

2 August 2022

CAPITAL & COUNTIES PROPERTIES PLC (“CAPCO” OR “THE COMPANY”)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

***Strong leasing activity and demand across all uses, growth in portfolio value, income and dividends
Footfall continues to trend towards pre-pandemic levels, customer sales in aggregate ahead of 2019***

Ian Hawksworth, Chief Executive of Capco, commented:

“There has been strong operational progress at Covent Garden with high occupancy levels and excellent demand across all uses. Leasing activity for the first half was 9% ahead of Dec 21 ERV resulting in a 5% valuation uplift. The progress reflects the continued attraction of London’s West End to domestic and a growing number of international visitors, with customer sales in aggregate ahead of 2019. Whilst the broader macroeconomic and political outlook remains uncertain, Capco is very well positioned with a strong balance sheet, low leverage and high liquidity.

We are delighted that shareholders have recognised the benefits of the merger with Shaftesbury PLC by voting in favour of the transaction last week. Blending the best of both companies, Shaftesbury Capital aims to be a leading central London mixed-used REIT with an exceptional portfolio of approximately 670 properties across the West End delivering sustainable value for shareholders.”

Update on proposed Merger

On 16 June 2022, Capco announced its intention to merge with Shaftesbury PLC and the shareholder approval conditions were satisfied on 29 July 2022. Completion of the Merger is subject to clearance by the CMA, and it is expected to complete by the end of 2022.

Key financials

- Total equity of £1.8 billion (Dec 2021: £1.8 billion)
- EPRA NTA 209 pence per share (Dec 2021: 212 pence per share)
- Total property value increased 4.5 per cent (like-for-like) to £1.9 billion (Dec 2021: £1.8 billion)
- Group net debt to gross assets ratio of 25 per cent (Dec 2021: 24 per cent)
- Covent Garden loan to value ratio of 20 per cent (Dec 2021: 15 per cent)
- Underlying earnings of 0.5 pence per share (Jun 2021: nil pence per share)
- Proposed interim dividend of 0.8 pence per share (Jun 2021: 0.5 pence per share)

Strong demand across all uses delivering income and value growth

- Covent Garden total property value of £1,817 million, 4.8 per cent like-for-like growth since Dec 2021
- ERV increased by 3.9 per cent (like-for-like) to £79.2 million (Dec 2021: £76.2 million) and inward movement in equivalent yield by 6 basis points to 3.82 per cent (Dec 2021: 3.88 per cent)
- Strong leasing demand across all uses with 25 new leases and renewals agreed 9 per cent ahead of Dec 2021 ERV representing £3.9 million contracted income with a further £3.1 million under offer
- Footfall continues to trend towards pre-pandemic levels, customer sales in aggregate ahead of 2019 levels
- Low EPRA vacancy at 2.0 per cent (Dec 2021: 2.6 per cent)
- Rent collection patterns continuing to normalise with 95 per cent of H1 2022 rent collected
- 11 new openings across the estate including Reformation, TAG Heuer and Chestnut Bakery
- Extensive cultural programme; public art installations, pop-up bars and terraces across the estate

Commitment to environment, sustainability and community

- Joined the UN Race to Zero supporting commitment to becoming Net Zero Carbon by 2030
- Initiated first Carbon Risk Real Estate Monitor (“CRREM”) analysis on a number of properties

- Recognised as a Climate Leader in the 2022 Financial Times survey
- Continued improvement of EPC ratings across the portfolio
- Implemented rainwater harvesting at Floral Court; expected to provide c.50 per cent of estate cleaning requirements p.a.

Resilient and flexible capital structure

- Repayment of £200 million drawn debt comprising £75 million of private placement notes and the £125 million loan secured against shares in Shaftesbury
- Liquidity of £439 million (cash of £139 million and £300 million undrawn facilities) (Dec 21: £642 million)
- Covent Garden net debt of £359 million (Dec 2021: £254 million) and loan to value ratio of 20 per cent (Dec 2021: 15 per cent)
- Group net debt of £605 million (Dec 2021: £599 million) and net debt to gross assets of 25 per cent (Dec 2021: 24 per cent)
- Weighted average maturity on drawn debt of 5 years (Dec 2021: 5 years) and average cash cost of debt of 2.7 per cent (Dec 2021: 2.8 per cent)
- Group capital commitments of £5.6 million (Dec 2021: £5.4 million)

Other investments

- Investment in Shaftesbury PLC valued at £506 million, based on share price (Dec 2021: £596 million), dividend income from Shaftesbury PLC shares of £3.9 million received in H1 2022 and a further £4.7 million in July 2022
- Lillie Square property value of £84 million, a decrease of 1.8 per cent (like-for-like) since Dec 2021. £35 million cash distribution from the joint venture (£17.5 million Capco share)

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
Total equity	£1,768m	£1,657m	£1,786m
Total equity per share	207.6p	194.6p	209.8p
-1.2% Total return for six months ended 30 June 2022 (full year 2021: 0.4%)			
EPRA net tangible assets ¹	£1,781m	£1,696m	£1,810m
EPRA net tangible assets per share ¹	208.9p	199.2p	212.4p
Dividend per share	0.8p	0.5p	1.5p
5.9% Total property return for six months ended 30 June 2022 (full year 2021: 1.5%)			
Property market value ²	£1,901m	£1,796m	£1,815m
Net rental income ³	£28.0m	£21.0m	£46.4m
(Loss)/profit for the period	-£11.2m	-£104.1m	£29.3m
Headline (loss)/earnings per share ¹	-10.8p	-1.4p	5.3p
Basic (loss)/earnings per share ¹	-1.3p	-12.2p	3.4p
Underlying earnings per share⁴	0.5p	—	0.5p

1. Refer to note 14 "Earnings per share and Net Assets Per Share" on page 40.

2. On a Group share basis. Refer to Analysis of Property Portfolio on page 57 for the Group's percentage ownership of property.

3. On a Group share basis. Refer to note 2 "Segmental Reporting" on page 31.

4. Refer to note 3 "Underlying Earnings" on page 35.

ENQUIRIES

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A presentation to analysts and investors will take place today at 9.00am 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

Overview

There has been strong operational momentum at Covent Garden over the first half of the year, with encouraging leasing demand across all uses, high occupancy levels and rent collection patterns continuing to normalise. Footfall continues to trend towards pre-pandemic levels and customer sales in aggregate are ahead of 2019 levels, reflecting the appeal of Covent Garden and London's West End.

Footfall patterns and consumer behaviour continue to evolve, with activity levels typically being higher at and around weekends. There has been a growing number of international tourists since Easter and through the summer contributing to strong trading performance of retail and hospitality customers.

The Elizabeth Line opened on 24 May 2022 which will further improve the West End's connectivity and accessibility, adding around 10 per cent to central London's rail network capacity. The changing travel and footfall patterns it will bring over time are expected to benefit Covent Garden and create valuable medium-term asset management opportunities.

In the six months ended 30 June 2022, on an underlying like-for-like basis, Covent Garden net property income increased to £28.0 million (30 June 2021: £24.6 million) primarily driven by reduced expected credit losses and strong leasing activity, which contributed to an increase in underlying earnings to £4.3 million (June 2021: nil). Underlying earnings per share increased from nil pence to 0.5 pence per share. Overall 95 per cent of rent has been collected in respect of the first half of the year and 96 per cent of June 2022 quarterly rents have been collected. The Board has declared an interim dividend of 0.8 pence per share (30 June 2021: 0.5 pence per share).

Proposed Merger of Capital & Counties Properties PLC and Shaftesbury PLC

On 16 June 2022, Capco announced its intention to merge with Shaftesbury PLC and the shareholder approval conditions were satisfied on 29 July 2022. Completion of the Merger is subject to clearance by the CMA, and it is expected to complete by the end of 2022.

Outlook

Looking ahead, there is strong operational momentum at Covent Garden with demand across all uses. Customer sales in aggregate are ahead of 2019 levels and footfall continues to improve providing us confidence in our leasing strategy for further rental growth.

There remain macroeconomic and political headwinds and the West End is not completely insulated. However the West End has demonstrated remarkable resilience and our unique portfolio of prime investments provides a greater degree of resilience.

We are delighted that shareholders have recognised the benefits of the merger with Shaftesbury PLC by voting in favour of the transaction last week and we are looking forward to bringing the two companies together once the CMA process completes. We believe the merger of Capco and Shaftesbury represents a compelling strategic fit creating an almost irreplaceable portfolio.

The combination will generate both short and long term benefits including greater efficiencies and synergies, a more diverse portfolio with a stronger operational platform of scale and efficiency and enhanced access to capital. There is significant revenue growth potential to be captured over time through the difference between annualised gross income and ERV. Shaftesbury Capital will combine the best of both companies, to create a leading central London REIT and seek to deliver long-term value for shareholders.

Valuations

Overall the total property value of the Group increased by 4.5 per cent (like-for-like) in the period to £1.9 billion.

As at 30 June 2022, the external property valuation of Capco's Covent Garden estate was £1,817 million, representing a like-for-like increase of 4.8 per cent in the first half of the year. This movement was driven by an increase of 3.9 per cent in ERV on a like-for-like basis to £79.2 million as well as a reduction in the equivalent yield of 6 basis points on a like-for-like basis to 3.82 per cent reflecting positive asset management, leasing activity and high occupancy levels across all uses. The total valuation remains 24 per cent below the 31 December 2019 valuation on a like-for-like basis.

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, comprehensive 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 Group's interest in Lillie Square as at 30 June 2022 was £84 million (Capco share), a 1.8 per cent decline (like-for-like) against the 31 December 2021 valuation of £86 million.

	Market Value 30 June 2022 £m	Market Value 31 December 2021 £m	Valuation Change Like- for-like ¹
Covent Garden	1,816.7	1,728.5	4.8%
Other ²	83.8	86.2	(1.8)%
Group share of total property³	1,900.5	1,814.7	4.5%

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 Limited.
3. A reconciliation of carrying value of investment, development and trading property to the market value is shown in note 15 'Property Portfolio' on page 42.

COVENT GARDEN

Strong leasing momentum and new openings across the estate

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 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 70 buildings and 510 units, including long leasehold residential units. The Covent Garden area is home to a wide variety of British, global and independent brands including Apple, Chanel, Tom Ford, Ave Mario, Balhazar and SUSHISAMBA.

Footfall continues to trend towards pre-pandemic levels in line with West End reported benchmarks and customer sales in aggregate are ahead of 2019, with customers continuing to record higher conversion rates and average spend. Capco's targeted categories and concepts, including premium, luxury and F&B operators, continue to be amongst the highest performing.

Covent Garden's restaurant and hospitality offering is highly attractive. Many of the streets are pedestrianised as part of the estate's al fresco scheme offering over 1,000 outdoor seats.

25 leasing transactions completed across the portfolio in the first half of the year, on average 9 per cent ahead of 31 December 2021 ERV and representing £3.9 million of contracted income (30 June 2021: £6.0 million).

11 new brands have recently opened across the Covent Garden estate, further strengthening the breadth and quality on offer. These include TAG Heuer, Rails, The Chestnut Bakery and Reformation. Empresa has opened on Henrietta Street whilst e&e jewellery and Sacred Gold have both opened within the Market Building. Luxury watch brand Tudor, performance brand Vuori and perfume brand Parfums de Marly will open in the coming months, alongside Peloton's European Studio and Watchhouse Coffee adding to the vibrant and rich mix at Covent Garden.

Capco's proactive approach to asset management has ensured that EPRA vacancy remains low at 2.0 per cent (31 December 2021: 2.6 per cent). 6.7 per cent of ERV is in or is held for development or refurbishment (31 December 2021: 5.8 per cent). There is a strong leasing pipeline, from high-quality brands consistent with Capco's creative vision for the estate. At 30 June 2022, accommodation under offer comprised ERV of £3.1 million.

Retail

Retail accommodation represents 49 per cent of the portfolio by value. Capco's retail strategy is to attract 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 behaviour. Successful retailers will continue to need physical stores to build brand awareness, customer capture and retention. They will be focused on leading global destinations placing emphasis on customer experience, service and flagship retailing with better digital engagement.

There is continued leasing momentum in targeted categories. Luxury watch brand Tudor, in partnership with Bucherer, will open a new mono-brand boutique in the Royal Opera House Arcade in September 2022. Swiss watch brand TAG Heuer has opened a new store on James Street. The boutique offers a selection of TAG Heuer's iconic heritage timepieces as well as the brand's more modern styles. It joins watch and premium jewellery brands including Bucherer, Tiffany & Co, and Vashi.

Capco continues to evolve the customer mix through its comprehensive asset management and leasing strategy. N.Peal has relocated from the Royal Opera House into a new store within the Market Building. Perfume house Parfums de Marly has agreed terms to open in the Market Building in the coming months. Performance brand, Vuori, will open the brand's first European flagship store on Long Acre, offering both men's and women's activewear.

Sustainable, digitally native fashion brand Reformation has opened its new London flagship store on King Street offering contemporary designs with sustainable practices. Los Angeles-based lifestyle brand Rails opened its first London store on Floral Street while fashion brand Empresa has opened on Henrietta Street. Premium jewellery boutique Sacred Gold and contemporary jewellery brand e&e have opened in the Market Building. Preparations for the opening of Uniqlo are ongoing through the combination of Carriage Hall and two Long Acre units.

Covent Garden continues to introduce innovative pop up concepts to meet the evolving consumer trends and demands. Innovative concept Beauty Pie recently opened its first pop up on James Street which has a mission to reinvent traditional beauty conventions. Raye the store opened on Floral Street which is a limited edition experiential store showcasing a selection of emerging food, drink and wellness brands focussing on sustainable and transparent business practices.

Dining

Covent Garden continues to introduce high quality innovative food concepts which have been central to the dining strategy. Dining accommodation represents 25 per cent of the portfolio by value.

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

Chestnut Bakery has opened on Floral Street offering all day dining options. Following Bullards Spirits' successful pop up in the Market Building, the gin experts have opened a permanent store on Henrietta Street which will host cocktail masterclasses and gin sampling sessions. Watchhouse Coffee will open on Southampton Street in the coming months adding to the vibrant mix at Covent Garden.

Experimental Group is fitting out its new late night live music and dining concept on the Piazza. The group, which already operates the Henrietta Hotel, has expanded its footprint, a positive endorsement for the trading prospects of the estate.

Office

Covent Garden has a contemporary office portfolio offering both multi-tenanted and single occupancy workspace. The portfolio attracts financial services, technology, creative industries and SMEs. There continues to be increased demand for 'plug and play' space in the London office sector.

Office accommodation represents 16 per cent of the portfolio by value. The valuation of the office portfolio increased by 6 per cent like-for-like to £291 million.

A number of office lettings completed during the period on Southampton Street, Floral Street and King Street reflecting the strong demand for high quality space in desirable mixed-use destinations. This is one of the strengths of the Covent Garden estate, which is surrounded by high quality retail and hospitality options as well as offering a secure managed environment.

Residential

Covent Garden is established as a premium residential address. Residential accommodation represents 7 per cent of the portfolio by value. There continues to be strong leasing demand for residential accommodation across the estate in the first half of 2022, with one unit available for let at 30 June 2022.

Investment activity

There are a number of properties on or around the estate being actively tracked for repositioning opportunities. Capco's extensive knowledge of the district and proven track record mean Capco is often the best positioned to acquire properties, often off-market.

