5						

20 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below set out each class of financial asset, financial liability and their fair values at 30 June 2021 and 31 December 2020.

		30 June 2021		31 December 2020	
	Notes	**Carrying value £m**	**(Loss)/gain to income statement £m**	Carrying value £m	(Loss)/gain to income statement £m
Cash and cash equivalents	17	**262.7**	**–**	365.1	–
Other financial assets[1]		**137.9**	**–**	138.4	–
Total cash and other financial assets		**400.6**	**–**	503.5	–
Investment held at fair value through profit or loss	13	**552.2**	**0.5**	551.8	50.9
Total investment held at fair value through profit or loss		**552.2**	**0.5**	551.8	50.9
Derivative financial liabilities	14	**(25.3)**	**(6.2)**	(22.5)	(14.5)
Borrowings, including lease liability	19	**(941.7)**	**–**	(1,080.6)	–
Other financial liabilities[2]		**(25.2)**	**–**	(29.7)	–
Total borrowings and other financial liabilities		**(966.9)**	**–**	(1,110.3)	–

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

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

Fair value estimation

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

The different levels are defined as follows:

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

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

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

Derivative financial instruments are carried at fair value on the balance sheet and representing Level 2 fair value measurement. The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at each reporting date by discounting the future contractual cash flows to the net present values. There has been no transfer between levels in the period.

	30 June 2021				31 December 2020			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss								
Listed equity investment	**552.2**	**–**	**–**	**552.2**	551.8	–	–	551.8
Derivative financial liabilities								
Total liabilities	**–**	**(25.3)**	**–**	**(25.3)**	–	(22.5)	–	(22.5)

Listed equity investments are carried at fair value on the balance sheet and representing Level 1 fair value measurement. The fair value of listed equity investments are based on quoted market prices traded in active markets.

Derivative financial instruments are carried at fair value on the balance sheet and representing Level 2 fair value measurement. The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at each reporting date by discounting the future contractual cash flows to the net present values. There has been no transfer between levels in the period.

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

21 DEFERRED TAX

The change to the UK corporation tax rate referred to in Note 9 'Taxation' has been enacted for the purposes of IAS 12 'Income Taxes' and therefore has been reflected in these consolidated financial statements based on the expected timing of the realisation of deferred tax.

Investment 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.

A disposal of the Group's trading properties at their market value, before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £0.02 million (19 per cent of £0.1 million).

	Accelerated capital allowances £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Group losses £m	Total £m
Provided deferred tax assets/(liabilities):					
At 1 January 2020	(0.1)	0.8	1.9	4.0	6.6
Recognised in income	(0.1)	1.3	(1.0)	(0.4)	(0.2)
Adjustment in respect of rate change	–	0.2	0.2	–	0.4
At 31 December 2020	**(0.2)**	**2.3**	**1.1**	**3.6**	**6.8**
Recognised in income	**–**	**(0.4)**	**(0.1)**	**0.4**	**(0.1)**
Adjustment in respect of rate change	**–**	**–**	**–**	**1.3**	**1.3**
At 30 June 2021	**(0.2)**	**1.9**	**1.0**	**5.3**	**8.0**

	Accelerated capital allowances £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Group losses £m
Unprovided deferred tax assets:				
At 1 January 2021	**–**	**–**	**–**	**8.3**
Movement during the period	**–**	**–**	**–**	**0.4**
At 30 June 2021	**–**	**–**	**–**	**8.7**

In accordance with the requirements of IAS 12 'Income Taxes', the unprovided deferred tax asset has not been recognised in the interim financial statements due to uncertainty on the level of profits that will be available in the future periods.

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 2020			854,299,163	213.6	228.9
Share buyback	February/March		(6,060,000)	(1.5)	–
Scrip dividend – 2019 interim	May	152	2,530,598	0.6	3.3
Share-based payment			313,882	0.1	–
At 31 December 2020			**851,083,643**	**212.8**	**232.2**
Share-based payment			**35,958**	**–**	**–**
At 30 June 2021			**851,119,601**	**212.8**	**232.2**

23 CAPITAL COMMITMENTS

At 30 June 2021, the Group was contractually committed to £3.9 million (31 December 2020: £0.8 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. The full amount is committed 2021 expenditure.

