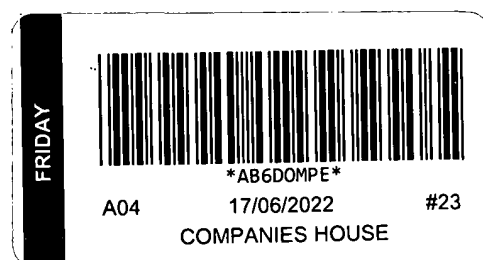


Registration number: 09897743

Covent Garden Group Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2021



Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for Covent Garden Group Holdings Limited ("the Group") for the year ended 31 December 2021.

Operating review

The Covent Garden estate represents a carefully assembled portfolio in the heart of London's West End, comprising retail, dining, leisure and cultural space complemented by high quality offices and residential apartments.

Through creative asset management and disciplined investment, Covent Garden has been established as an exceptional mixed-use portfolio of approximately 1.1 million square feet, across 71 buildings and 503 units. Covent Garden provides a broad range of unit sizes, ensuring it attracts a wide spectrum of retail and F&B occupiers. The Group has transformed Covent Garden into a global destination having curated one of the strongest retail and dining line-ups in the world within a heritage setting.

Performance

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

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

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

Underlying net rental income was £50.3 million for the year, compared with £46.6 million for 2020. Income collection was impacted by the limited ability for the majority of our customers to trade for much of the first half of the year. The Group's direct relationships with customers enabled the business to take a proactive approach and maintain the strong customer line up, ensuring that tenant failures have not been a material feature over the COVID-19 period.

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Operating Review (continued)

As a long-term investor in the estate, customer support was provided in the first half of 2021 on a case-by-case basis and extended into the second half for a selection of customers where appropriate, but on a reduced basis. Rent collection improved in the second half along with the gradual recovery in footfall and sales. Overall 89 per cent of rent has been collected in respect of the year (82 per cent for the first half and 97 per cent for the second half). 96 per cent of the December 2021 to March 2022 quarter has been collected (adjusted for monthly payment plans).

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

Retail

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

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

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

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

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

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

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

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

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Operating Review (continued)

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

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

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

Dining

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

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

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

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

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

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

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

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

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Operating Review (continued)

Office

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

Office space represents 16 per cent of the portfolio by value. As a result of the pandemic, physical occupation of office space in central London has been low however since February 2022 onwards increasing numbers of office workers have returned to central London.

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

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

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

Residential

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

Accelerating value creation through active asset management

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

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

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

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

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Operating Review (continued)

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

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

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

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

Consumer engagement and positioning a world-class estate

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

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

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

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

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Operating Review (continued)

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

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

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

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

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

Sustainability, environment and stakeholder engagement

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

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

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

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

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Operating Review (continued)

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

The Group continues to encourage Covent Garden visitors to make better environmental choices and supports its restaurants and retailers in their efforts to become more sustainable. Throughout 'Plastic Free' July various programmes were implemented across the estate to tackle plastic waste. Covent Garden's sustainability efforts have also been extended to its greening programme which has introduced thousands of new plants across the estate, alongside reducing plastic wastage by over 60 per cent and eliminating the use of peat compost.

Future priorities

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

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

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Operating Review (continued) Principal risks and Uncertainties

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

The COVID-19 pandemic brought about unprecedented challenges and disruption to the broader economy and the business.

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

Additionally, due to the timing of the pandemic and the geo-political climate, it is difficult to quantify the full effects of Brexit or disassociate the impact of these significant events. Understanding the effects of these events as well as the impact on the business and the market remains critical and the Directors continue to monitor this carefully.

The Directors believe that the principal risks and uncertainties that face the Group are not materially different to those disclosed in the Annual Report and Accounts of Capital & Counties Properties PLC for the year ended 31 December 2021 that are publicly available and in which the Group is consolidated.

Given the straightforward nature of the business, the Directors of the Group are of the opinion that analysis using KPIs is not necessary for an understanding of its development performance or position.

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Financial Review

The Group's results for and financial position at the year ended 31 December 2021 are set out in full in the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flow and the related notes.

Whilst COVID-19 has continued to have an impact on the financial results of the Group, performance in 2021 showed improvement compared with 2020, and in particular in the second half of 2021 there were a number of encouraging indicators. These include an increase in ERV and the independent property valuation of Covent Garden. The valuation decline in the first half of the year, offset by an increase in the second half, resulted in an overall 0.6 per cent like-for-like reduction in the independent property valuation of the Covent Garden portfolio and a 1.3 per cent like-for-like reduction in the total valuation of the Group's share of property. The Group's net rental income has improved during the year to £44.4 million, an increase of 136 per cent compared to 2020 (or from £46.1 million to £50.3 million on an underlying basis).