Active asset management and refurbishment initiatives continue to accelerate value and enhance environmental performance across the estate. The refurbishment of 35 King Street recently completed with a number of the floors let ahead of ERV. The refurbishment of 5-6 Henrietta Street completed in July with the office floors recently launched to the market attracting significant demand.

Capco has commenced a number of targeted capital initiatives and is now on site progressing new schemes which include two office to F&B conversions on Maiden Lane and Bedford Street, a flagship F&B townhouse on King Street and an office refurbishment on Long Acre.

At 30 June 2022, total current capital commitments across the Covent Garden estate were £4.8 million.

Consumer engagement with an extensive cultural programme

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

During July, Covent Garden partnered with multi award-winning food influencer Clerkenwell Boy to launch its summer Good Food Festival on the Piazza, with a range of international flavours. In celebration of the 50th anniversary of Pride marches, the bollards on Floral Street are rainbow painted for a limited time.

Capco continues to engage directly with the consumer through its digital channels, with a curated schedule of digital experiences to bring Covent Garden to a global audience. The digital audience across social channels continues to increase as a result of an engaging campaign calendar with brand partnerships which resonate with the consumer.

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.

During the period, Capco joined the UN Race to Zero supporting its commitment to becoming Net Zero by 2030. 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. Our sustainability credentials continue to be a feature of leasing discussions with potential occupiers preferring to

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

Capco has a strong track record of supporting its stakeholders and positioning the estate sustainably. A number of initiatives have been implemented across the estate. All diesel estate cleaning equipment, for instance, has been replaced with electric equipment. Capco implemented rainwater harvesting at Floral Court which is expected to provide approximately 50 per cent of estate cleaning and plant watering requirements per annum.

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

Capco is also subject to the Minimum Energy Efficiency Standards ("MEES") regulations which set out the minimum level energy performance certification ("EPC") required for all new lettings on an accelerating basis from 2023. Capco is committed to transparent environmental reporting alongside aiming to improve its EPC performance. Capco's long-term management of its properties' EPC performance means it is well-placed to meet targets ahead of statutory regulation timelines. All commercial EPC certificates across the estate are D or above, with 66 per cent C or above. Capco is targeting a minimum EPC rating of B on all refurbishment projects.

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

Capco is 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. The results of the first ecological survey of the Covent Garden estate, undertaken in partnership with the London Wildlife Trust, were received during the period. A number of priority conservation species were identified which will be incorporated into Capco's draft biodiversity strategy for the estate.

Our people

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

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 2022, the share price of Shaftesbury PLC shares was 522 pence, resulting in Capco's investment being valued at £506 million (31 December 2021: £596 million). On 11 February 2022, Shaftesbury PLC paid a final dividend of 4.0 pence per share, generating £3.9 million dividend income. On 1 July 2022, Shaftesbury PLC paid an interim dividend of 4.8 pence per share, generating £4.7 million of dividend income post period 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 2022 was £82 million (Capco share), a 1.8 per cent decline (like-for-like) against the 31 December 2021 valuation of £84 million. In addition, Capco owns £2 million of other related assets adjacent to the Lillie Square estate.

In total, 348 Phase 1 and 2 units have been handed over, with 69 units available. The sale of 2 units completed during the period representing £2.6 million (Group share: £1.3 million). The joint venture is in a cash position of £9.6 million (£4.8 million Capco share). During the period, £35 million of cash was distributed from the joint venture to the partners (£17.5 million Capco share).

FINANCIAL REVIEW

During the first half of 2022, there has been continued improvement in operational metrics at Covent Garden, with strong leasing demand across all uses, high occupancy levels and rent collection patterns continuing to normalise. Footfall continues to trend towards pre-pandemic levels and customer sales in aggregate are ahead of 2019 levels, reflecting the appeal of Covent Garden and London's West End. There are, however, significant macroeconomic and political headwinds including the rising interest rate and inflationary environment, domestic political uncertainty, geopolitical risks, supply chain and labour market disruption.

The increase in the independent property valuation of Covent Garden for the period was 4.8 per cent (like-for-like) to £1,817 million which is reflective of the positive asset management and leasing activity, and high occupancy levels across the estate. The movement in valuation was driven by an increase of 3.9 per cent in ERV on a like-for-like basis and a reduction in the equivalent yield of six basis points to 3.82 per cent. The Group's overall portfolio has increased by 4.5 per cent like-for-like during the period. The Group's net rental income has increased to £28.0 million, up 33 per cent compared to the first half of 2021, with underlying like-for-like net rental income at Covent Garden increasing by 14 per cent. Total property return for the period was 5.9 per cent.

Rent collections levels have improved significantly since the easing of restrictions over the last year with the current quarter's collections at 96 per cent of collectable rent.

On 16 June 2022, the Group announced its intention to merge with Shaftesbury PLC ("Shaftesbury") and the shareholder approval conditions were satisfied on 29 July 2022. Completion of the Merger is subject to the satisfaction of a number of other conditions, including clearance by the CMA, and it is expected that the transaction will be completed by the end of 2022. The value of the Group's investment in Shaftesbury has decreased by £90.2 million during the first half reflecting the share price as at 30 June 2022 of 522 pence per share. Within administration costs the Group has recorded £9.0 million of costs associated with the Merger.

During the period the Group has repaid £200 million of borrowings from available cash with closing net debt as at 30 June 2022 of £604.8 million (31 December 2021: £599.3 million).

As a result of the lower Shaftesbury share price, overall EPRA NTA (net tangible assets) per share decreased by 1.7 per cent during the period, from 212.4 pence at 31 December 2021 to 208.9 pence. Combined with the 1.0 pence per share dividend paid to shareholders during the period, the total return for the period is -1.2 per cent. Total shareholder return for the period, reflecting the movement in the share price from 168 pence to 140 pence, together with dividends, was -16.2 per cent.

The underlying profit for the period was £4.3 million (0.5 pence per share) compared with underlying earnings of nil for the first six months of 2021, the result largely due to higher net rental income and lower finance costs partly offset by higher administration costs.

Rental income

Rental income has benefited from uninterrupted trading conditions compared to the prior period during which there was limited ability for the majority of the Group's customers to trade for much of the first half of 2021. Together with positive leasing activity, this has contributed to the Group's net rental income of £28.0 million for the period, an overall increase of 33 per cent compared to the equivalent period in 2021.

Rental income is generally recognised on a straight-line basis over the lease length. Rental support provided to customers during the pandemic constituted a lease modification under IFRS 16 which resulted in a change in the income profile over the remaining lease term, in line with current accounting practice. Non-underlying impairment of lease incentives and lease modification expenses during the period was nil (six months to 30 June 2021: £4.2 million), however the straight-line impact of previously granted tenant support will continue to impact rental income as recorded in the income statement for future years and create a dislocation between income on cash and accounting bases.

Gross rental income for the period increased on a like-for-like basis to £35.2 million, a 2.6 per cent increase compared with the equivalent period in 2021 taking account of £1.3 million gross rental income related to asset disposals.

On an underlying basis, net rental income has increased from £25.2 million to £28.0 million. The movement in underlying net rental income has primarily been driven by a £2.7 million movement in expected credit losses as a result of improved cash collections on arrears (£1.7 million current period reversal compared with a £1.0 million charge in the comparative period) and positive leasing activity during the period of £1.1 million offset by £1.0 million of prior period disposals.

Balance sheet

The Group's investments are primarily focused on London's West End, a total of 97 per cent, with the Covent Garden portfolio representing 76 per cent and the investment in Shaftesbury shares representing 21 per cent of the aggregate asset value.

During the first six months of 2022 the independent property valuation of the Covent Garden estate increased by 4.8 per cent (like-for-like) to £1,817 million as a result of a 3.9 per cent increase in ERV to £79.2 million and reduction in the equivalent yield of six basis points to 3.82 per cent.

The Group is well-positioned to create long-term value from its property investment business centred around the West End, underpinned by its strong financial position. With net debt to gross assets of 24.6 per cent and access to substantial cash and undrawn facilities, totalling £439 million as at 30 June 2022, the Group has the ability to withstand market volatility, capitalise on investment opportunities and deliver long-term value creation.

The Group has a 25.2 per cent shareholding in Shaftesbury represented by 96.97 million shares, acquired in 2020 at a blended price (before associated costs) of 517 pence per share or £501 million in total. During the period the value of this investment has decreased by £90.2 million and as at 30 June 2022 the investment was valued at £506 million based on the closing price of

522 pence per share. Dividends received from this investment during the period were £3.9 million and after the period end, the Group has received a further dividend of £4.7 million on 1 July 2022.

During the period, £200 million of borrowings were repaid reducing the gross nominal value of borrowings from £950 million to £750 million. Cash and cash equivalents were £139.3 million as at 30 June 2022 (31 December 2021: £341.7 million) and together with undrawn committed facilities, liquidity was £439.3 million (31 December 2021: £641.7 million).

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

Capco has a 50 per cent interest in the Lillie Square joint venture, a residential development located in West London. The sale of two units completed during the period. The joint venture holds the remaining units of the completed phases, a small number of other properties and the remaining consented land. The joint venture has a total property value of £81.7 million and was in a cash position of £4.8 million (both representing Capco's 50 per cent share) as at 30 June 2022. In addition, the Group holds related properties valued at £2.1 million.

Basis of preparation

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

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

The Group uses Alternative Performance Measures ("APMs"), financial measures which are not specified under IFRS, to monitor the performance of the business. These include a number of the financial highlights shown on page 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. Accordingly, they have been excluded from underlying earnings in the comparative period. Underlying earnings is reported on a Group share basis.

A summary of EPRA performance measures and key Group measures included within these condensed consolidated interim financial statements is shown in EPRA measures on pages 54 to 56.

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 2022		
	Group share £m	Joint ventures ¹ £m	IFRS £m
Continuing operations			
Net rental income	28.0	–	28.0
Dividend income	3.9	–	3.9
Gain on revaluation and sale of investment and development property	80.8	–	80.8
Change in fair value on listed equity investment	(90.2)	–	(90.2)
Administration expenses ²	(21.8)	–	(21.8)
Net finance costs ³	(14.3)	–	(14.3)
Taxation	(5.5)	–	(5.5)
Other ⁴	8.6	(0.7)	7.9
Loss for the period	(10.5)	(0.7)	(11.2)
Adjustments ⁵ :			
Gain on revaluation and sale of investment and development property			(80.8)
Change in fair value of listed equity investment			90.2
Administration expenses – non-underlying ²			9.0
Other ⁴			(7.9)
Taxation on non-underlying items			5.0
Underlying earnings			4.3
Underlying earnings per share (pence)			0.5
Weighted average number of shares			851.3m

1. Primarily Lillie Square.

2. Administration expenses include £9.0 million of non-underlying costs primarily related to the proposed Merger with Shaftesbury PLC which is considered non-recurring in nature.

3. Excludes other finance income and costs and change in fair value of derivative financial instruments.

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

5. Further details regarding the EPRA and Company specific adjustments are disclosed within Alternative performance measures on page 53.

	30 June 2021		
	Group share £m	Joint ventures ¹ £m	IFRS £m
Continuing operations			
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 ⁴	(16.3)	–	(16.3)
Taxation	1.2	–	1.2
Other ⁵	(8.1)	1.9	(6.2)
(Loss)/profit for the period	(106.2)	2.1	(104.1)
Adjustments ⁶ :			
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 ⁵			6.3
Taxation on non-underlying items			(1.3)
Underlying earnings			–
Underlying earnings per share (pence)			–
Weighted average number of shares			851.1m

1. Primarily Lillie Square.
2. Net rental income includes £4.2 million of non-underlying costs in relation to lease modification 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. Excludes other finance income and costs and change in fair value of derivative financial instruments.
5. Includes other costs, impairment of other receivables and other finance income including change in fair value of derivatives.
6. Further details regarding the EPRA and Company specific adjustments are disclosed within Alternative performance measures on page 53.

Net rental income

	30 June 2022			30 June 2021		
	Group share £m	Joint ventures ¹ £m	IFRS £m	Group share £m	Joint ventures ¹ £m	IFRS £m
Rental income	35.2	(1.3)	33.9	35.6	(1.0)	34.6
Property and service charge expenses	(8.9)	1.3	(7.6)	(9.4)	1.2	(8.2)
Reversal of/(provision for) expected credit losses	1.7	–	1.7	(1.0)	–	(1.0)
Underlying net rental income	28.0	–	28.0	25.2	0.2	25.4
Impairment of tenant lease incentives	–	–	–	(1.6)	–	(1.6)
Lease modification expense	–	–	–	(2.6)	–	(2.6)
Net rental income	28.0	–	28.0	21.0	0.2	21.2

1. Primarily Lillie Square.

Gross rental income for the period increased on a like-for-like basis to £35.2 million, a 2.6 per cent increase compared with the equivalent period in 2021 taking account of £1.3 million gross income related to asset disposals. Property expenses have decreased by £0.5 million due to a reduction in Covid related costs.

On an underlying basis, net rental income has increased from £25.2 million to £28.0 million. This includes the impact of the positive movement in expected credit losses.

Overall net rental income has increased during the period from £21.0 million to £28.0 million, predominantly due to an improved position on expected credit losses and no impairment of tenant lease incentives and lease modification costs occurring in the period. In the 2021 comparative period, net rental income includes the impact of £2.6 million of lease modification expense reflecting the derecognition of initial direct costs associated with entering into lease modifications with tenants. Also in the comparative period, an assessment of the tenant lease incentives held on balance sheet resulted in a further £1.6 million impairment being recorded.

Detailed impairment analysis has been undertaken on the recoverability of rent receivables representing outstanding rent, service charge, deferrals and other lease charges. This analysis takes into account a number of factors such as the age of debt, the sector in which the debtor operates, its financial position and the potential impact of the Commercial Rents (Coronavirus) Act. As at 30 June 2022 the rent receivable balance was £13.2 million (31 December 2021: £21.4 million). Based on the assessment undertaken, as at the balance sheet date, the provision was £6.7 million (31 December 2021: £10.9 million). Movements in the provision for the period more than offset bad debt write-offs resulting in an overall credit to the income statement of £1.7 million.

Gain on revaluation and sale of investment and development property

The gain on revaluation and sale of the Group's investment and development property was £80.8 million. The property valuation of the Covent Garden estate has increased by 4.8 per cent (like-for-like) to £1,817 million, as a result of a 3.9 per cent like-for-like increase in ERV to £79.2 million and contraction in the equivalent yield of six basis points to 3.82 per cent.

Administration expenses

	30 June 2022 £m	30 June 2021 £m
Group share and IFRS		
Depreciation	0.1	0.1
Administration expenses	12.7	9.0
Underlying administration expenses	12.8	9.1
Non-underlying costs	9.0	3.0
Administration expenses	21.8	12.1

Administration expenses have increased by £9.7 million from £12.1 million to £21.8 million. Underlying administration costs, excluding the impact of £9.0 million (2021: £3.0 million) of non-underlying costs incurred in the period, were £12.8 million representing a like-for-like increase of £3.7 million. This increase is due to inflationary pressures, including increased payroll and share option costs.

Non-underlying administration costs of £9.0 million have been incurred in connection with the potential Merger with Shaftesbury. In 2021 the non-underlying costs related to the assignment of the Group's previous head office lease totalling £1.8 million and other transaction related costs. All non-underlying costs are considered non-recurring in nature.

Net finance costs

The decrease in the average level of gross debt following the £75 million prepayment of private placement notes on 28 February 2022 and the repayment of £125 million secured loan on 20 June 2022 has resulted in lower interest expenses and therefore a decrease of £2.0 million in net finance costs to £14.3 million.