The Group's share of joint venture capital commitments arising on LSJV amounts to £1.3 million (31 December 2020: £1.4 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

The tables below presents the cash generated from/(used in) operations:

(a) Cash generated from/(used in) continuing operations

Continuing operations	Notes	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Loss before tax		**(104.1)**	(441.1)	(704.7)
Adjustments:				
Loss on revaluation and sale of investment and development property	5	**92.4**	431.6	693.1
Impairment/(write-back) of investments and other receivables	6	**5.5**	(1.9)	28.2
Change in fair value of financial asset at fair value through profit or loss	13	**(0.5)**	8.0	(50.9)
Depreciation		**0.1**	0.7	1.5
Amortisation of tenant lease incentives and other direct costs		**4.4**	6.4	23.4
Bad debt expenses	4	**1.0**	5.8	14.0
Share-based payment		**0.7**	0.8	1.4
Finance income	7	**(0.1)**	(0.4)	(0.5)
Finance costs	8	**16.3**	10.8	24.1
Other finance income	7	**(6.0)**	(13.2)	(20.5)
Other finance costs	8	**0.9**	–	0.6
Change in fair value of derivative financial instruments	14	**6.2**	8.0	14.5
Change in working capital:				
Change in trade and other receivables		**(4.9)**	(24.6)	(37.5)
Change in trade and other payables		**(4.2)**	(6.4)	(19.0)
Cash generated from/(used in) operations		**7.7**	(15.5)	(32.3)

(b) Cash used in discontinued operation

Discontinued operation	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Loss before tax	**–**	–	–
Change in working capital:			
Change in trade and other receivables	**–**	(0.2)	–
Cash used in discontinued operation	**–**	(0.2)	–

25 CASH FLOW INFORMATION CONTINUED

The table below provides an analysis of financial liabilities and derivative financial instruments arising from financing activities:

	Note	Long-term borrowings £m	Short-term borrowings £m	Derivative liability – exchangeable bond £m	Total liabilities from financing activities £m
Balance at 1 January 2021		**1,079.0**	**1.6**	**15.3**	**1,095.9**
Cash flows from financing activities					
Repayment of revolving credit facility		**(140.0)**	**–**	**–**	**(140.0)**
Lease liability		–	**(0.2)**	**–**	**(0.2)**
Total cash flows used in financing activities		**(140.0)**	**(0.2)**	**–**	**955.7**
Non-cash flows from financing activities					
Facility fees amortised		**1.3**	**–**	**–**	**1.3**
Changes in fair value	14	**–**	**–**	**8.3**	**8.3**
Lease liability		**0.7**	**(0.7)**	**–**	**–**
Total non-cash flows from financing activities		**2.0**	**(0.7)**	**8.3**	**9.6**
Balance at 30 June 2021		**941.0**	**0.7**	**23.6**	**965.3**

26 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	**Six months ended 30 June 2021 £m**	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Salaries and short-term employee benefits	**1.2**	1.1	2.3
Share-based payment	**0.6**	0.5	0.9
	1.8	1.6	3.2

1. Key management comprises the Directors of the Company who have been deemed 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 period between the Group and its joint ventures, which are related parties, are disclosed in notes 15 'Investment in Joint Ventures', 16 'Trade and other receivables' and 23 'Capital commitments'. During the period the Group recognised management fee income of £0.3 million (31 December 2020: expense of £1.0 million) that was earned on an arm's length basis.

Property purchased by Directors of the Company

A related party of the Group, Lillie Square GP Limited, entered into the following related party transactions as defined by IAS 24 'Related Party Disclosures':

- Henry Staunton, Chairman of Capital & Counties Properties and Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC both own apartments in the Lillie Square development either solely or together with family members. The disclosures in respect of these purchases were included in previous financial statements.
- As owners of apartments in the Lillie Square development, these Directors are required to pay annual ground rent and insurance premium fees and biannual service charge fees. As at 30 June 2021, £7,701.76 had been received in relation to these charges for 2021, and £635.91 was outstanding (inclusive of balancing credits and charges for the prior financial period).

The above transactions with Directors were conducted at fair and reasonable market prices 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.

ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

for the six months ended 30 June 2021

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

Set out below is a summary of the APMs.

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

The Group also uses underlying earnings, property portfolio and financial debt ratios APMs. The property portfolio presents the Group share of property market value which is the economic value. Financial debt ratios are supplementary ratios which we believe are useful in monitoring the capital structure of the Group. Additionally, loan to value and interest cover are covenants within many of the Group's borrowing facilities.