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

Rental income

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

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

Gross rental income in 2021 decreased by £5.4 million to £68.4 million, a 7.3 per cent reduction compared with 2020 due primarily to disposals, void units, short term turnover arrangements and certain assets being under refurbishment.

Net rental income has increased by £25.6 million compared with 2020, driven largely by:

- £14.1 million reduction of charges associated with derecognition of initial direct costs when entering into lease modifications;
- £7.8 million reduction in impairments of tenant lease incentives;
- £9.7 million reduction in expected credit loss;
- Offset by a £6.0 million decrease in gross rental income and other.

Covent Garden Group Holdings Limited

Strategic Report for the Year Ended 31 December 2021

Financial Review (continued)

Balance sheet

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

The Group is well-positioned to create long-term value from its property investment business centred around the West End, underpinned by its strong financial position. With net debt to gross assets of 14 per cent and access to substantial cash and undrawn facilities, totalling £601 million as at 31 December 2021, the Group has the ability to withstand market volatility, capitalise on investment opportunities and deliver long-term value creation.

Approved by the Board on 14/06/22..... and signed on its behalf by:

DocuSigned by:

Situl Jobanputra

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S S Jobanputra
Director

.....14 June.....2022

Covent Garden Group Holdings Limited

Directors' Report for the Year Ended 31 December 2021

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

Incorporation

Covent Garden Group Holdings Limited ("the Company") was incorporated and registered in England and Wales and domiciled in the United Kingdom on 2 December 2015 as a private Company limited by shares (Company registration number 09897743).

Financial review

Details of the Company's results for and financial position at the year ended 31 December 2021 are set out in the Financial Review section of the Strategic Report. Future developments for the Company and Group are also set out in the Strategic Report.

Directors of the Company

The Directors, who held office during the year, up to the date of signing the Financial Statements are given below:

T G Attree

I D Hawksworth

S S Jobanputra

M V A McGrath

C Denness

Articles of Association

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

Property portfolio

Details of the movements in investment, development and trading property are set out in note 12.

Dividends

The Directors do not recommend the payment of a dividend for the year (2020: £nil).

Capital Structure

Details of share capital are set out in note 23.

Use of financial instruments

Information on risk management objectives and policies, including hedging policies, and exposure of the Group in relation to the use of financial instruments are set out in note 21.

Change of control provisions

There are a number of agreements which take effect, alter or terminate upon a change of control of the Group. The agreements that would be considered significant are the £300 million revolving credit facility and the £550 million loan notes issued pursuant to the Private Placements.

Going concern

Please see note 2 for further details on going concern.

Covent Garden Group Holdings Limited

Directors' Report for the Year Ended 31 December 2021

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Directors' indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company's ultimate parent Company purchased and maintained Directors' and Officers' liability insurance throughout the financial year in respect of the Group, including the Company and its Directors.

Independent Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Under the provisions of the Companies Act 2006, the Company is not required to hold an annual general meeting and accordingly the Auditors, PricewaterhouseCoopers LLP, will therefore be deemed to be reappointed for each succeeding financial year.

Covent Garden Group Holdings Limited

Directors' Report for the Year Ended 31 December 2021

Section 172(1) Companies Act 2006 Statement

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

The Directors confirm that, for the year ended 31 December 2021, they acted to promote the long-term success of the Group and the Company for the benefit of the Group's stakeholders, whilst having due regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006.

The precise matters considered by the Directors will depend on the nature of the proposal, but will often include factors such as the likely long-term consequences of a decision, the fostering of relationships with suppliers, operational impacts on the community and environment, maintaining the Group's reputation for high standards of business conduct and treating stakeholders fairly. To allow the Directors to consider these matters effectively, they receive regular updates on stakeholder views from the senior management, and a dedicated section within Board approval papers sets out the likely impact of the proposed recommendation on relevant stakeholders.

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

Modern Slavery

In accordance with the Modern Slavery Act 2015, the Directors have approved a Modern Slavery and Human Trafficking Statement, which has been published on the website of the ultimate parent of the Group. The statement details the steps taken to avoid slavery and human trafficking in the operations and supply chain of the Company.