Taxation

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

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

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. As a minimum, 90 per cent of the income arising from qualifying activities and 100 per cent of the UK REIT investment profits are required to be distributed as Property Income Distribution ("PID") to the shareholders of the Group. Non-REIT activities, such as disposals of trading property, are subject to UK corporation tax in the normal way. A tax charge can arise for the Group (currently at 19 per cent) if the minimum PID requirement is not met within 12 months of the end of the period. The Group has satisfied its PID requirements for the year ended December 2021 and expects to meet the PID requirements for the current year within the allowed timelines.

The UK REIT provisions also require a group to satisfy certain tests to maintain its REIT status. The Group expects to satisfy all requirements needed to maintain REIT status throughout 2022 and is expected to pass the interest cover ratio test for this period.

The tax charge of £5.5 million in the income statement comprises a deferred tax charge of £1.2 million in relation to derivative financial instruments, £0.5 million in relation to share-based payments, and £3.8 million to unwind part of the deferred tax asset recognised for the trading losses carried forward. 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 deferred tax asset on certain losses carried forward.

The main rate of corporation tax remained unchanged at 19 per cent throughout the period. The increase in the main corporation tax rate from 19 to 25 per cent with effect from 1 April 2023 has been substantively enacted on 24 May 2021 and therefore has been reflected in the Group's deferred tax balances where applicable.

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

Dividends

The Board has proposed an interim dividend of 0.8 pence per share, reflecting the progression in underlying and cash earnings and in line with the level indicated at the time of the announcement of the proposed Merger. The interim dividend will be paid as a PID on 19 September 2022 to shareholders on the register at 26 August 2022.

FINANCIAL POSITION

At 30 June 2022 the Group's EPRA NTA was £1.8 billion (31 December 2021: £1.8 billion) representing 208.9 pence per share (31 December 2021: 212.4 pence).

SUMMARY ADJUSTED BALANCE SHEET

	30 June 2022		
	Group share £m	Joint ventures ¹ £m	IFRS £m
Investment, development and trading property	1,861.1	(81.6)	1,779.5
Financial assets at fair value	506.2	–	506.2
Net debt	(604.8)	(5.3)	(610.1)
Other assets and liabilities ²	13.1	79.0	92.1
Net assets	1,775.6	(7.9)	1,767.7
Adjustments:			
Fair value of derivative financial instruments			(7.2)
Fair value adjustment of financial instruments – exchangeable bond option			11.5
Unrecognised surplus on trading property			0.1
Revaluation of other non-current assets			7.9
Deferred tax adjustments			1.4
EPRA net tangible assets			1,781.4
EPRA net tangible assets per share (pence)³			208.9

1. Primarily Lillie Square.

2. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.

3. Adjusted, diluted number of shares in issue at 30 June 2022 was 852.7 million.

	31 December 2021		
	Group share £m	Joint ventures ¹ £m	IFRS £m
Investment, development and trading property	1,778.5	(84.0)	1,694.5
Financial assets at fair value through profit and loss	596.4	–	596.4
Net debt	(599.3)	(22.7)	(622.0)
Other assets and liabilities ²	18.1	99.4	117.5
Net assets	1,793.7	(7.3)	1,786.4
Adjustments:			
Fair value of derivative financial instruments			(1.1)
Fair value adjustment of financial instruments – exchangeable bond option			16.8
Unrecognised surplus on trading property			0.1
Revaluation of other non-current assets			7.3
Deferred tax adjustments			0.2
EPRA net tangible assets			1,809.7
EPRA net tangible assets per share (pence)³			212.4

1. Primarily Lillie Square.

2. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.

3. Adjusted, diluted number of shares in issue at 31 December 2021 was 851.9 million.

Investment, development and trading property

The Group share of investment, development and trading property carrying value has increased from £1,778.5 million at 31 December 2021 to £1,861.1 million. This movement comprises a revaluation gain of £79.2 million, capital expenditure of £4.6 million and disposals of £1.2 million of Lillie Square properties.

The Covent Garden portfolio valuation increased by 4.8 per cent like-for-like, driven primarily by a 3.9 increase in ERV, to £1,816.7 million. At Lillie Square, a write down of trading property of £1.6 million was recorded in the period.

The revaluation on Group investment and development property together with movements on trading property, the total revaluation gain was £79.2 million, representing a 4.5 per cent like-for-like increase in value, which compares to the MSCI Capital Return for the equivalent period of a 7.2 per cent gain.

Total property return for the period was 5.9 per cent. The MSCI Total Return Index recorded a 9.6 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 2022, the unrecognised surplus on trading property was £0.1 million (31 December 2021: £0.1 million) which arises solely on the Group's share of trading property at Lillie Square.

Financial assets at fair value through profit or loss

The value of the Group's 25.2 per cent shareholding in Shaftesbury as at 30 June 2022 based on the closing share price of 522 pence was £506 million (31 December 2021: £596 million based on of 615 pence) resulting in a fair value loss of £90.2 million during the period. This compares with a share price of 615 pence at 31 December 2021 and the most recently announced EPRA NTA of Shaftesbury (as at 31 March 2022) of 679 pence per share.

Debt and gearing

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

The Group's cash and undrawn committed facilities at 30 June 2022 were £439.3 million (31 December 2021: £641.7 million). A reconciliation between IFRS and Group share is shown below:

	30 June 2022			31 December 2021		
	Group share £m	Joint ventures ¹ £m	IFRS £m	Group share £m	Joint ventures ¹ £m	IFRS £m
Cash and cash equivalents	139.3	(5.3)	134.0	341.7	(22.7)	319.0
Undrawn committed facilities ²	300.0	–	300.0	300.0	–	300.0
Cash and undrawn committed facilities	439.3	(5.3)	434.0	641.7	(22.7)	619.0

1. Primarily Lillie Square.

2. Excludes the Group's £10 million overdraft facility and £576 million loan facility relating to the potential Merger with Shaftesbury which are both currently undrawn.

Net debt increased by £5.5 million to £604.8 million in the period, a marginal increase from 31 December 2021. Net debt on an IFRS basis has decreased by £11.9 million with the majority of the difference to Group share resulting from a £17.5 million part repayment of loan received from the Lillie Square joint venture.

The gearing measure most widely used in the industry is loan to value ("LTV"), however in order to address the fact that LTV does not take into account the value of the shareholding in Shaftesbury, the Group focusses on the ratio of net debt to gross assets which stood at 24.6 per cent at 30 June 2022. This is comfortably within the Group's limit of no more than 40 per cent.

	30 June 2022	31 December 2021
Net debt to gross assets	24.6%	24.3%
Loan to value – Covent Garden debt covenant	19.7%	14.7%
Interest cover – Group	133.6%	111.5%
Interest cover – Covent Garden debt covenant	344.6%	225.1%
Weighted average debt maturity – drawn and undrawn facilities	4.1 years	4.8 years
Weighted average debt maturity – drawn facilities	5.0 years	4.9 years
Weighted average cost of debt	2.7%	2.8%
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, capped or collared using derivative contracts. At 30 June 2022 the proportion of gross debt with interest rate protection was 100 per cent (31 December 2021: 100 per cent).

The £300 million revolving credit facility was undrawn at the period end. On 16 June 2022, the Group completed a £576 million loan facility agreement in support of the potential Merger with Shaftesbury. Shaftesbury has two secured mortgage bonds totalling £575 million, each of which contain change of control provisions which will be triggered by the Merger. In order to provide funding certainty in the event that the Shaftesbury mortgage bond holders exercise their redemption right in respect of their Shaftesbury mortgage bonds following completion of the Merger the Group has entered into the new facility. The term of the £576 million loan facility is 24 months, which may be extended for a further six months at the option of Capco subject to the satisfaction of the extension requirements as outlined in the facility. There is subsequently a further six month extension option available which requires the approval of each lender in respect of its respective participation in the loan.

On 28 February 2022, the Group repaid £75 million of private placement notes together with £5 million of make-whole and related costs. The notes form part of the £150 million issuance completed in 2014, which have a coupon of 3.7 per cent and are

set to mature in 2024 and 2026. On 20 June 2022, the Group repaid the £125 million secured loan, which was secured on Shaftesbury PLC shares.

The principal financial covenants within the Covent Garden debt are to maintain a loan to value ratio of not more than 60 per cent and an interest cover ratio of at least 120 per cent. Based on the current level of net debt of £359 million and loan to value position under the Covent Garden debt, there is substantial headroom with the ability for property valuations to fall by a further 67 per cent. The interest cover ratio for the six month period to 30 June 2022 in relation to the Covent Garden debt was 345 per cent, comfortably ahead of the covenant level of 120 per cent.

As at 30 June 2022, the Group had capital commitments of £5.6 million (31 December 2021: £5.4 million), comprising £4.8 million for Covent Garden and £0.8 million for Lillie Square.

	30 June 2022			31 December 2021		
	Group share £m	Joint ventures ¹ £m	IFRS £m	Group share £m	Joint ventures ¹ £m	IFRS £m
Capital commitments	5.6	(0.8)	4.8	5.4	(1.3)	4.1

1. Lillie Square.

CASH FLOW

A summary of the Group's cash flow for the period ended 30 June 2022 is presented below:

SUMMARY CASH FLOW

	30 June 2022		
	Group share £m	Joint ventures ¹ £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	2.8	(0.3)	2.5
Purchase and development of property, plant and equipment	(6.2)	1.4	(4.8)
Transactions with joint venture partners	(0.3)	17.6	17.3
Net sales proceeds from property and investments	1.3	(1.3)	–
Net cash flow before financing	(2.4)	17.4	15.0
Borrowings repaid	(200.0)	–	(200.0)
Net cash flow²	(202.4)	17.4	(185.0)

1. Primarily Lillie Square.

2. Net cash flow is based on unrestricted cash and cash equivalents. The movement in Lillie Square deposits on a Group share basis of £0.2 million is therefore not included.

	30 June 2021		
	Group share £m	Joint ventures ¹ £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	(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
Borrowings repaid	(148.7)	5.3	(143.4)
Other	(0.9)	0.7	(0.2)
Net cash flow²	(102.6)	0.2	(102.4)

1. Primarily Lillie Square.

2. Net cash flow is based on unrestricted cash and cash equivalents. The movement in Lillie Square deposits on a Group share basis of £0.5 million is therefore not included.

Operating cash inflows of £2.8 million includes cash rental collections during the period, and the payment of administration and interest expenses including £5 million make-whole costs on the repayment of £75 million private placement notes.

During the period, £4.8 million was invested at Covent Garden for capital expenditure on a number of projects. At Lillie Square, £1.4 million was incurred.

The handover of 2 units at Lillie Square generated £1.3 million (Group share) of net sales proceeds from property.

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

IFRS cash and cash equivalents decreased by £185 million to £134 million.

Going concern

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

The Company has a strong balance sheet with net debt to gross assets of 24.6 per cent and access to cash and undrawn facilities of £439 million as at 30 June 2022. The Covent Garden group had net debt of £359 million and a loan to value ratio of 20 per cent, which compares with a debt covenant level of 60 per cent. The interest cover ratio for the six month period to 30 June 2022 in relation to the Covent Garden debt was 345 per cent, comfortably ahead of the covenant level of 120 per cent.

There continues to be a reasonable expectation that the Group will have adequate resources to meet both ongoing and future commitments, whether on a standalone or Combined Group basis assuming that the Merger is completed, for at least 12 months from the date of signing these financial statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing 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.

Further details of how we manage risk are set out on pages 22 to 30 of the 31 December 2021 Annual Report & Accounts.

Risk outlook

The activity of the Group has positioned our business to emerge strongly as markets recover. The long-term impact of COVID-19 on the future demand for and use of lettable space, evolution of consumer behaviour and travel patterns remains critical and the Board continues to monitor this.

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

Despite the recovery in the operating environment and trading conditions, risk remains heightened as the current economic backdrop is characterised by rising inflation and higher interest rates which have potential impacts on valuations, funding, customers and consumers.

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

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

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

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

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 ("Shaftesbury") shares may be volatile and subject to wide fluctuations as a result of a variety of factors, including, but not limited to, Shaftesbury's operating results, financial position, performance or prospects.

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

The operational and business risks faced by Shaftesbury are similar to those faced by the Group which are set out in the principal risks tables in our 31 December 2021 Annual Report & Accounts, but the steps taken to address and respond to any such risks by Shaftesbury are outside of the control of the Group.

On 16 June 2022 the Group announced its intention to merge with Shaftesbury and the shareholder approval conditions were satisfied on 29 July 2022. Completion is subject to a number of conditions which may not be satisfied or waived or which may be satisfied subject to conditions imposed by regulatory bodies or other third parties and may result in completion being delayed or the Merger not completing.

The prospectus dated 7 July 2022, issued in connection with the proposed Merger sets out a detailed description of the material risk factors of the Merger and the Combined Group.

Should the Merger complete, the Combined Group's success will be dependent upon its ability to integrate the two companies. Failure to deliver the full benefits and synergies and effective operational management and integration, including harmonisation of business cultures, may impact the success of the Merger. The location of the majority of the Combined Group's properties in Central London means risks will not be diversified across a number of geographical areas and external events affecting Central London may have a negative impact and reduce property values and rental income. The Group may not be able to accurately predict or respond to consumer or occupational trends relevant to the newly acquired properties, resulting in the locations gradually losing their appeal and relevance for consumers and occupiers, leading to a decline in visitor numbers.

The terms of certain existing indebtedness, or the need to refinance such indebtedness as a result of the Merger, is expected to result in an increase in financing costs, and if the Combined Group is perceived as less creditworthy, particularly in the current

economic climate, it may be more difficult and costly to maintain or secure favourable finance or credit, payment or hedging terms and, in the medium to long term, liquidity may be adversely impacted.

Failure to attract or retain key personnel could also adversely impact the longer term success of the Group.

Emerging risks

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

Principal risks and uncertainties

The main areas of the Group's principal risks and uncertainties are set out in the table below. These principal risks are not exhaustive. The Group monitors a number of additional risks and adjusts those considered 'principal' as the risk profile of the business changes. See also the risks inherent in the compilation of financial information, as disclosed in note 1 'Principal Accounting Policies' within 'Critical accounting judgements and key sources of estimation and uncertainty'.

Principal risks overview	
Corporate	Economic conditions
	Funding
	Political climate
	Catastrophic external event
	People
	Health and safety
	Compliance with law, regulations and contracts
	Climate change
Property	Leasing and asset management
	Planning and development

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 2021. 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

1 August 2022

Situl Jobanputra

Chief Financial Officer

1 August 2022

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 six month period ended 30 June 2022 (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.

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2022;
- the Consolidated Income Statement and the 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.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' ('ISRE') issued by the Financial Reporting Council 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

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. In preparing the Interim Results, including the interim financial statements, the Directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. 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.