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

APM	**Definition of measure**	**Nearest IFRS measure**	**Explanation and reconciliation**	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Year ended 31 December 2020
Underlying earnings	Profit/(loss) for the year excluding unrealised and one-off items	Profit/(loss) for the year	Note 3	**–**	£2.5m	(£6.2)m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	Basic earnings/(loss) per share	Note 3	**–**	0.3p	(0.7)p
EPRA earnings	Recurring earnings from core operational activity	(Loss)/profit for the year	EPRA measures Table 1	**(£6.5)m**	£(1.9)m	(£33.0)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	Basic (loss)/earnings per share	EPRA measures Table 1	**(0.8)p**	(0.2)p	(3.9)p

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	30 June 2021	31 December 2020
EPRA NTA	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Net assets attributable to shareholders	Note 11	£1,696.3m	£1,805.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 11	199.2p	212.1p
Market value of property portfolio	Market value of investment, development and trading properties	Investment, development and trading properties	Note 12	£1,795.6m	£1,942.4m
Interest cover	Underlying operating profit divided by net underlying finance costs	N/A	Financial Review, page 14	100.0%	76.1%
Net debt to gross assets	Net debt divided by total assets excluding cash and cash equivalents	N/A	Financial Review, page 14	27.5%	27.5%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	N/A	Financial Review, page 14	100.0%	100.0%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	N/A	Financial Review, page 14	2.8%	2.6%
Cash and undrawn committed facilities (Group share)	Cash and cash equivalents plus undrawn committed facilities shown on a Group share basis	N/A	Financial Review, page 14	£988.8m	£1,010.2m
Cash and undrawn committed facilities (IFRS)	Cash and cash equivalents plus undrawn committed facilities shown on an IFRS basis	N/A	Financial Review, page 14	£977.7m	£940.1m
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	N/A	96.6%	96.5%

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

EPRA MEASURES (UNAUDITED)

for the six months ended 30 June 2021

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

EPRA measure	Definition of measure	Table	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Year ended 31 December 2020
EPRA earnings	Recurring earnings from core operational activity	1	£(6.5)m	£(1.9)m	£(33.0)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	1	(0.8)p	(0.2)p	(3.9)p

EPRA measure	Definition of measure	Note/Table	**Six months ended 30 June 2021**	Year ended 31 December 2020
EPRA NTA (Net Tangible Assets)	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Note 11	**£1,696.3m**	£1,805.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Note 11	**199.2p**	212.1p
EPRA NDV (Net Disposal Value)	EPRA NTA amended to include the fair value of financial instruments and debt	Note 11	**£1,685.8m**	£1,758.2m
EPRA NDV per share	EPRA NDV per the diluted number of ordinary shares	Note 11	**198.0p**	206.5p
EPRA NRV (Net Reinstatement Value)	EPRA NTA amended to include real estate transfer tax	Note 11	**£1,811.4m**	£1,930.3m
EPRA NRV per share	EPRA NRV per the diluted number of ordinary shares	Note 11	**212.7p**	226.7p
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	2	**3.5%**	3.3%
EPRA topped-up net initial yield	Net initial yield adjusted for the expiration of rent-free periods	2	**3.8%**	3.6%
EPRA vacancy	ERV of unlet units expressed as a percentage of the ERV of the Covent Garden portfolio excluding units under development	3	**3.4%**	3.5%
Like-for-like net rental growth	Net rental income for properties which has been owned throughout both years without significant capital expenditure in either year, so income can be compared on a like-for-like basis.	Property portfolio Table 3	**1.6%**	(30.3)%

EPRA MEASURES CONTINUED (UNAUDITED)