Approved by the Board on 14/06/22 and signed on its behalf by:

DocuSigned by:

Situl Jobanputra

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S S Jobanputra
Director

14 June 2022

Independent auditors' report to the members of Covent Garden Group Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Covent Garden Group Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet and Company Balance Sheet as at 31 December 2021; the Consolidated Income statement, the Consolidated Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard; and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Covent Garden Group Holdings Limited

Independent auditors' report to the members of Covent Garden Group Holdings Limited (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Covent Garden Group Holdings Limited

Independent auditors' report to the members of Covent Garden Group Holdings Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act (2006). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management and the group's internal auditors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, and;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Covent Garden Group Holdings Limited

Independent auditors' report to the members of Covent Garden Group Holdings Limited (continued)

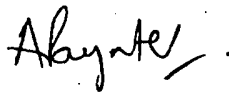
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 June 2022.

Covent Garden Group Holdings Limited**Consolidated Income Statement
for the Year Ended 31 December 2021**

	Note	2021 £ m	2020 £ m
Revenue	3	68.3	73.8
Cost of sales	4	(24.0)	(55.0)
Net Rental income		44.3	18.8
Administrative expenses		(16.8)	(20.6)
Loss on revaluation and sale of investment and development property	5	(15.6)	(692.6)
Operating profit/(loss)	6	11.9	(694.4)
Finance costs	9	(32.5)	(31.1)
Change in fair value of derivative financial instruments		4.9	(9.0)
Other finance costs	9	(1.8)	(0.6)
Net finance cost		(29.4)	(40.7)
Loss before tax		(17.5)	(735.1)
Income tax (expense)/credit	10	(2.2)	1.6
Loss for the year		(19.7)	(733.5)
Loss for the year attributable to:			
Owners of the parent		(19.7)	(733.5)

The notes on pages 25 to 59 form part of these financial statements.

Covent Garden Group Holdings Limited**Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2021**

	2021	2020
	£ m	£ m
Loss for the year	<u>(19.7)</u>	<u>(733.5)</u>
Total comprehensive expense for the year	<u>(19.7)</u>	<u>(733.5)</u>
Total comprehensive expense attributable to:		
Owners of the Company	<u>(19.7)</u>	<u>(733.5)</u>

The notes on pages 25 to 59 form part of these financial statements.

Consolidated Balance Sheet as at 31 December 2021

Registration number: 09897743

	Note	2021 £ m	2020 £ m
Assets			
Non-current assets			
Investment and development property	12	1,692.5	1,793.7
Property, plant and equipment	13	0.5	0.7
Deferred tax	22	0.1	2.3
Derivative financial assets	18	1.1	-
Trade and other receivables	15	37.8	33.1
		<u>1,732.0</u>	<u>1,829.8</u>
Current assets			
Trade and other receivables	15	62.6	38.2
Cash and cash equivalents	16	300.6	344.1
		<u>363.2</u>	<u>382.3</u>
Total assets		<u>2,095.2</u>	<u>2,212.1</u>
Non-current liabilities			
Borrowings, including lease liabilities	19	(552.2)	(692.4)
Derivative financial liabilities	18	-	(7.2)
		<u>(552.2)</u>	<u>(699.6)</u>
Current liabilities			
Borrowings, including lease liabilities	19	(0.7)	(0.7)
Trade and other payables	17	(2,183.0)	(2,132.8)
		<u>(2,183.7)</u>	<u>(2,133.5)</u>
Total liabilities		<u>(2,735.9)</u>	<u>(2,833.1)</u>
Net Liabilities		<u>(640.7)</u>	<u>(621.0)</u>
Equity			
Share capital	23	-	-
Other components of equity		(640.7)	(621.0)
Total equity		<u>(640.7)</u>	<u>(621.0)</u>

The profit for the year attributable to shareholders of the Company is £17.7 million (2020: £13.2 million loss).