PricewaterhouseCoopers LLP

Chartered Accountants

London

1 August 2022

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 £m	Represented six months ended 30 June 2021 ¹ £m	Year ended 31 December 2021 £m
Continuing operations				
Revenue	4	33.9	34.6	68.0
Cost of sales	5	(7.6)	(12.4)	(21.8)
Gross profit		26.3	22.2	46.2
Other income	6	3.9	0.3	3.0
Administration expenses	7	(21.8)	(12.1)	(22.8)
Reversal of/(provision for) expected credit losses		1.7	(1.0)	–
Gain/(loss) on revaluation and sale of investment and development property	8	80.8	(92.4)	(15.8)
Change in value of investments and other receivables	9	(3.6)	(5.5)	11.6
Change in fair value of financial assets at fair value through profit or loss	17	(90.2)	0.5	44.6
Operating (loss)/profit		(2.9)	(88.0)	66.8
Finance income	10	0.6	0.1	0.5
Finance costs	11	(14.9)	(16.3)	(31.7)
Other finance income	10	1.7	6.0	8.1
Other finance costs	11	(7.1)	(0.9)	(1.8)
Change in fair value of derivative financial instruments	18	16.9	(6.2)	(11.9)
Net finance costs		(2.8)	(17.3)	(36.8)
(Loss)/profit before tax		(5.7)	(105.3)	30.0
Deferred tax	12	(5.5)	1.2	(0.7)
(Loss)/profit for the period		(11.2)	(104.1)	29.3
Earnings per share				
Basic and diluted (loss)/earnings per share	14	(1.3)p	(12.2)p	3.4p
Weighted average number of shares	14	851.3m	851.1m	851.3m

- During the prior year, the Group has changed the way in which its performance is presented on the face of the income statement. The 30 June 2021 comparatives have been re-presented to reflect this change. The underlying results have not been affected and this modified presentation has had no effect on operating loss, loss before tax or loss for the period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2022

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Continuing operations			
(Loss)/profit for the period	(11.2)	(104.1)	29.3
Total comprehensive (expense)/income for the period	(11.2)	(104.1)	29.3

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2022

	Note	As at 30 June 2022 £m	As at 31 December 2021 £m
Non-current assets			
Investment and development property	15	1,779.5	1,694.5
Property, plant and equipment		0.5	0.6
Investment in joint ventures	16	0.3	0.3
Financial assets at fair value through profit or loss	17	506.2	596.4
Derivative financial assets	18	6.1	1.1
Deferred tax	24	0.6	6.1
Trade and other receivables	19	125.7	120.8
		2,418.9	2,419.8
Current assets			
Trade and other receivables	19	33.2	59.2
Tax assets		0.5	0.5
Derivative financial assets	18	1.1	–
Cash and cash equivalents	20	134.0	319.0
		168.8	378.7
Total assets		2,587.7	2,798.5
Non-current liabilities			
Borrowings, including lease liabilities	22	(743.4)	(940.3)
Derivative financial liabilities	18	(21.3)	(32.1)
		(764.7)	(972.4)
Current liabilities			
Borrowings, including lease liabilities	22	(0.7)	(0.7)
Trade and other payables	21	(54.6)	(39.0)
		(55.3)	(39.7)
Total liabilities		(820.0)	(1,012.1)
Net assets		1,767.7	1,786.4
Equity			
Share capital	25	212.8	212.8
Other components of equity		1,554.9	1,573.6
Equity		1,767.7	1,786.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2022

	Note	Share capital £m	Share premium £m	Capital Redemption reserve £m	Merger reserve ¹ £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022		212.8	232.5	1.5	293.7	7.7	(0.3)	1,038.5	1,786.4
Loss for the period		–	–	–	–	–	–	(11.2)	(11.2)
Total comprehensive expense for the period		–	–	–	–	–	–	(11.2)	(11.2)
Dividends	13	–	–	–	–	–	–	(8.5)	(8.5)
Fair value of share-based payment		–	–	–	–	1.0	–	–	1.0
Balance at 30 June 2022		212.8	232.5	1.5	293.7	8.7	(0.3)	1,018.8	1,767.7

		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)
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
Balance at 30 June 2021		212.8	232.2	1.5	293.7	7.1	(0.3)	909.5	1,656.5

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve in 2021 relates to disposal of Southampton Street properties as these properties were originally acquired using proceeds from the share placement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve ¹ £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2021		212.8	232.2	1.5	313.7	6.4	(0.4)	993.5	1,759.7
Profit for the year		–	–	–	–	–	–	29.3	29.3
Total comprehensive income for the year		–	–	–	–	–	–	29.3	29.3
Ordinary shares issued ²	25	–	0.3	–	–	–	–	–	0.3
Dividends	13	–	–	–	–	–	–	(4.3)	(4.3)
Realisation of merger reserve ¹		–	–	–	(20.0)	–	–	20.0	–
Realisation of share-based payment reserve on issue of shares		–	–	–	–	(0.2)	–	–	(0.2)
Fair value of share-based payment		–	–	–	–	1.5	–	–	1.5
Realisation of cash flow hedge		–	–	–	–	–	0.1	–	0.1
Balance at 31 December 2021		212.8	232.5	1.5	293.7	7.7	(0.3)	1,038.5	1,786.4

- Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve relates to disposal of Southampton Street properties as these properties were originally acquired using proceeds from the share placement.
- Share premium includes £0.3 million of ordinary shares issued relating to the bonus issue in lieu of cash dividends. Refer to note 13 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2022

	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Continuing operations				
Cash flows from operating activities				
Cash generated from operations	28	18.1	7.7	27.9
Interest paid ¹		(16.2)	(11.2)	(26.3)
Interest received		0.6	0.1	0.4
Tax paid		–	(1.5)	(1.5)
Net cash inflow/(outflow) from operating activities		2.5	(4.9)	0.5
Cash flows from investing activities				
Purchase and development of property		(4.8)	(3.1)	(7.9)
Sale of property		–	50.2	94.7
Sale of discontinued operation		–	–	15.2
Repayment from/(loan advances to) joint ventures		17.3	(1.0)	(1.0)
Net cash inflow from investing activities		12.5	46.1	101.0
Cash flows from financing activities				
Borrowings repaid		(200.0)	(140.0)	(140.0)
Principal element of lease payment		–	(0.2)	(0.2)
Repayment of derivative financial instruments		–	(3.4)	(3.4)
Cash dividends paid	13	–	–	(4.0)
Net cash outflow from financing activities		(200.0)	(143.6)	(147.6)
Net decrease in cash and cash equivalents		(185.0)	(102.4)	(46.1)
Unrestricted cash and cash equivalents at 1 January		319.0	365.1	365.1
Unrestricted cash and cash equivalents at period end	20	134.0	262.7	319.0

1. Includes £5.0 million make whole costs on the repayment of £75.0 million private placement notes in the current period.

NOTES TO THE ACCOUNTS

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

The Group's condensed consolidated interim financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standard 34, “Interim Financial Reporting” and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

These condensed consolidated interim financial statements have been prepared using the same accounting policies as used in the preparation of the Group's financial statements for the year ended 31 December 2021, except for taxes on income in the interim period which are accrued using the tax rate that would be applicable to the expected total annual profit or loss. The Group's Annual Report and financial statements for the year ended 31 December 2021 were prepared in accordance with United Kingdom adopted International Accounting Standards (“IFRS”) and the applicable legal requirements of the Companies Act 2006. There are no material differences for the Group in applying International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and United Kingdom adopted International Accounting Standards.

The condensed consolidated interim financial statements are prepared in British pounds sterling.

The condensed consolidated interim financial statements for the six months ended 30 June 2022 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 2021 were approved by the Board of Directors on 22 February 2022 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 interim financial statements have been prepared under the historical cost convention as modified for the revaluation of property, derivative financial instruments and equity investments held at fair value through profit or loss.

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 1 August 2022.

Going concern

The Directors have considered the appropriateness of adopting the going concern basis in preparing the condensed consolidated interim financial statements including the Group's business activities and its principal risks and uncertainties. The Group's going concern assessment covers a period of at least 12 months from the date of authorisation of these condensed consolidated interim financial statements (the “going concern period”).

During the first half of 2022, there has been continued improvement in operational metrics at Covent Garden, with strong leasing demand across all uses, high occupancy levels and rent collection patterns continuing to normalise. Footfall continues to trend towards pre-pandemic levels and customer sales in aggregate are ahead of 2019 levels, reflecting the appeal of Covent Garden and London's West End.

There are, however, significant macroeconomic and political headwinds including the rising interest rate and inflationary environment, domestic political uncertainty, geopolitical risks, supply chain and labour market disruption.

In preparing the assessment of going concern, the Board has considered projections of the Group's liquidity, committed capital expenditure, income, costs, cash flows and debt covenants.

The Group has assessed a “severe but plausible” downside scenario which analyses the impact of falling consumer and occupier confidence on rent collection, vacancy levels and rental growth over the going concern period. This includes the following key assumptions:

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

The impact of climate change risk is expected to be very limited within the going concern period. Interruptions to trade from severe weather events are possible but would be consistent with the impact considered in the severe but plausible downside scenario.

The independent property valuation of Covent Garden could withstand a substantial valuation decline, significantly in excess of 50 per cent, during the going concern period before a breach of the loan to value covenant, absent any mitigating actions which may be taken.

In addition to having access to significant liquidity, there is projected to be significant headroom against the interest cover covenants under the severe but plausible downside scenario, with the ability to withstand over 50 per cent decline in income

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

during the going concern period before a breach of the interest cover covenant, absent any mitigating actions which may be taken.

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 condensed consolidated interim financial statements and have therefore resolved that the condensed consolidated interim financial statements be prepared on a going concern basis.

Impact of the Merger

On 16 June 2022 Capco announced its intention to merge with Shaftesbury PLC and the shareholder approval conditions were satisfied on 29 July 2022. Completion of the Merger is subject to the satisfaction of a number of other conditions, including clearance by the CMA, and it is expected that the transaction will be completed by the end of 2022.

Subject to Completion, it is intended that the Merger will be effected by means of a court sanctioned scheme of arrangement which will result in Capco owning 100 per cent of the issued share capital of Shaftesbury PLC.

Under the terms of the Shaftesbury PLC financing arrangements, holders of its secured mortgage bonds totalling £575 million have the ability to require payment in full or part following the change of control of Shaftesbury PLC taking place. Capco has entered into a loan facility agreement of £576 million to provide funding certainty in the event that Shaftesbury PLC mortgage bond holders exercise this right. Shaftesbury PLC's secured term loans totalling £385 million will remain in place.

The going concern assessment has therefore also been undertaken on the basis of the Combined Group, taking into account due diligence conducted and external advice received as part of the Merger. Having considered the debt facilities that the Board has put in place, the Board is satisfied that there is sufficient liquidity to fund potential debt repayments and with the ability of the Combined Group to remain compliant with its financing arrangements and meet its financial obligations as they fall due over the going concern period.

Using an approach consistent with that set out above, the Group anticipates to retain significant liquidity and that debt covenants will be satisfied, however in the severe but plausible scenario the interest cover covenant on one of the Shaftesbury term loans could be breached marginally. For this loan, throughout the going concern period the Group has the ability to cure income shortfalls using cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties. The Group has sufficient liquidity to satisfy this requirement.

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

Critical accounting judgements and key sources of estimation and uncertainty

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

The significant areas of estimation and uncertainty are:

Property valuation: The most significant area of estimation and uncertainty in the condensed consolidated interim 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 2022 was determined by independent, appropriately qualified external valuers CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards.

As various inputs used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of uncertainty. The Group's external valuers have made a number of assumptions as outlined within note 15 'Property Portfolio' in forming their opinion on the valuation of the Group's investment and trading properties and although these assumptions are in accordance with the RICS Valuation Professional Standards, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position.

Impairment of trade receivables: 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, historical evidence of collection and legislation including the Commercial Rents (Coronavirus) Act. During the pandemic there was disruption to business and consumer activity which impacted the historical evidence; over the last 12 months, since the majority of government restrictions were lifted, trading conditions have normalised and rent collection rates have been at 95 per cent of amounts billed which is now reflected in the historical evidence used for the calculation of the impairment provision. All tenants are allocated a risk rating, as determined by management, and provided a rating of maximum, high, medium and low risk. Maximum risk tenants are predominately in the retail and F&B sector. The classification is developed by taking into consideration information on the tenant's credit rating, current financial position, historical trading performance, historical default rate and the impact of COVID-19 on the operational performance of the business.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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

The provision for expected credit loss against rent receivables is £6.7 million (31 December 2021: £10.9 million) and is included within the rent receivable balance included in note 19 'Trade and other receivables'. The expected credit loss recognised in the income statement reflects the rent receivables impaired in the period for tenant failures or tenants which have vacated as well as the movement on the balance sheet provision. In the current period the rent receivables impaired were offset by the movement in the balance sheet resulting in a £1.7 million credit recognised in the income statement (31 December 2021: nil).

If the expected credit loss for high and medium risk tenants was increased by ten per cent the provision would increase by £0.1 million (31 December 2021: £0.1 million) and if low risk tenants are included it would remain at £0.1 million (31 December 2021: £0.3 million). If the expected credit loss was reduced by ten per cent the provision would decrease by £0.1 million (31 December 2021: £0.1 million) and if low risk tenants are included it would be also be £0.1 million (31 December 2021: £0.2 million).

The key areas of accounting judgement are:

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

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

Changes in accounting policies

The condensed consolidated interim financial statements have been prepared using the accounting policies, significant judgements, key assumptions and estimates set out on pages 138 to 146 of the Group's Annual Report & Accounts for 2021 with the exception of the below new accounting policies and amendments.

New accounting policies

In the current period, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for annual periods that begin on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these condensed consolidated interim financial statements.

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Amendments to IFRS (Annual improvements cycle 2018-2020)

At the date of approval of the condensed consolidated interim financial statements the following standards and interpretations which have not been applied in these condensed consolidated interim financial statements were in issue but not effective, and in some cases have not been adopted for use under UK-adopted international accounting standards:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)

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

There were no new accounting policies adopted during the period ended 30 June 2022.

2 SEGMENTAL REPORTING

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

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

- Covent Garden;
- Other, which comprises the Shaftesbury PLC ("Shaftesbury") investment, Innova, Great Capital Partnership and other head office companies and investments;
- 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 2022					
	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	33.9	–	1.3	35.2	(1.3)	33.9
Proceeds from sale of trading property	–	–	1.5	1.5	(1.5)	–
Revenue	33.9	–	2.8	36.7	(2.8)	33.9
Rent receivable	30.6	–	0.1	30.7	(0.1)	30.6
Service charge income	3.3	–	1.2	4.5	(1.2)	3.3
Rental income	33.9	–	1.3	35.2	(1.3)	33.9
Property and service charge expenses	(7.6)	–	(1.3)	(8.9)	1.3	(7.6)
Reversal of expected credit losses	1.7	–	–	1.7	–	1.7
Underlying net rental income	28.0	–	–	28.0	–	28.0
Other income	–	3.9	–	3.9	–	3.9
Profit on sale of trading property	–	–	0.3	0.3	(0.3)	–
Write down of trading property	–	–	(1.6)	(1.6)	1.6	–
Gain on revaluation of investment and development property	80.8	–	–	80.8	–	80.8
Change in value of investments and other receivables	–	–	0.1	0.1	(3.7)	(3.6)
Change in fair value loss on financial assets at fair value through profit or loss	–	(90.2)	–	(90.2)	–	(90.2)
Segment profit/(loss)	108.8	(86.3)	(1.2)	21.3	(2.4)	18.9
Unallocated costs:						
Administration expenses				(21.8)	–	(21.8)
Operating loss				(0.5)	(2.4)	(2.9)
Net finance costs				(4.5)	1.7	(2.8)
Loss before tax				(5.0)	(0.7)	(5.7)
Taxation				(5.5)	–	(5.5)
Loss for the period				(10.5)	(0.7)	(11.2)
Summary balance sheet						
Total segment assets ¹	1,964.0	522.0	98.9	2,584.9	(9.1)	2,575.8
Total segment liabilities ¹	(511.6)	(308.3)	(1.3)	(821.2)	1.2	(820.0)
Segmental net assets	1,452.4	213.7	97.6	1,763.7	(7.9)	1,755.8
Unallocated assets ²				11.9	–	11.9
Net assets				1,775.6	(7.9)	1,767.7
Other segment items:						
Depreciation	(0.1)	–	–	(0.1)	–	(0.1)
Capital expenditure	(4.2)	–	(0.4)	(4.6)	0.4	(4.2)

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

2. Represents Group cash held outside of the Covent Garden group. The Group operates a central treasury function which manages and monitors the Group's finance income and costs and a portion of the Group's cash balances.