1) EPRA Earnings per share

	Six months ended 30 June 2021			Six months ended 30 June 2020[6]			Year ended 31 December 2020[6]		
	(Loss)/ earnings £m	**Shares[1] million**	**(Loss)/ earnings per share (pence)**	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)
Basic loss from continuing operations	**(104.1)**	**851.1**	**(12.2)**	(440.5)	853.0	(51.6)	(703.7)	852.0	(82.3)
Group adjustments:									
Impairment/(write-back) of investments and other receivables[2]	**5.5**			(1.9)			28.2		
Loss on revaluation and sale of investment and development property	**92.4**			431.6			693.1		
Change in fair value of listed investments	**(0.5)**			8.0			(50.9)		
Change in fair value of derivative financial instruments[3]	**(2.1)**			8.0			9.0		
Deferred tax adjustments	**0.4**			(1.6)			(1.4)		
Joint venture adjustments:									
Profit on sale of trading property[4]	**(5.2)**			(6.5)			(8.9)		
Loss on revaluation and sale of investment and development property	**–**			0.2			0.2		
Write down of trading property	**7.1**			0.8			1.4		
EPRA adjusted loss on continuing operations[5]	**(6.5)**	**851.1**	**(0.8)**	(1.9)	853.0	(0.2)	(33.0)	852.0	(3.9)

1. Weighted average number of shares in issue in 2020 includes 2.5 million bonus shares in connection with the scrip dividend scheme.
2. Impairment of investments and other receivables of £5.5 million (30 June 2020: write-back: £1.9 million and 31 December 2020: impairment: £28.2 million) includes impairments under IFRS 9 of the amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within note 6 'Impairment of Investments and Other Receivables'.
3. Change in fair value of derivative financial instruments excludes change in fair value of derivative liability on bifurcated exchangeable bonds.
4. Profit on sale of trading property relates to Lillie Square sales. The prior year profit includes £1.0 marketing and selling fees on a Group share basis. Marketing fees include costs for units that have not yet completed.
5. EPRA earnings has been reported on a Group share basis.
6. Following guidance from EPRA the comparatives have been re-presented to include the change in fair value of listed investments.

EPRA MEASURES CONTINUED (UNAUDITED)

2) Net Initial Yield and 'topped-up' Net Initial Yield

EPRA Net Initial Yield and 'topped-up' Net Initial Yield	30 June 2021 £m	31 December 2020 £m
Investment property – wholly owned	**1,689.7**	1,827.2
Investment property – share of joint ventures	**1.6**	1.6
Trading property (including share of joint ventures)	**104.3**	113.6
Less: developments	**(229.0)**	(225.9)
Completed property portfolio	**1,566.6**	1, 716.5
Allowance for estimated purchasers' costs	**107.3**	117.7
Gross up completed property portfolio valuation (A)	**1,673.9**	1,834.2
Annualised cash passing rental income	**60.9**	64.5
Property outgoings	**(2.9)**	(4.3)
Annualised net rents (B)	**58.0**	60.2
Add: notional rent expiration of rent periods or other lease incentives	**5.4**	6.7
Topped-up net annualised rent (C)	**63.4**	66.9
EPRA Net Initial Yield (B/A)	**3.46%**	3.27%
EPRA 'topped-up' Net Initial Yield (C/A)	**3.79%**	3.63%

3) EPRA vacancy rate

EPRA vacancy rate[1]	30 June 2021 £m	31 December 2020 £m
Estimated rental value of vacant space	**2.4**	2.7
Estimated rental value of the whole portfolio less development and refurbishment estimated rental value	**71.1**	75.6
EPRA vacancy rate	**3.4%**	3.5%

1. EPRA vacancy rate is performed only for the Covent Garden portfolio.

4) Property Related CapEx

	2021			2020		
	Group (excluding Joint Ventures)	**Joint Ventures**	**Total Group**	Group (excluding Joint Ventures)	Joint Ventures	Total Group
Acquisitions	**–**	**–**	**–**	1.1	–	1.1
Development	**–**	**1.6**	**1.6**	–	5.6	5.6
Investment property	**2.6**	**–**	**2.6**	19.1	–	19.1
Capitalised interest	**–**	**0.2**	**0.2**	–	1.5	1.5
Total CapEx	**2.6**	**1.8**	**4.4**	20.2	7.1	27.3
Conversion from accrual to cash basis	**0.5**	**(0.6)**	**(0.1)**	3.7	–	3.7
Total CapEx on cash basis	**3.1**	**1.2**	**4.3**	23.9	7.1	31.0

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 30 JUNE 2021

	Market Value £m	Ownership
Covent Garden	**1,687.7**	**100%**
Lillie Square	**105.9**	**50%**
Other	**2.0**	**100%**
Group share of total property	**1,795.6**	
Investment and development property	**1,691.3**	
Trading property	**104.3**	