The notes on pages 25 to 59 form part of these financial statements. These financial statements on page 18 to 59 have been approved by the Board on 14/06/22 and signed on its behalf by:

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Sitil Jobanputra

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S S Jobanputra

Director

14 June 2022

Covent Garden Group Holdings Limited
Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2021

	Share capital £ m	Other reserve £ m	Merger reserve £ m	Retained earnings/ (accumulated loss) £ m	Total equity £ m
At 1 January 2020	-	(0.6)	(595.8)	708.9	112.5
Loss for the year	-	-	-	(733.5)	(733.5)
Total comprehensive expense	-	-	-	(733.5)	(733.5)
At 31 December 2020	-	(0.6)	(595.8)	(24.6)	(621.0)

	Share capital £ m	Other reserve £ m	Merger reserve £ m	Retained earnings/ (accumulated loss) £ m	Total equity £ m
At 1 January 2021	-	(0.6)	(595.8)	(24.6)	(621.0)
Loss for the year	-	-	-	(19.7)	(19.7)
Total comprehensive expense	-	-	-	(19.7)	(19.7)
At 31 December 2021	-	(0.6)	(595.8)	(44.3)	(640.7)

Covent Garden Group Holdings Limited**Company Balance Sheet
as at 31 December 2021**

Registration number: 09897743

	Note	2021 £ m	2020 £ m
Assets			
Non-current assets			
Investments in subsidiary undertakings	14	0.5	-
Deferred tax assets	22	0.1	2.3
Derivative financial instruments	18	1.1	-
		<u>1.7</u>	<u>2.3</u>
Current assets			
Trade and other receivables	15	2,943.6	2,700.3
Cash and cash equivalents	16	300.0	343.6
		<u>3,243.6</u>	<u>3,043.9</u>
Total assets		<u>3,245.3</u>	<u>3,046.2</u>
Equity and liabilities			
Non-current liabilities			
Loans and borrowings	19	(546.8)	(687.0)
Derivative financial instruments	18	-	(7.2)
		<u>(546.8)</u>	<u>(694.2)</u>
Current liabilities			
Trade and other payables	17	(2,695.5)	(2,366.7)
Total liabilities		<u>(3,242.3)</u>	<u>(3,060.9)</u>
Net Assets/ (Liabilities)		<u>3.0</u>	<u>(14.7)</u>
Equity			
Other components of equity		(0.6)	(0.6)
Retained earnings		3.6	(14.1)
Total equity		<u>3.0</u>	<u>(14.7)</u>

The notes on pages 25 to 59 form part of these financial statements. These financial statements on page 18 to 59 have been approved by the Board on 14/06/22..... and signed on its behalf by:

DocuSigned by:

S S Jobanputra

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S S Jobanputra
Director

.....14 June.....2022

Covent Garden Group Holdings Limited**Company Statement of Changes in Equity
for the Year Ended 31 December 2021**

	Share capital £ m	Other reserves £ m	Retained earnings/ (accumulated losses) £ m	Total £ m
At 1 January 2020	-	(0.6)	(0.9)	(1.5)
Loss for the year	-	-	(13.2)	(13.2)
Total comprehensive expense	-	-	(13.2)	(13.2)
At 31 December 2020	-	(0.6)	(14.1)	(14.7)
	Share capital £ m	Other reserves £ m	Retained earnings/ (accumulated losses) £ m	Total £ m
At 1 January 2021	-	(0.6)	(14.1)	(14.7)
Profit for the year	-	-	17.7	17.7
Total comprehensive income	-	-	17.7	17.7
At 31 December 2021	-	(0.6)	3.6	3.0

Covent Garden Group Holdings Limited**Consolidated Statement of Cash Flow
for the year ended 31 December 2021**

	Note	2021 £m	2020 £m
Cash flow from operating activities			
Cash generated from operations	25	30.5	176.1
Interest paid		(19.4)	(22.6)
Tax paid		(1.5)	0.4
Net cash inflow from operating activities		9.6	153.9
Cash flow from investing activities			
Purchase and development of property		(6.9)	(22.8)
Sale of property		92.2	77.7
Net cash inflow/(outflow) from investing activities		85.3	54.9
Cash flow from financing activities			
Borrowings drawn		1.6	530.0
Borrowings repaid		(140.0)	(390.0)
Purchase of derivate financial instruments		-	(5.4)
Other finance costs		-	0.2
Net cash inflow/(outflow) from financing activities		(138.4)	134.8
Net increase/(decrease) in cash and cash equivalents		(43.5)	343.6
Cash and cash equivalents at 1 January		344.1	0.5
Cash and cash equivalents at 31 December		300.6	344.1

The notes on pages 25 to 59 form part of these consolidated financial statements.

Covent Garden Group Holdings Limited

Notes to the Financial Statements

for the Year Ended 31 December 2021

1 General information

Covent Garden Group Holdings Limited ("the Company") was incorporated and registered in England and Wales on 2 December 2015, registration number 9897743. The registered office of the Company is Regal House, 14 James Street, London, WC2E 8BU.