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)	–
Revenue	34.6	–	7.8	42.4	(7.8)	34.6
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)
Provision for expected credit losses	(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
Other income	–	0.1	–	0.1	0.2	0.3
Profit on sale of trading property	–	–	5.2	5.2	(5.2)	–
Write down of trading property	–	–	(7.1)	(7.1)	7.1	–
Loss on revaluation and sale of investment and development property	(92.3)	–	(0.1)	(92.4)	–	(92.4)
Change in value of investments and other receivables	–	–	–	–	(5.5)	(5.5)
Change in fair value gain on financial assets at fair value through profit or loss	–	0.5	–	0.5	–	0.5
Segment (loss)/profit	(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				(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 ¹	1,976.1	582.3	127.1	2,685.5	(33.8)	2,651.7
Total segment liabilities ¹	(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 ²				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. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

2. Represents Group cash held outside of the Covent Garden group. The Group operates a central treasury function which manages and monitors the Group's finance income and costs and a portion of the Group's cash balances.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Year ended 31 December 2021					
	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	68.0	–	2.0	70.0	(2.0)	68.0
Proceeds from sale of trading property	–	–	24.7	24.7	(24.7)	–
Revenue	68.0	–	26.7	94.7	(26.7)	68.0
Rent receivable	62.7	–	0.2	62.9	(0.2)	62.7
Service charge income	5.3	–	1.8	7.1	(1.8)	5.3
Rental income	68.0	–	2.0	70.0	(2.0)	68.0
Property and service charge expenses	(15.9)	–	(1.8)	(17.7)	1.8	(15.9)
Underlying net rental income/(expense)	52.1	–	0.2	52.3	(0.2)	52.1
Lease modification and impairment of tenant lease incentives	(5.9)	–	–	(5.9)	–	(5.9)
Net rental income/(expense)	46.2	–	0.2	46.4	(0.2)	46.2
Other income	–	2.7	–	2.7	0.3	3.0
Profit on sale of trading property	–	–	5.6	5.6	(5.6)	–
Write down of trading property	–	–	(12.0)	(12.0)	12.0	–
Loss on revaluation and sale of investment and development property	(15.7)	–	(0.1)	(15.8)	–	(15.8)
Change in value of investments and other receivables	–	(56.1)	(0.5)	(56.6)	68.2	11.6
Change in fair value gain on financial assets at fair value through profit or loss	–	44.6	–	44.6	–	44.6
Segment profit/(loss)	30.5	(8.8)	(6.8)	14.9	74.7	89.6
Unallocated costs:						
Administration expenses				(22.7)	(0.1)	(22.8)
Operating (loss)/profit				(7.8)	74.6	66.8
Net finance costs				(31.4)	0.2	(31.2)
Net other finance costs				(1.1)	7.4	6.3
Change in fair value of derivative financials instruments				(11.9)	–	(11.9)
(Loss)/profit before tax				(52.2)	82.2	30.0
Taxation				(0.7)	–	(0.7)
(Loss)/profit for the year				(52.9)	82.2	29.3
Summary balance sheet						
Total segment assets ¹	2,053.1	615.0	121.1	2,789.2	(9.6)	2,779.6
Total segment liabilities ¹	(585.6)	(426.5)	(2.4)	(1,014.5)	2.4	(1,012.1)
Segmental net assets	1,467.5	188.5	118.7	1,774.7	(7.2)	1,767.5
Unallocated assets ²				18.9	–	18.9
Net assets				1,793.6	(7.2)	1,786.4
Other segment items:						
Depreciation	(0.2)	–	–	(0.2)	–	(0.2)
Capital expenditure	(6.8)	–	(2.2)	(9.0)	2.2	(6.8)

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

2. Represents Group cash held outside of the Covent Garden group. The Group operates a central treasury function which manages and monitors the Group's finance income and costs and a portion of the Group's cash balances

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 financial performance, position or cash flow of the Group which is not a measure defined or specified in IFRS.

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

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

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

	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Rental income		35.2	35.6	70.0
Property and service charge expenses		(8.9)	(9.4)	(17.7)
Reversal of/(provision for) expected credit losses		1.7	(1.0)	–
Underlying net rental income		28.0	25.2	52.3
Other income		3.9	0.2	2.7
Administration costs		(12.8)	(9.1)	(19.9)
Underlying operating profit		19.1	16.3	35.1
Finance costs		(14.9)	(16.3)	(31.8)
Finance income		0.6	0.1	0.4
Underlying net finance costs		(14.3)	(16.2)	(31.4)
Underlying profit before tax		4.8	0.1	3.7
Taxation		(0.5)	(0.1)	0.4
Underlying earnings		4.3	–	4.1
Underlying earnings per share (pence)		0.5	–	0.5
Weighted average number of shares in issue	14	851.3m	851.1m	851.3m
Underlying earnings		4.3	–	4.1
<i>Adjustment to reconcile to IFRS:</i>				
Lease modification expense ¹	5	–	(2.6)	(2.6)
Impairment of tenant lease incentives ¹	5	–	(1.6)	(3.3)
Gain/(loss) on revaluation and sale of investment and development property	8	80.8	(92.4)	(15.8)
Change in value of investments and other receivables	9	(3.6)	(5.5)	11.6
Non-underlying administration expenses	7	(9.0)	(3.0)	(2.8)
Other finance income	10	1.7	6.0	8.1
Other finance costs	11	(7.1)	(0.9)	(1.8)
Change in fair value of derivative financial instruments	18	16.9	(6.2)	(11.9)
Fair value (loss)/gain on financial assets at fair value through profit or loss	17	(90.2)	0.5	44.6
Taxation		(5.0)	1.3	(1.1)
Other		–	0.3	0.2
(Loss)/profit for the period		(11.2)	(104.1)	29.3

1. Lease modification expenses of nil (six months ended 30 June 2021: £2.6 million and year ended 31 December 2021: £2.6 million) comprise directly attributable lease costs previously held on balance sheet and amortised in accordance with IFRS 16. These non-cash costs have been incurred as a result of the Group providing rental support to its tenants during the COVID-19 pandemic and have been written off in accordance with the Group's accounting policy. Tenant lease incentives in respect of tenants who have entered administration or experienced significant disruptions to cash flows during the pandemic of nil (six months ended 30 June 2021: £1.6 million and year ended 31 December 2021: £3.3 million) have been written off. These non-cash lease modification expenses and impairment of incentives were material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Accordingly they were excluded from underlying profit in the prior periods, as disclosed in the Group's APM policy. Details of APMs used by the Group are set out in the APM section on page 53.

4 REVENUE

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Rental income	30.6	32.0	62.7
Service charge income	3.3	2.6	5.3
Revenue	33.9	34.6	68.0

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

5 COST OF SALES

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Property expenses	4.3	5.6	10.6
Service charge expenses	3.3	2.6	5.3
Total property outgoings	7.6	8.2	15.9
Lease modification expenses ¹	–	2.6	2.6
Impairment of tenant lease incentives ¹	–	1.6	3.3
Cost of sales	7.6	12.4	21.8

1. Due to the impact of COVID-19, lease modification expenses and impairment of tenant lease incentives have been excluded from underlying earnings in the prior periods. See note 3 'Underlying Earnings' for further details.

6 OTHER INCOME

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Dividend income ¹	3.9	–	2.3
Management fee income ²	–	0.3	0.7
Other income	3.9	0.3	3.0

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

7 ADMINISTRATION EXPENSES

Included within administration expenses in the income statement are:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Depreciation	0.1	0.1	0.2
Other administration expenses	12.7	9.0	19.8
Non-underlying administration expenses ¹	9.0	3.0	2.8
Total administration expenses	21.8	12.1	22.8

1. Non-underlying administration expenses totalled £9.0 million for the six months ended 30 June 2022 (six months ended 30 June 2021: £3.0 million and year ended 31 December 2021: £2.8 million). Current period costs relate to transaction fees in respect of the proposed all-share Merger with Shaftesbury. Prior period costs included £1.8 million lease assignment costs in respect of the office building previously occupied by the Group, while the remainder of the costs related to legal and other costs incurred in respect of group restructurings and transactions. These costs have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

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

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Gain/(loss) on revaluation of investment and development property	80.8	(84.7)	(9.9)
Loss on sale of investment and development property	–	(7.7)	(5.9)
Gain/(loss) on revaluation and sale of investment and development property	80.8	(92.4)	(15.8)

9 CHANGE IN VALUE OF INVESTMENTS AND OTHER RECEIVABLES

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
(Impairment)/write-back of investments and other receivables	(3.6)	(5.5)	67.7
Waiver of joint venture loan	–	–	(56.1)
Change in value of investments and other receivables	(3.6)	(5.5)	11.6

The change in value of investments and other receivables relates to amounts receivable from the Lillie Square joint venture. The investment and other receivables in Lillie Square consist of the equity investment, interest bearing loans which previously consisted of unsecured Deep Discounted Bonds (“DDBs”) issued by the joint venture, and a working capital facility. As at the balance sheet date, net of impairments, the Group held the investment at nil (31 December 2021: nil), the interest bearing loan at £84.4 million (31 December 2021: £82.9 million) and working capital facilities at £1.9 million (31 December 2021: £22.8 million). On a Group share basis, which includes the Group’s share of joint ventures as this represents the economic value to the Company’s shareholders, the loans to the joint venture, and any impairments and write-backs thereon, are eliminated.

The DDBs, with a nominal value of £276.1 million, were issued by the joint venture to the Group and KFI in August 2012, and were due to mature in August 2021. Ahead of the DDBs maturing in August 2021, the Group and KFI waived a portion of the DDBs and reduced the nominal redemption value to £163.0 million (Capco share £81.5 million) which resulted in the crystallisation of a debt waiver loss of £56.1 million recognised in the prior year. The nominal value of the bonds including interest up to the redemption date of 31 July 2021, had previously been impaired by £64.9 million (£5.4 million in 2021 and £25.1 million in 2020).

Following the reduction in nominal value of the DDBs, the Group and KFI each provided an interest bearing loan of £81.5 million, bearing interest at 4.25 per cent, to the joint venture which was used to repay the DDBs at their revised nominal value. The effective interest rate was previously 12 per cent and this interest rate, together with the higher level of debt, had resulted in significant impairments being recorded by the Group in prior periods, when assessing the future discounted cash flows of the joint venture. The reassessment using the loan now in place resulted in a write-back of £50.3 million of the previously impaired balance held as at 31 July 2021. Details of the interest bearing loans are set out in note 19 ‘Trade and other receivables’.

A working capital facility of £28.2 million (31 December 2021: £45.5 million) has been advanced to LSJV by the Group. During the current period, the joint venture repaid £35 million (£17.5 million Capco share) of the working capital facility. Cumulative impairments of £26.3 million (31 December 2021: £22.7 million) have been booked against the facility. During the six months ended 30 June 2022 an impairment of £3.6 million (year ended 31 December 2021: write-back of £22.8 million) was recorded. The net receivable of £1.9 million (31 December 2021: £22.8 million), is included within Trade and other receivables at the balance sheet date.

The LSJV is in a net liability position and incurred losses during the current period. As the Group’s investment in the Lillie Square joint venture has been previously fully impaired and the Group’s carrying value of the investment in Lillie Square remains nil, these losses have been taken into account within the impairment analysis of other receivables due from the joint venture.

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

The key assumptions made in the impairment assessment were the cash flows to be generated over the project life and the timing thereof. In terms of IFRS 9 requirements the Group applied a discount rate of 4.25 per cent (being the effective interest rate on the loan to the joint venture) to the cash flows which is in line with the strategic plan of the joint venture. As a result, the Group concluded that the recoverable amounts were less than the carrying amounts of the interest bearing loan and working capital facility and impaired £3.6 million of the working capital facility. For the year ended 31 December 2021, the Group wrote back £22.8 million of the impairments held against the working capital facility.

A sensitivity analysis was performed to consider the impact of reasonably possible changes to the Group’s assumptions. By way of illustration, a delay to the timing of the cash flows as a result of the impact of Brexit on supply chain, currency fluctuations, inflationary pressures, impact of COVID-19 and other market conditions by an additional twelve months would have resulted in an impairment of £4.0 million. Alternatively, a reduction to net cash flows of five per cent would have resulted in a write-back of £3.7 million.

10 FINANCE INCOME

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Finance income:			
On deposits and other	0.6	0.1	0.5
Finance income	0.6	0.1	0.5
Other finance income:			
On deep discount bonds ¹	–	5.7	6.6
On loan to joint venture ¹	1.7	–	1.4
On deferred consideration ²	–	0.3	0.1
Other finance income	1.7	6.0	8.1

1. The Group earned interest on the DDBs issued by the Lillie Square joint venture up to their redemption on 31 July 2021. The Group and KFI each provided an interest bearing loan to the joint venture that was used to redeem the DDBs during the prior year. The interest earned on both these instruments is excluded from the calculation of underlying earnings as DDBs and loans to joint ventures eliminate on a Group share basis due to the Lillie Square joint venture having the corresponding finance cost. Details of the DDB redemption is set out in note 9 'Change in value of investments and other receivables' and details of the interest bearing loans issued are set out in note 19 'Trade and other receivables'.
2. Excluded from the calculation of underlying earnings as the deferred consideration related to the proceeds from the sale of Earls Court Properties during 2019. The final balance of the deferred consideration was received during the prior year.

11 FINANCE COSTS

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
On bank facilities and loan notes	10.4	11.9	22.8
On exchangeable bonds ¹	4.1	4.0	8.2
On obligations under lease liabilities	0.4	0.4	0.7
Finance costs	14.9	16.3	31.7
Other finance costs:			
Non-underlying finance charges ²	7.1	0.9	1.8
Other finance costs	7.1	0.9	1.8

1. On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component. The debt component is accounted for at amortised cost and, after taking into account transaction costs, accrues interest at an effective interest rate of 3.1 per cent, of which 2 per cent represents the cash coupon on the bond.
2. Excluded from the calculation of underlying earnings as the charges relate to non-recurring costs in connection with the early repayment of £75.0 million of private placement notes, the repayment of the £125.0 million secured loan and the cost of entering into the standby loan facility during the current period. Prior year costs related to non-recurring costs in connection with the re-financing of the RCF and costs to obtain debt covenant waivers. These charges have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

12 TAXATION

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Deferred income tax:			
On accelerated capital allowances	–	–	0.1
On fair value of derivative financial instruments	1.2	0.4	2.2
On Group losses	3.8	(1.7)	(1.1)
On other temporary differences	0.5	0.1	(0.5)
Deferred income tax	5.5	(1.2)	0.7
Total income tax charge/(credit) reported in the income statement	5.5	(1.2)	0.7

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 per cent with effect from 1 April 2023. This change has been substantively enacted on 24 May 2021 and therefore has been reflected in the condensed consolidated interim financial statements.