2. ANALYSIS OF CAPITAL RETURN FOR THE PERIOD

Like-for-like capital	Market Value 30 June 2021 £m	Market Value 31 December 2020 £m	Revaluation loss[1] 30 June 2021 £m	Decrease
Covent Garden	**1,687.6**	1,768.0	**(85.2)**	**(4.9)%**
Other[2]	**108.0**	115.7	**(9.3)**	**(7.9)%**
Total like-for-like capital	**1,795.6**	1,883.7	**(94.5)**	**(5.1)%**
Investment and development property	**1,691.3**	1,771.8	**(85.3)**	**(4.9)%**
Trading property[3]	**104.3**	112.0	**(9.2)**	**(8.1)%**
Non like-for-like capital				
Disposals	**–**	58.7	**0.6**	
Group share of total property	**1,795.6**	1,942.4	**(93.9)**	**(5.1)%**
Investment and development property	**1,691.3**	1,828.8	**(84.6)**	**(4.9)%**
Trading property[3]	**104.3**	113.6	**(9.2)**	**(8.1)%**

All property				
Covent Garden	**1,687.7**	1,825.1	**(84.6)**	**(4.9)%**
Other[2]	**107.9**	117.3	**(9.3)**	**(7.9)%**
Group share of total property	**1,795.6**	1,942.4	**(93.9)**	**(5.1)%**

1. Revaluation loss includes amortisation of lease incentives and fixed head leases.
2. Relates to the Group's interest in Lillie Square Joint Venture and certain related other assets held by Capco.
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 PERIOD

Like-for-like net rental income	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Increase
Covent Garden	**25.3**	24.6	**2.8 %**
Other	**(0.4)**	(0.1)	**300.0 %**
Total like-for-like net rental income	**24.9**	24.5	**1.6 %**
Like-for-like investment and development property	**25.1**	24.5	**2.4 %**
Like-for-like trading property	**(0.2)**	–	
Non like-for-like net rental income			
Disposals	**0.3**	0.8	
Group share of total net rental income	**25.2**	25.3	**(0.4) %**
Investment and development property income	**25.4**	25.3	**0.4 %**
Trading property income	**(0.2)**		
All property			
Covent Garden	**25.6**	25.4	**0.8 %**
Other	**(0.4)**	(0.1)	**300.0 %**
Total net rental income	**25.2**	25.3	**(0.4) %**
Lease modification and impairment of tenant lease incentives	**(4.2)**	(7.1)	
Reported net rental income	**21.0**	18.2	**15.4 %**
Covent Garden	**21.4**	18.3	**16.9 %**
Other	**(0.4)**	(0.1)	**300.0 %**

4. ANALYSIS OF COVENT GARDEN BY USE

30 June 2021

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Gross area million Sq ft
Retail						**851.0**	**36.7**	**0.35**
F&B						**374.7**	**16.3**	**0.19**
Offices						**256.9**	**15.6**	**0.24**
Residential						**127.3**	**3.7**	**0.22**
Leisure						**76.4**	**3.4**	**0.11**
Other						**1.4**	**0.1**	**0.01**
Total	**2.98%**	**3.94%**	**60.5**	**96.6%**	**8.4**	**1,687.7**	**75.8**	**1.12**

FINANCIAL COVENANTS (UNAUDITED)

For the six months ended 30 June 2021

Financial covenants on non-recourse debt

	30 June 2021			
Group share	Maturity	Loan(s) outstanding at 30 June 2021[1] £m	LTV covenant	Interest cover covenant
Covent Garden[2]	**2022-2037**	**550.0**	**60%**	**120%**
Total		**550.0**		

1. The loan values are the nominal values at 30 June 2021 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises £705 million unsecured Revolving Credit Facility ("RCF") maturing in 2022, which is undrawn at 30 June 2021, and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed an interim dividend per ordinary share (ISIN GB00B62G9D36) of 0.5 pence payable on 23 September 2021.

Dates

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

Sterling/Rand exchange rate struck:	16 August 2021
Sterling/Rand exchange rate and dividend amount in Rand announced:	17 August 2021
Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange:	25 August 2021
Ordinary shares listed ex-dividend on the London Stock Exchange:	26 August 2021
Record date for interim dividend in UK and South Africa:	27 August 2021
Election date for scrip dividend alternative (SA by noon, UK by 5:30pm):	6 September 2021
Dividend payment date for shareholders	23 September 2021

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 24 August 2021 and that no dematerialisation of shares will be possible from 25 August 2021 to 27 August 2021 inclusive. No transfers between the UK and South Africa registers may take place from 18 August 2021 to 27 August 2021 inclusive. The above dates are proposed and subject to change.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2021 interim dividend.

The dividend will be split equally between a PID and non-PID. The PID element will be subject to deduction of a 20 per cent UK withholding tax unless exemptions apply. The non-PID element will be treated as an ordinary UK company dividend.

Information for shareholders

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

UK shareholders - PIDs

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

South African shareholders

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

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

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

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

Scrip dividend scheme: It is the Company's understanding that the issue and receipt of shares pursuant to the scrip dividend alternative, whether paid as a PID or Non-PID, will not have any SA 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 exempt from income tax but will be subject to SA Dividends Tax, which will be withheld from the residual payment to South African shareholders at a rate of 20 per cent (or for qualifying shareholders, for PID elements of residual cash amounts, the reduced rate referenced above if the prescribed requirements for effecting the reduction are in place by the requisite date), unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption are in place by the requisite date.

Other overseas shareholders:

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

Additional information on PIDs can be found at https://www.capitalandcounties.com/uk-real-estate-investment-trust-reit and the rules of the Scrip Dividend Scheme, which can be found at https://www.capitalandcounties.com/sites/default/files/2020_scrip_dividend_booklet.pdf

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.

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 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).

EPRA

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

EPRA earnings

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

EPRA earnings per share

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

EPRA net disposal value (NDV)

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

EPRA net disposal value per share

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

EPRA net initial yield

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

EPRA net tangible assets (NTA)

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

EPRA net tangible assets per share

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

EPRA net reinstatement value (NRV)

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

EPRA net reinstatement value per share

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

EPRA topped-up initial yield

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

EPRA vacancy

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

ESC

Environment, Sustainability and Community.

Estimated rental value (ERV)

The external valuers' estimate of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of the property.

F&B

Food and Beverage.

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.

Gross income

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

Headline earnings

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

HMRC

Her Majesty's Revenue and Customs.

IFRS

International Financial Reporting Standards.

Innova

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

JSE

Johannesburg Stock Exchange.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

Like-for-like property

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

Loan to value (LTV)

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

LSJV

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

MSCI

Producer of an independent benchmark of property returns. 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 debt to gross assets

Net debt divided by the Group's total assets excluding cash and cash equivalents.

Net rental income (NRI)

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

Net Zero Carbon

Net Zero Carbon means that the Company's total greenhouse gas (GHG) emissions would be equal to or less than the emissions the company removed from the environment.

Nominal equivalent yield

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

Occupancy rate

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

Passing rent

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

P.A.

Per annum.

Property income distributions (PIDs)

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

Real estate investment trust (REIT)

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.

Section 106

Section 106 of the Town and Country Planning Act 1990, pursuant to which the relevant planning authority can impose planning obligations on a developer to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

Shaftesbury

Shaftesbury PLC.

Tenant lease incentives

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

Total property return (TPR)

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

Total return (TR)

The movement in EPRA NTA per share plus dividends per share paid during the period.

Total shareholder return (TSR)

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

Underlying earnings

Profit/loss for the year excluding impairment charges, net valuation gains/losses (including profits/losses on disposals), fair value changes, net refinancing charges, costs of termination of derivative financial instruments and other non-recurring costs and income. Given the scale of the rental support provided to tenants in the current and prior year, non-cash lease modification expenses and impairment of tenant lease incentives have been excluded from underlying earnings due to being highly material and at levels not experienced prior to the start of COVID-19 nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Underlying earnings is reported on a Group share basis.

Underlying earnings per share (EPS)

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

Underlying net rental income

Net rental income excluding lease modification expenses and impairment of tenant lease incentives. Given the scale of the rental support provided to tenants in the current and prior period, these balances have been excluded from underlying net rental income due to being material and at levels not experienced prior to the start of COVID-19 nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude.

Weighted average unexpired lease term

The unexpired lease term to lease expiry weighted by ERV for each lease.

Zone A

A means of analysing and comparing the rental value of retail space by dividing it in to zones parallel with the main frontage. The most valuable zone, Zone A, falls within a 6m depth of the shop frontage. Each successive zone is valued at half the rate of the zone in front of it. The blend is referred to as being ‘ITZA’ (“In Terms of Zone A”).