13 DIVIDENDS

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Ordinary shares			
Final dividend 31 December 2021 of 1.0 pence (31 December 2020: nil pence) per share	8.5	–	–
Interim dividend 30 June 2021 of 0.5 pence (30 June 2020: nil pence) per share	–	–	4.3
Dividend expense	8.5	–	4.3
Bonus issue in lieu of cash dividends ¹	–	–	(0.3)
Cash dividends paid²	–	–	4.0
Proposed interim dividend of 0.8 pence (30 June 2021: 0.5 pence) per share	6.8	4.3	–

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

2. 31 December 2021 final dividend of 1.0 pence per share was paid post period end on 8 July 2022.

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

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

The Board has declared an interim dividend of 0.8 pence per ordinary share payable on 19 September 2022, to shareholders on the register on 26 August 2022. The interim dividend will be paid wholly as a PID.

14 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Weighted average number of ordinary shares

	Six months ended 30 June 2022 million	Six months ended 30 June 2021 million	Year ended 31 December 2021 million
Number of ordinary shares in issue	851.3	851.1	851.3
Adjustments:			
Dilutive effect of contingently issuable share option awards ¹	1.3	0.3	0.5
Dilutive effect of contingently issuable deferred share awards ¹	0.1	0.1	0.1
Adjusted, diluted number of ordinary shares in issue	852.7	851.5	851.9

1. The dilutive effect of contingently issuable share option awards were not included in the calculation of diluted earnings per share because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

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

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
(Loss)/earnings used for calculation of basic and diluted (loss)/earnings per share	(11.2)	(104.1)	29.3
Basic and diluted (loss)/earnings per share (pence) ¹	(1.3)	(12.2)	3.4

1. EPRA Earnings per share is disclosed in Table 1 of the EPRA measures on page 55.

(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 2022			Six months ended 30 June 2021			Year ended 31 December 2021		
	Loss £m	Shares million	Loss per share (pence)	(Loss)/ earnings £m	Shares million	Loss per share (pence)	Earnings £m	Shares million	Earnings per share (pence)
Basic (loss)/earnings	(11.2)	851.3	(1.3)	(104.1)	851.1	(12.2)	29.3	851.3	3.4
<i>Group adjustments:</i>									
(Gain)/loss on revaluation and sale of investment and development property	(80.8)			92.4			15.8		
Headline (loss)/earnings	(92.0)	851.3	(10.8)	(11.7)	851.1	(1.4)	45.1	851.3	5.3
Dilutive effect of contingently issuable share option awards		1.3			0.3			0.5	
Dilutive effect of contingently issuable deferred share awards		0.1			0.1			0.1	
Diluted headline (loss)/earnings	(92.0)	852.7	(10.8)	(11.7)	851.5	(1.4)	45.1	851.9	5.3

14 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

(d) Net assets per share

	Six months ended 30 June 2022 million	Year ended 31 December 2021 million
Number of ordinary shares in issue	851.3	851.3
Adjustments:		
Dilutive effect of contingently issuable share option awards	1.3	0.5
Dilutive effect of contingently issuable deferred share awards	0.1	0.1
Adjusted, diluted number of ordinary shares in issue	852.7	851.9

	As at June 2022			As at December 2021		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity ¹	1,767.7	1,767.7	1,767.7	1,786.4	1,786.4	1,786.4
Diluted NAV	1,767.7	1,767.7	1,767.7	1,786.4	1,786.4	1,786.4
Group adjustments:						
Revaluation of other non-current assets ²	7.9	7.9	7.9	7.3	7.3	7.3
Unrecognised surplus on trading property – joint venture	0.1	0.1	0.1	0.1	0.1	0.1
Diluted NAV at Fair Value	1,775.7	1,775.7	1,775.7	1,793.8	1,793.8	1,793.8
Fair value of derivative financial instruments ³	(7.2)	(7.2)	–	(1.1)	(1.1)	–
Fair value adjustment of financial instruments – exchangeable bond	11.5	11.5	–	16.8	16.8	–
Real Estate Transfer Tax	121.4	–	–	115.9	–	–
Excess fair value of debt over carrying value ⁴	–	–	(73.6)	–	–	6.5
Deferred tax adjustments	1.4	1.4	–	0.2	0.2	–
NAV	1,902.8	1,781.4	1,702.1	1,925.6	1,809.7	1,800.3
Diluted number of shares (million)	852.7	852.7	852.7	851.9	851.9	851.9
NAV per share (pence)	223.1	208.9	199.6	226.0	212.4	211.3

1. IFRS total equity of 207.6 pence per share (31 December 2021: 209.8 pence per share)
2. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture.
3. This relates to the fair value of interest rate collars. Further details are disclosed within note 18 'Derivative Financial Instruments'.
4. Excludes fair value of exchangeable bond option component included under derivative liabilities as disclosed in note 18 'Derivative Financial Instruments'.
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 53 to 56 for further information.

15 PROPERTY PORTFOLIO

a) Investment and development property

	Property portfolio			Tenure	
	Covent Garden £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2021	1,793.7	2.1	1,795.8	1,034.7	761.1
Additions from subsequent expenditure	6.8	–	6.8	5.2	1.6
Disposals	(98.2)	–	(98.2)	(93.4)	(4.8)
Loss on revaluation	(9.9)	–	(9.9)	(0.8)	(9.1)
At 31 December 2021	1,692.4	2.1	1,694.5	945.7	748.8
Additions from subsequent expenditure	4.2	–	4.2	2.6	1.6
Gain on revaluation	80.8	–	80.8	39.9	40.9
At 30 June 2022	1,777.4	2.1	1,779.5	988.2	791.3

b) Market value reconciliation of total property

	Covent Garden £m	Other £m	Total £m
Carrying value of investment and development property at 30 June 2022	1,777.4	2.1	1,779.5
Adjustment in respect of fixed head leases	(6.1)	–	(6.1)
Adjustment in respect of tenant lease incentives	45.4	–	45.4
Market value of investment and development property at 30 June 2022	1,816.7	2.1	1,818.8
<i>Joint venture:</i>			
Group share of carrying value of joint venture investment, development and trading property at 30 June 2022	–	81.6	81.6
Group share of unrecognised surplus on joint venture trading property ¹	–	0.1	0.1
Market value of investment, development and trading property on a Group share basis at 30 June 2022	1,816.7	83.8	1,900.5

	Covent Garden £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2021	1,692.4	2.1	1,694.5
Adjustment in respect of fixed head leases	(6.1)	–	(6.1)
Adjustment in respect of tenant lease incentives	42.2	–	42.2
Market value of investment and development property at 31 December 2021	1,728.5	2.1	1,730.6
<i>Joint venture:</i>			
Group share of carrying value of joint venture investment, development and trading property at 31 December 2021	–	84.0	84.0
Group share of unrecognised surplus on joint venture trading property ¹	–	0.1	0.1
Market value of investment, development and trading property on a Group share basis at 31 December 2021	1,728.5	86.2	1,814.7

1. The unrecognised surplus on trading property is shown for 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 interim financial statements.

At 30 June 2022, the Group was contractually committed to £4.8 million (31 December 2021: £4.1 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 26 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 30 June 2022 was determined by independent, appropriately qualified external valuers, CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

Each year the Group appoints the external valuers. The valuers are selected based upon their knowledge, independence and reputation for valuing assets such as those held by the Group.

15 PROPERTY PORTFOLIO CONTINUED

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 2022 all Covent Garden properties are valued under the income capitalisation technique.

As highlighted within the Group's Net Zero Carbon Pathway published in December 2021, developments and refurbishments form a key element of the Group's 2030 Net Zero Carbon Commitment. During the six months ended 30 June 2022 the Group's additions from subsequent expenditure was £4.2 million (year ended 31 December 2021: £6.8 million). This sum included both capital works which enhanced the environmental performance of assets, and design stage work to deliver environmental enhancements. It is estimated that 80 per cent of the environmental performance of a new building is determined at the design stage. While new ground up development forms a limited part of the Group strategy, the design stage on retrofitting and refurbishment, particularly of heritage buildings, is equally important to deliver Whole Life Carbon efficiency.

Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation.

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

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

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 £77.8 million (31 December 2021: £71.9 million). A decrease in the estimated rental value of five per cent would result in a decreased asset value of £77.0 million (31 December 2021: £71.0 million). Conversely, an increased equivalent yield of 25 basis points would result in a decreased asset valuation of £112.3 million (31 December 2021: £105.2 million). A decreased equivalent yield of 25 basis points would result in an increased asset valuation of £127.7 million (31 December 2021: £119.8 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.

The valuation reports prepared by CBRE for the Covent Garden estate and JLL for Lillie Square, each as at 30 June 2022, in accordance with the City Code on Takeovers and Mergers, are included in the prospectus published on 7 July 2022. The prospectus and the valuation reports may be found on the Group's website at <https://www.capitalandcounties.com/investors/investor-information/merger-shaftesbury-plc>.

16 INVESTMENT IN JOINT VENTURES

Investment in joint ventures is measured using the equity method. All joint ventures are held with other joint venture investors on a 50:50 basis.

At 30 June 2022, 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.

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
LSJV			
Summarised income statement			
Revenue	4.4	15.6	49.6
Net rental income/(expense)	0.2	(0.4)	0.3
Proceeds from the sale of trading property	3.1	13.6	49.3
Cost of sale of trading property	(2.4)	(3.2)	(37.8)
Agent, selling and marketing fees	(0.1)	–	(0.1)
Write down of trading property	(3.1)	(14.2)	(24.0)
Administration expenses	(0.1)	(0.3)	(0.5)
Finance costs ¹	(3.5)	(6.4)	(11.3)
Loss for the period after taxation	(5.9)	(10.9)	(24.1)

1. Finance costs for the six months ended 30 June 2022 includes £3.4 million (year ended 31 December 2021: £2.8 million) which relates to interest payable on the interest bearing loans issued to the joint venture by the Group and KFI during the prior year. For the six months ended 30 June 2021, finance costs also included £11.4 million (year ended 31 December 2021: £13.2 million) which related to the amortisation of deep discount bonds that were previously issued by LSJV to the Group and KFI. The deep discount bonds were redeemed on 31 July 2021. Details of the DDB redemption is set out in note 9 'Change in value of investments and other receivables' and details of the interest bearing loans issued are set out in note 19 'Trade and other receivables'. Finance income receivable by the Group from LSJV of £1.7 million (six months ended 30 June 2021: £5.7 million and year ended 31 December 2021: £8.0 million) is recognised in the consolidated income statement within other finance income.

	Six months ended 30 June 2022 £m	Year ended 31 December 2021 £m
LSJV		
Summarised balance sheet		
Investment and development property	3.3	3.3
Trading property	159.9	164.8
Cash and cash equivalents ¹	9.6	44.6
Other current assets	1.1	1.1
Other non-current assets	5.5	5.0
Amounts payable to joint venture partners ²	(44.4)	(78.6)
Other current liabilities ³	(172.2)	(171.4)
Net liabilities	(37.2)	(31.2)
Capital commitments	1.6	2.6
Carrying value of investment, development and trading property	163.2	168.0
Unrecognised surplus on trading property⁴	0.1	0.1
Market value of investment, development and trading property⁴	163.3	168.1

1. Includes restricted cash and cash equivalents of £0.1 million (31 December 2021: £0.5 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £0.1 million (31 December 2021: £0.5 million) within other current liabilities. The movement during the period includes £35.0 million repaid to owners of the joint venture (£17.5 million Group share).
2. Amounts payable to joint venture partners relate to working capital facilities advanced by the Group and KFI.
3. Other current liabilities includes a £168.7 million (31 December 2021: £165.9 million) loan advanced by the Group and KFI to the joint venture, details of which are set out in note 19 'Trade and other receivables'. Recoverable amounts receivable by the Group, net of impairments, are recognised on the consolidated balance sheet within non-current trade and other receivables.
4. The unrecognised surplus on trading property and the market value of LSJV's property portfolio are shown for informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

16 INVESTMENT IN JOINT VENTURES CONTINUED

Innova

On 29 June 2015, the Group acquired a 50 per cent interest in Innova, a joint venture arrangement with Network Rail Infrastructure Limited. The joint venture will explore opportunities for future redevelopments on and around significant railway station sites in London.

Innova comprises Innova Investment Limited Partnership and Innova Investment GP Limited, acting as general partner to the partnership. All major decisions regarding Innova are taken by the Board of Innova Investment GP Limited, through which the Group shares strategic control.

The summarised balance sheet of Innova are presented below. There were no movements through the income statement during the period.

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Innova			
Summarised balance sheet			
Cash and cash equivalents	0.9	0.9	0.9
Other current liabilities	(0.5)	(0.5)	(0.5)
Net assets	0.4	0.4	0.4

Reconciliation of summarised financial information

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

	GCP £m	LSJV £m	Innova £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2021	0.1	(31.2)	0.4	(30.7)
Elimination of joint venture partners' interest	–	15.6	(0.2)	15.4
Cumulative losses restricted ¹	–	15.6	–	15.6
Carrying value at 31 December 2021	0.1	–	0.2	0.3
Net assets/(liabilities) of joint ventures at 30 June 2022	0.1	(37.2)	0.4	(36.7)
Elimination of joint venture partners' interest	–	18.6	(0.2)	18.4
Cumulative losses restricted ¹	–	18.6	–	18.6
Carrying value at 30 June 2022	0.1	–	0.2	0.3

- Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. This consists of losses taken through the Income Statement. The debt waiver as a result of the prior year DDB restructure was recorded directly within reserves and included within cumulative restricted losses. As a result the carrying value of the investment in LSJV is nil (31 December 2021: nil) in accordance with the requirements of IAS 28.

Reconciliation of investment in joint ventures

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

	GCP £m	LSJV £m	Innova £m	Total £m
Investment in joint ventures				
At 1 January 2021	0.1	–	0.2	0.3
Loss for the period ¹	–	(12.0)	–	(12.0)
Loss restricted ¹	–	12.0	–	12.0
At 31 December 2021	0.1	–	0.2	0.3
Loss for the period ¹	–	(3.0)	–	(3.0)
Loss restricted ¹	–	3.0	–	3.0
At 30 June 2022	0.1	–	0.2	0.3

- The share of post-tax loss from joint ventures in the consolidated income statement of nil (2021: nil) comprises the loss for the period of £3.0 million (2021: £12.0 million) and loss restricted totalling £3.0 million (2021: £12.0 million).

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	As at 30 June 2022 £m	As at 31 December 2021 £m
Non-current assets		
Listed equity securities ¹	506.2	596.4
1. Listed equity securities comprise 97.0 million shares in Shaftesbury held at the 30 June 2022 closing share price of 522 pence per share (31 December 2021: 615 pence per share).		

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

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Profit or loss			
Fair value (loss)/gain on financial assets at fair value through profit or loss	(90.2)	0.5	44.6

18 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2022 £m	As at 31 December 2021 £m
Derivative financial assets		
Non-current		
Interest rate collars	6.1	1.1
Current		
Interest rate collars	1.1	–
Derivative financial assets	7.2	1.1
	As at 30 June 2022 £m	As at 31 December 2021 £m
Derivative financial liabilities		
Non-current		
Derivative liability – exchangeable bonds ¹	21.3	32.1
Derivative financial liabilities	21.3	32.1

1. On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The notes are exchangeable into cash or ordinary shares of Shaftesbury. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component, representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury. The debt component is accounted for at amortised cost at the effective interest rate method and the derivative liability is accounted for at fair value through profit or loss.

During the period, the following fair value movements on derivative financial instruments were recognised in profit or loss:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Profit or loss			
Fair value gain on interest rate collars ¹	6.1	2.1	4.9
Fair value gain/(loss) on derivative liability – exchangeable bonds	10.8	(8.3)	(16.8)
Change in fair value of derivative financial instruments	16.9	(6.2)	(11.9)

1. Fair value gain on interest rate collars for the year ended 31 December 2021 included £3.4 million repayment of interest rate collars.

19 TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 £m	As at 31 December 2021 £m
Non-current		
Prepayments and accrued income ¹	41.3	37.9
Amounts receivable from joint ventures ²	84.4	82.9
Trade and other receivables	125.7	120.8
Current		
Rent receivable ³	6.5	10.5
Other receivables	14.1	14.2
Prepayments and accrued income ¹	10.1	11.1
Amounts receivable from joint ventures ²	2.5	23.4
Trade and other receivables	33.2	59.2

1. Includes tenant lease incentives, comprising surrender premia paid and incentives offered to tenants, of £45.4 million (2021: £42.2 million).
2. During 2021, the Group and KFI each provided an interest bearing loan of £81.5 million to the joint venture. The loans bear interest at 4.25 per cent per annum and are repayable on demand, however it is not the intention of the Group to call on the loan in the next 12 months and so it has been presented as non-current. Current amounts receivable from joint ventures include working capital funding advanced to LSJV from the Group of £28.2 million (2021: £45.5 million) which has been impaired by £26.3 million (2021: £22.7 million).
3. Rent receivable is shown net of expected credit loss provision of £6.7 million (2021: £10.9 million).

20 CASH AND CASH EQUIVALENTS

	As at 30 June 2022 £m	As at 31 December 2021 £m
Cash at hand	1.8	1.9
Cash on short-term deposits	132.2	317.1
Cash and cash equivalents	134.0	319.0

21 TRADE AND OTHER PAYABLES

	As at 30 June 2022 £m	As at 31 December 2021 £m
Current		
Rent in advance	14.4	13.6
Accruals ¹	23.8	9.3
Other payables	13.6	13.6
Other taxes and social security	2.8	2.5
Trade and other payables	54.6	39.0

1. Includes £7.8 million (2021: £0.2 million) of transaction related costs and £6.8 million in relation to the Group's final 31 December 2021 dividend paid post period end on 8 July 2022.

22 BORROWINGS, INCLUDING LEASE LIABILITIES

30 June 2022							
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Lease liability obligations	0.7	0.7	–	0.7	–	0.7	0.7
Borrowings, including lease liabilities	0.7	0.7	–	0.7	–	0.7	0.7
Non-current							
Bank loans	(1.3)	–	(1.3)	–	(1.3)	–	–
Loan notes	473.8	–	473.8	473.8	–	422.5	475.0
Exchangeable bonds	265.5	265.5	–	265.5	–	241.9	275.0
Borrowings	738.0	265.5	472.5	739.3	(1.3)	664.4	750.0
Lease liability obligations	5.4	5.4	–	5.4	–	5.4	5.4
Borrowings, including lease liabilities	743.4	270.9	472.5	744.7	(1.3)	669.8	755.4
Total borrowings, including lease liabilities	744.1						
Cash and cash equivalents	(134.0)						
Net debt	610.1						

31 December 2021							
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Lease liability obligations	0.7	0.7	–	0.7	–	0.7	0.7
Borrowings, including lease liabilities	0.7	0.7	–	0.7	–	0.7	0.7
Non-current							
Bank loans	122.4	124.0	(1.6)	–	122.4	125.0	125.0
Loan notes	548.4	–	548.4	548.4	–	554.1	550.0
Exchangeable bonds	264.1	264.1	–	264.1	–	259.1	275.0
Borrowings	934.9	388.1	546.8	812.5	122.4	938.2	950.0
Lease liability obligations	5.4	5.4	–	5.4	–	5.4	5.4
Borrowings, including lease liabilities	940.3	393.5	546.8	817.9	122.4	943.6	955.4
Total borrowings, including lease liabilities	941.0						
Cash and cash equivalents	(319.0)						
Net debt	622.0						

On 28 February 2022, the Group prepaid £75.0 million of private placement loan notes, consisting of £37.5 million loan notes that were set to mature on 16 December 2024 with an interest rate of 3.63 per cent and £37.5 million loan notes that were set to mature on 16 December 2026 with an interest rate of 3.68 per cent. On 20 June 2022, the Group repaid the £125.0 million secured loan.

The market value of investment and development property secured as collateral against borrowings at 30 June 2022 was nil (31 December 2021: nil).

Undrawn facilities and cash attributable to the Group at 30 June 2022 were £434.0 million (31 December 2021: £619.0 million).

The fair value of the Group's borrowings have been estimated using the market value for floating rate borrowings, which approximates nominal value, and discounted cash flow approach for fixed rate borrowings, representing Level 2 fair value measurements as defined by IFRS 13. The different valuation levels are defined in note 23 'Classification of Financial Assets and Liabilities'.

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

23 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out each class of financial asset and financial liability at 30 June 2022 and 31 December 2021:

	Note	30 June 2022		31 December 2021	
		Carrying value £m	Gain/(loss) to income statement £m	Carrying value £m	Gain/(loss) to income statement £m
Derivative financial assets	18	7.2	6.1	1.1	4.9
Total held for trading assets		7.2	6.1	1.1	4.9
Cash and cash equivalents	20	134.0	–	319.0	–
Other financial assets ¹		108.0	–	131.7	–
Total cash and other financial assets		242.0	–	450.7	–
Investment held at fair value through profit or loss	17	506.2	(90.2)	596.4	44.6
Total investment held at fair value through profit or loss		506.2	(90.2)	596.4	44.6
Derivative financial liabilities	18	(21.3)	10.8	(32.1)	(16.8)
Total held for trading liabilities		(21.3)	10.8	(32.1)	(16.8)
Borrowings, including lease liability	22	(744.1)	–	(941.0)	–
Other financial liabilities ²		(40.3)	–	(25.4)	–
Total borrowings and other financial liabilities		(784.4)	–	(966.4)	–

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

	30 June 2022				31 December 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss								
Listed equity investment	506.2	–	–	506.2	596.4	–	–	596.4
Held for trading assets								
Derivative financial assets	–	7.2	–	7.2	–	1.1	–	1.1
Total assets	506.2	7.2	–	513.4	596.4	1.1	–	597.5
Derivative financial liabilities	–	(21.3)	–	(21.3)	–	(32.1)	–	(32.1)
Total liabilities	–	(21.3)	–	(21.3)	–	(32.1)	–	(32.1)

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 the balance sheet date each period by discounting the future contractual cash flows to the net present values.

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

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

24 DEFERRED TAX

The change in corporation tax rate referred to in note 12 'Taxation' has been enacted for the purposes of IAS 12 'Income Taxes' ("IAS 12") and therefore has been reflected in these condensed consolidated interim financial statements based on the expected timing of the realisation of deferred tax.

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Properties that fall within the Group's qualifying REIT activities will be outside the charge to UK corporation tax subject to certain conditions being met. The Group's recognised deferred tax position on investment and development property as calculated under IAS 12 is nil at 30 June 2022 (31 December 2021: nil).

A disposal of the Group's trading properties at their market value as per note 15 'Property Portfolio', before utilisation of carried forward losses, would result in a corporation tax charge to the Group of nil (19 per cent of £0.1 million).

	Accelerated capital allowances £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Non-REIT group losses £m	Total £m
Deferred tax assets:					
At 1 January 2021	0.2	(2.3)	(1.1)	(3.6)	(6.8)
Recognised in income statement	0.1	2.2	(0.5)	–	1.8
Adjustment in respect of rate change	–	–	–	(1.1)	(1.1)
At 31 December 2021	0.3	(0.1)	(1.6)	(4.7)	(6.1)
Recognised in the income statement	–	1.2	0.5	3.8	5.5
At 30 June 2022	0.3	1.1	(1.1)	(0.9)	(0.6)

Unrecognised deferred tax assets:

At 1 January 2021	–	–	–	(8.3)
Income statement items	–	–	–	(9.1)
At 1 January 2022	–	–	–	(17.4)
Income statement items				(13.6)
At 30 June 2022				(31.0)

In accordance with the requirements of IAS 12, deferred tax assets are only recognised to the extent that the Group believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered. As a result of the application of this provision, the Group has unwound £3.8 million of the deferred tax asset previously recognised on trading losses carried forward.

25 SHARE CAPITAL AND SHARE PREMIUM

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m ¹	Share premium £m
At 1 January 2021			851,083,643	212.8	232.2
Scrip dividend – 2021 interim	September	176	153,071	–	0.3
Share-based payment			35,958	–	–
At 31 December 2021			851,272,672	212.8	232.5
Share-based payment			1,563	–	–
At 30 June 2022			851,274,235	212.8	232.5

1. Nominal value of share capital of 25 pence per share.

26 CAPITAL COMMITMENTS

At 30 June 2022, the Group was contractually committed to £4.8 million (31 December 2021: £4.1 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. The full amount is committed to 2022 expenditure.

The Group's share of joint venture capital commitments arising on LSJV amounts to £0.8 million (31 December 2021: £1.3 million).

27 CONTINGENT LIABILITIES

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

28 CASH FLOW INFORMATION

The tables below presents the cash generated from operations:

(a) Cash generated from operations

	Note	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
(Loss)/profit before tax		(5.7)	(104.1)	30.0
Adjustments:				
(Gain)/loss on revaluation and sale of investment and development property	8	(80.8)	92.4	15.8
Change in value of investments and other receivables	9	3.6	5.5	(11.6)
Change in fair value of financial assets at fair value through profit or loss	17	90.2	(0.5)	(44.6)
Depreciation		0.1	0.1	0.2
Amortisation of tenant lease incentives and other direct costs		(2.9)	4.4	0.1
(Reversal of)/provision for expected credit losses		(1.7)	1.0	–
Share-based payment		1.0	0.7	1.5
Finance income	10	(0.6)	(0.1)	(0.5)
Other finance income	10	(1.7)	(6.0)	(8.1)
Finance costs	11	14.9	16.3	31.7
Other finance costs ¹	11	7.1	0.9	1.8
Change in fair value of derivative financial instruments	18	(16.9)	6.2	11.9
Change in working capital:				
Change in trade and other receivables		(3.0)	(4.9)	4.0
Change in trade and other payables		14.5	(4.2)	(4.3)
Cash generated from operations		18.1	7.7	27.9

1. Includes £5.0 million make whole costs on the repayment of £75.0 million private placement notes in the current period.

(b) Reconciliation of cash flows from financing activities

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

	Long-term borrowings £m	Short-term borrowings £m	Derivative liability - exchangeable bond £m	Total liabilities from financing activities £m
Balance at 1 January 2022	940.3	0.7	32.1	973.1
Cash flows from financing activities				
Repayment of borrowings	(200.0)	–	–	(200.0)
Total cash flows used in financing activities	(200.0)	–	–	(200.0)
Non-cash flows from financing activities				
Amortisation of finance costs	3.0	–	–	3.0
Changes in fair value	–	–	(10.8)	(10.8)
Total non-cash flows from financing activities	3.0	–	(10.8)	(7.8)
Balance at 30 June 2022	743.3	0.7	21.3	765.3

29 RELATED PARTY TRANSACTIONS

Transactions with Directors

Anthony Steains, Senior Independent Director of Capital & Counties Properties PLC, has entered into a short-term rental agreement with Capco Covent Garden Residential Limited, a Group subsidiary undertaking, in respect of an apartment on the Covent Garden estate. The short-term rental agreement runs from 23 June 2022 to 31 August 2022 and was conducted at a fair and reasonable market price. The total rent payable is £18,900 (inclusive of utilities and services) and £2,160 remains outstanding as at 30 June 2022. Where applicable, appropriate approval has been provided.

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 16 'Investment in Joint Ventures', 19 'Trade and other receivables' and 26 'Capital commitments'. For the six months ended 30 June 2022 the Group received no management fees from joint ventures. For the year ended 31 December 2021 the Group received management fees of £0.7 million that were charged on an arm's length basis.

Property purchased by Directors of the Company

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

- Henry Staunton, Chairman of Capital & Counties Properties PLC, and Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC, either solely or together with family members, own apartments in the Lillie Square development. The disclosures in respect of these purchases were included in previous financial statements. In addition, Henry Staunton, together with a family member, owns a car park space in the Lillie Square development.
- As owners of apartments and car park space in the Lillie Square development, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. From 1 January 2022 to 30 June 2022, £10,995.96 had been paid to a related party of the Capco Group, Lillie Square GP Limited, in relation to these charges. Certain payments in relation to these charges were made in advance and £262.09 had been received in advance as at 30 June 2022.

The above transactions with Directors were conducted at fair and reasonable market price based upon similar comparable transactions at that time. Where applicable, appropriate approval has been provided.

Lillie Square GP Limited acts in the capacity of general partner to Lillie Square LP, a joint venture between the Group and KFI.

30 EVENTS AFTER THE REPORTING DATE

The 2021 final dividend of 1.0 pence per share (£8.5 million) was paid on 8 July 2022.

On 1 July 2022, Shaftesbury paid an interim dividend of 4.8 pence per share, generating £4.7 million of dividend income post period end.

On 29 July 2022, the shareholder approval conditions for the Merger with Shaftesbury were satisfied.

ALTERNATIVE PERFORMANCE MEASURES (NOT SUBJECT TO REVIEW BY EXTERNAL AUDITORS)

For the six months ended 30 June 2022

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

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 attributable to the owners of the Parent. Financial debt ratios are supplementary ratios which we believe are useful in monitoring the capital structure of the Group. Additionally, loan to value and interest cover are covenants within many of the Group’s borrowing facilities. Internally, the Board focuses on and reviews information and reports prepared on a Group share basis, which includes the Group’s share of joint ventures but excludes the non-controlling interest share of our subsidiaries.

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Underlying earnings	Profit/(loss) for the period excluding unrealised and one-off items	Profit/(loss) for the period	Note 3	£4.3m	–	£4.1m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	Basic earnings/(loss) per share	Note 3	0.5p	–	0.5p
EPRA (loss)/earnings	Recurring (loss)/earnings from core operational activity	Profit/(loss) for the period	EPRA measures Table 1	(£1.8)m	(£6.5)m	(£7.3)m
EPRA (loss)/earnings per share	EPRA (loss)/earnings per weighted number of ordinary shares	Basic profit/(loss) per share	EPRA measures Table 1	(0.2)p	(0.8)p	(0.9)p

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	30 June 2022 £m	31 December 2021 £m
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 14	£1,781.4m	£1,809.7m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 14	208.9p	212.4p
Market value of property portfolio	Market value of investment, development and trading properties	Investment, development and trading properties	Note 15	£1,900.5	£1,814.7m
Interest cover	Underlying operating profit divided by net underlying finance costs	N/A	Financial Review, page 14	133.6%	111.5%
Net debt to gross assets	Net debt divided by total assets excluding cash and cash equivalents	N/A	Financial Review, page 14	24.6%	24.3%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	N/A	Financial Review, page 14	100%	100%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	N/A	Financial Review, page 14	2.7%	2.8%
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	£439.3m	£641.7m
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	£434.0m	£619.0m
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	N/A	98.0%	97.4%

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

EPRA MEASURES (NOT SUBJECT TO REVIEW BY EXTERNAL AUDITORS)

For the six months ended 30 June 2022

EPRA Net Reinstatement Value ("EPRA NRV"), EPRA Net Tangible Assets ("EPRA NTA") and EPRA Net Disposal Value ("EPRA NDV") are alternative performance measures that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA) to provide a transparent and consistent basis to enable comparison between European property companies. EPRA NTA is considered to be the most relevant measure for the Group's operating activity and is the primary measure of net asset value.

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	30 June 2022	31 December 2021
EPRA (loss)/earnings	Recurring earnings/(loss) from core operational activity	1	(£1.8)m	(£7.3)m
EPRA (loss)/earnings per share	EPRA earnings/(loss) per weighted number of ordinary shares	1	(0.2)p	(0.9)p
EPRA NTA (Net Tangible Assets)	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Note 14 (d)	£1,781.4m	£1,809.7m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Note 14 (d)	208.9p	212.4p
EPRA NDV (Net Disposal Value)	EPRA NTA adjusted to include the fair value of financial instruments and debt	Note 14 (d)	£1,702.1m	£1,800.3m
EPRA NDV per share	EPRA NDV per the diluted number of ordinary shares	Note 14 (d)	199.6p	211.3p
EPRA NRV (Net Reinstatement Value)	EPRA NTA adjusted to include real estate transfer tax	Note 14 (d)	£1,902.8m	£1,925.6m
EPRA NRV per share	EPRA NRV per the diluted number of ordinary shares	Note 14 (d)	223.1p	226.0p
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	2	3.1%	3.2%
EPRA topped-up net initial yield	Net initial yield adjusted for the expiration of rent-free periods	2	3.7%	3.8%
EPRA vacancy	ERV of un-let units expressed as a percentage of the ERV of the Covent Garden portfolio excluding units under development	3	2.0%	2.6%
Like-for-like net rental growth	Net rental income for properties 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.	Analysis of property portfolio Table 3	15.7%	23.7%

EPRA MEASURES CONTINUED (NOT SUBJECT TO REVIEW BY EXTERNAL AUDITORS)

1. EPRA EARNINGS PER SHARE

	Six months ended 30 June 2022			Six months ended 30 June 2021			Year ended 31 December 2021		
	Earnings/ (loss) £m	Shares million	Earnings/ (loss) per share (pence)	Earnings/ (loss) £m	Shares million	Earnings/ (loss) per share (pence)	Earnings/ (loss) £m	Shares million	Earnings/ (loss) per share (pence)
Basic (loss)/earnings from continuing operations	(11.2)	851.3	(1.3)	(104.1)	851.1	(12.2)	29.3	851.3	3.4
<i>Group adjustments:</i>									
Change in value of investments and other receivables ¹	3.6			5.5			(11.6)		
(Gain)/loss on revaluation and sale of investment and development property	(80.8)			92.4			15.8		
Fair value loss/(gain) on listed investments	90.2			(0.5)			(44.6)		
Change in fair value of derivative financial instruments ²	(6.1)			(2.1)			(4.9)		
Deferred tax adjustments	1.2			0.4			2.3		
<i>Joint venture adjustments:</i>									
Profit on sale of trading property ³	(0.3)			(5.2)			(5.6)		
Write down of trading property	1.6			7.1			12.0		
EPRA adjusted loss⁴	(1.8)	851.3	(0.2)	(6.5)	851.1	(0.8)	(7.3)	851.3	(0.9)

1. Change in value of investments and other receivables includes impairments of £3.6 million (six months ended 30 June 2021: £5.5 million) (year ended 31 December 2021: write-back of £11.6 million) 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 9 'Change in value of Investments and other receivables'.
2. Change in fair value of derivative financial instruments excludes change in fair value of derivative liability on exchangeable bonds.
3. Profit on sale of trading property relates to Lillie Square sales on a Group share basis.
4. EPRA earnings has been reported on a Group share basis.

2. EPRA NET INITIAL YIELD AND EPRA 'TOPPED-UP' NET INITIAL YIELD

	30 June 2022 £m	31 December 2021 £m
EPRA Net Initial Yield and 'topped-up' Net Initial Yield		
Investment property – wholly owned	1,818.8	1,730.6
Investment property – share of joint ventures	1.6	1.6
Trading property (including share of joint ventures)	80.1	82.5
Less: developments	(253.2)	(251.2)
Completed property portfolio	1,647.3	1,563.5
Allowance for estimated purchasers' costs	110.3	105.4
Gross up completed property portfolio valuation (A)	1,757.6	1,668.9
Annualised cash passing rental income	58.7	57.5
Property outgoings	(3.6)	(4.1)
Annualised net rents (B)	55.1	53.4
Add: notional rent expiration of rent periods or other lease incentives	9.7	9.2
Topped-up net annualised rent (C)	64.8	62.6
EPRA Net Initial Yield (B/A)	3.13%	3.20%
EPRA 'topped-up' Net Initial Yield (C/A)	3.69%	3.75%

The EPRA Net Initial Yield and EPRA 'topped-up' Net Initial Yield are calculated based on EPRA guidelines and includes both Covent Garden and the Group's share of Lillie Square. The Covent Garden initial yield as determined by the valuer is disclosed in Table 4 of the Analysis of Property Portfolio on page 58.

EPRA MEASURES CONTINUED (NOT SUBJECT TO REVIEW BY EXTERNAL AUDITORS)

3. EPRA VACANCY RATE

	30 June 2022 £m	31 December 2021 £m
EPRA vacancy rate		
Estimated rental value of vacant space	1.5	1.9
Estimated rental value of the whole portfolio less development and refurbishment estimated rental value	73.9	71.8
EPRA vacancy rate	2.0%	2.6%

EPRA vacancy rate is performed only for the Covent Garden portfolio. Other investment and development properties held at Lillie Square total £1.6m Group share (31 December 2021: £1.6m Group share) and disclosure is not applicable.

4. PROPERTY RELATED CAPEX

	30 June 2022			31 December 2021		
	Group (excluding Joint Ventures)	Joint Ventures	Total Group	Group (excluding Joint Ventures)	Joint Ventures	Total Group
Development	–	0.4	0.4	–	2.0	2.0
Investment property	4.2	–	4.2	6.8	–	6.8
Capitalised interest	–	–	–	–	0.2	0.2
Total CapEx	4.2	0.4	4.6	6.8	2.2	9.0
Conversion from accrual to cash basis	0.6	0.5	1.1	1.1	(0.6)	0.5
Total CapEx on cash basis	4.8	0.9	5.7	7.9	1.6	9.5

ANALYSIS OF PROPERTY PORTFOLIO (NOT SUBJECT TO REVIEW BY EXTERNAL AUDITORS)

1. PROPERTY DATA AS AT 30 JUNE 2022

	Market Value £m	Ownership
Covent Garden	1,816.7	100%
Lillie Square	81.7	50%
Other	2.1	100%
Group share of total property	1,900.5	
<i>Investment and development property</i>	1,820.4	
<i>Trading property</i>	80.1	

2. ANALYSIS OF CAPITAL RETURN FOR THE PERIOD

	Market Value 30 June 2022 £m	Market Value 31 December 2021 £m	Revaluation gain/(loss) ¹ 30 June 2022 £m	Increase/ (decrease)
Like-for-like capital				
Covent Garden	1,816.7	1,728.5	80.8	4.8%
Other ²	83.8	85.0	(1.6)	(1.8)%
Total like-for-like capital	1,900.5	1,813.5	79.2	4.5%
<i>Investment and development property</i>	1,820.4	1,732.2	80.8	4.8%
<i>Trading property³</i>	80.1	81.3	(1.6)	(1.9)%
Non like-for-like capital				
Disposals	–	1.2	–	
Group share of total property	1,900.5	1,814.7	79.2	4.5%
<i>Investment and development property</i>	1,820.4	1,732.2	80.8	4.8%
<i>Trading property³</i>	80.1	82.5	(1.6)	(1.9)%
All property				
Covent Garden	1,816.7	1,728.5	80.8	4.8%
Other ²	83.8	86.2	(1.6)	(1.8)%
Group share of total property	1,900.5	1,814.7	79.2	4.5%

1. Revaluation gain/(loss) includes amortisation of lease incentives and fixed head leases.

2. Relates to the Group's interest in Lillie Square.

3. Represents unrecognised surplus and write down or write-back to market value of trading property. Presented for information purposes only.

ANALYSIS OF PROPERTY PORTFOLIO CONTINUED (NOT SUBJECT TO REVIEW BY EXTERNAL AUDITORS)

3. ANALYSIS OF NET RENTAL INCOME FOR THE PERIOD

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Increase
Like-for-like net rental income from operation			
Covent Garden	28.0	24.6	13.8%
Other	–	(0.4)	
Total like-for-like net rental income	28.0	24.2	15.7%
<i>Like-for-like investment and development property</i>	28.1	24.4	15.2%
<i>Like-for-like trading property</i>	(0.1)	(0.2)	
Non like-for-like net rental income			
Disposals	–	1.0	
Group share of total net rental income (underlying)	28.0	25.2	11.1%
<i>Investment and development property income</i>	28.1	25.4	10.6%
<i>Trading property</i>	(0.1)	(0.2)	
All property			
Covent Garden	28.0	25.6	9.4%
Other	–	(0.4)	
Group share of total net rental income (underlying)	28.0	25.2	11.1%
Lease modifications and impairment of tenant incentives	–	(4.2)	
Reported net rental income	28.0	21.0	33.3%
Covent Garden	28.0	21.4	30.8%
Other	–	(0.4)	

4. ANALYSIS OF COVENT GARDEN BY USE

30 June 2022

	Initial yield	Nominal equivalent yield	Passing rent £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Net area million Sq ft
Retail						891.5	38.0	0.4
F&B						457.3	18.8	0.2
Offices						290.5	16.3	0.2
Residential ¹						126.7	3.9	0.2
Leisure and other						50.7	2.2	0.1
Total	2.8%	3.8%	56.7	98.0%	7.3	1,816.7	79.2	1.1

1. Residential net area includes units sold on long lease interests covering approximately 154,000 square feet.

FINANCIAL COVENANTS (NOT SUBJECT TO REVIEW BY EXTERNAL AUDITORS)

For the six months ended 30 June 2022

Financial covenants on unsecured non-recourse debt

30 June 2022				
		Loans outstanding at 30 June 2022 ¹ £m	LTV covenant	Interest cover covenant
	Maturity			
Covent Garden ²	2024-2037	475.0	60%	120%
Standby loan facility ³		–	60%	100%
Total		475.0		

1. The loan values are the nominal values at 30 June 2022. The balance sheet value of the loans includes any unamortised fees.
2. Covent Garden comprises £300.0 million unsecured revolving credit facility ("RCF") maturing in September 2024, which is undrawn at 30 June 2022, and £475.0 million private placement unsecured notes maturing between 2024 and 2037. The facility has an initial three year term with two one-year extension options.
3. On 16 June 2022, the Group entered into a £576 million loan facility to support the potential Merger with Shaftesbury. Shaftesbury has two secured mortgage bonds totalling £575 million, each of which contain change of control provisions which will be trigger by the Merger. The Group has entered into the new facility to provide funding certainty in the event that the Shaftesbury mortgage bond holders exercise their redemption right in respect of the bonds following completion of the Merger. The facility remains undrawn as at 30 June 2022. The term of the £576 million loan facility is 24 months, which may be extended for a further six months at the option of Capco subject to the satisfaction of the extension requirements as outlined in the facility. There is subsequently a further six month extension option available which requires lender approval.

DIVIDENDS

The Directors of Capco have declared an interim cash dividend per ordinary share (ISIN GB00B62G9D36) of 0.8 pence payable on 19 September 2022.

Dates

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

Sterling/Rand exchange rate struck:	Monday, 15 August 2022
Sterling/Rand exchange rate and dividend amount in Rand announced:	Tuesday, 16 August 2022
Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange:	Wednesday, 24 August 2022
Ordinary shares listed ex-dividend on the London Stock Exchange:	Thursday, 25 August 2022
Record date for interim dividend in UK and South Africa:	Friday, 26 August 2022
Dividend payment date for shareholders	Monday, 19 September 2022

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be Tuesday, 23 August 2022 and that no dematerialisation of shares will be possible from Wednesday 24 August 2022 to Friday 26 August 2022 inclusive. No transfers between the UK and South Africa registers may take place from 24 August 2022 to 26 August 2022 inclusive. The above dates are proposed and subject to change.

The interim dividend will be paid wholly as a PID. There will be no non-PID element of the interim dividend. As such, the entire interim dividend will be subject to deduction of a 20 per cent UK withholding tax unless exemptions apply.

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 interim 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 interim 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 interim 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: There is no non-PID element of the interim dividend.

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 www.capitalandcounties.com/uk-real-estate-investment-trust-reit

GLOSSARY

Alternative Performance Measure (APM)

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

Capco

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

Cash and undrawn committed facilities

Cash and cash equivalents plus undrawn committed facilities.

CMA

The Competition and Markets Authority of the UK.

Combined Group

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

Diluted figures

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

EPRA

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

EPRA earnings

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

EPRA earnings per share

EPRA earnings divided by the weighted average number of shares in issue during the 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 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 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 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 topped-up initial yield

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

EPRA vacancy

ERV of un-let units expressed as a percentage of the ERV of the Covent Garden portfolio excluding units under development.

GLOSSARY CONTINUED

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 1/2021 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

HMRC

Her Majesty's Revenue and Customs.

IFRS

International Financial Reporting Standards.

Innova

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

JSE

Johannesburg Stock Exchange.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

Like-for-like property

Property which has been owned throughout both 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.

Merger

The proposed acquisition by Capco of the entire issued and to be issued share capital of Shaftesbury (excluding share capital currently owned by Capco), to be implemented by way of a scheme of arrangement or, should Capco so elect with the consent of the UK Panel on Takeovers and Mergers and subject to the terms of the Co-operation Agreement, by means of a Takeover Offer.

MSCI

Producer of an independent benchmark of property returns.

NAV

Net Asset Value.

Net debt

Total borrowings less cash and cash equivalents.

Net debt to gross assets

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

GLOSSARY CONTINUED

Net rental income (NRI)

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

Net Zero Carbon

When there is a balance between the amount of Greenhouse Gas (GHG) emissions produced and the amount removed from the atmosphere targeting initially reduction in GHG emissions resulting from our buildings and operations and then offsetting any unavoidable residual emissions.

NIA

Net Internal Area.

Nominal equivalent yield

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

Occupancy rate

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

P.A.

Per annum.

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.

Property income distributions (PID)

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

Real estate investment trust (REIT)

A REIT is exempt from corporation tax on income and gains of its property rental business (qualifying activities) provided a number of conditions are met. It remains subject to corporation tax on non-exempt income and gains (non-qualifying activities) which would include any trading activity, interest income and development and management fee income.

Real Estate Transfer Tax

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

RICS

Royal Institution of Chartered Surveyors.

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 and all its subsidiaries and group undertakings, collectively referred to as "Shaftesbury Group", a public company incorporated in England with registered number 01999238.

Shaftesbury Capital

Shaftesbury Capital PLC, the proposed name for the Combined Group.

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.

GLOSSARY CONTINUED

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 NAV 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 for the period 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, Shaftesbury Merger one-off related transaction costs and other non-recurring costs and income. Underlying earnings is reported on a Group share basis.

Underlying earnings per share (EPS)

Underlying earnings divided by the weighted average number of shares in issue during the 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 prior period, these balances have been excluded from underlying net rental income due to being material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude.

Weighted average unexpired lease term

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

Zone A

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

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

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

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

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