The principal activity of the Company is to act as the parent Company of the Covent Garden Group Holdings Limited Group (the "Group"), whose principal activity is the development and management of property. The Group's assets principally comprise investment and development property in the Covent Garden area of central London.

The ultimate parent Company and controlling party of the Company is Capital & Counties Properties PLC, a company incorporated and registered in England and Wales, copies of whose consolidated financial statements may be obtained from the Company Secretary, Regal House, 14 James Street, London, WC2E 8BU.

The immediate parent of the Company is Capco Covent Garden Limited, a company incorporated and registered in England and Wales, copies of whose financial statements may be obtained from the Company Secretary, Regal House, 14 James Street, London, WC2E 8BU.

2 Accounting policies

Basis of preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), and in accordance with UK - adopted international accounting standards in conformity with the requirements of Companies Act 2006, IFRS Interpretations Committee ("IFRS IC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of property and derivative financial instruments.

The Company's financial statements to 31 December 2021 were prepared under the historic cost convention and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and United Kingdom Accounting Standards.

FRS 101 sets out a reduced disclosure framework that addresses the financial reporting requirements of and disclosure exemptions available in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK - adopted international accounting standards. Amendments are made to the requirements of IFRS where necessary so as to comply with the Companies Act 2006.

The Company, as a qualifying entity, is a member of a Group where the ultimate parent of that Group, being Capital & Counties Properties PLC, prepares publicly available consolidated financial statements that are intended to give a true and fair view and the Company is included in the consolidation. Details of where the 2021 Annual Report & Accounts of Capital & Counties Properties PLC can be obtained are disclosed in note 27.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

The Directors of the Company have taken advantage of the following disclosure exemptions available under FRS 101:

The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';

IFRS 7 'Financial Instruments: Disclosures';

Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (Disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

The requirements of IAS 7 'Statement of Cash Flows';

The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and

The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a Group.

Going concern

The balance sheet shows that the Group has net liabilities. As a result, the ultimate parent Company has agreed to support the Group for a period of at least 12 months from the date of signing these financial statements. The existence of this support results in the going concern of the Group being dependent on the going concern of the ultimate parent company and Capital & Counties Properties PLC group.

Having assessed the going concern position of the Capital & Counties Properties PLC group, details of which are also included in the Annual Report & Accounts of Capital & Counties Properties PLC for the year ended 31 December 2021, the Directors consider that the Group is well placed to manage its business risks successfully despite the current economic climate.

As a consequence of this, the Directors consider that the going concern basis of preparation is appropriate.

Changes in accounting policy

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

Amendments to References to the Conceptual Framework in IFRS Standards:

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

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

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

IAS 1 'Presentation of Financial Statements' (amendment) (Classification of Liabilities as Current and Non-Current)

IFRS 3 'Business Combinations' (amendment) (Reference to Conceptual Framework)

IAS 16 'Property, Plant and Equipment' (amendment) (Proceeds before Intended Use)

IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (Onerous contracts - Cost of fulfilling a contract)

Amendments to IFRS (Annual improvements cycle 2018-2020)

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to IAS 8 – Definition of Accounting Estimates

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a single transaction

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

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

Basis of Consolidation

The consolidated financial statements in addition to its subsidiary undertakings, include the consolidation of the following limited partnerships: Capital & Counties CGP, Capco CGP 2012 LP (up to the date on which it was dissolved, being 30 June 2021), CG Investments 2016 LP (up to the date on which it was dissolved, being 30 June 2021). The members of these qualifying partnerships have taken advantage of exemptions available in Statutory Instrument 2008/569 and, where the partnership is still active, will not produce consolidated financial statements at the partnership level.

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

Subsidiaries are fully consolidated from the date on which the Group has control; it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over an entity. Subsidiaries cease to be consolidated from the date this control is lost.

2.1 Critical accounting judgements and key sources of estimation uncertainty

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

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

2.1 Critical accounting judgements and key sources of estimation uncertainty (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 both recent payment history and future expectations of the tenant's ability to pay or possible default in order to recognise an expected credit loss allowance. Based on sector and rent receivable type a provision is provided in addition to full provision for maximum risk tenants or known issues.

The provision for expected credit loss against rent receivables is £10.9 million (2020: £10.1 million) and is included within the rent receivable balance included in note 15 'Trade and Other Receivables'. An overall expense has been recorded through net rental income of £2.3 million (2020: £12.4 million) reflecting the rent receivables impaired in the year for tenant failures or tenants who have vacated as well as the movement on the balance sheet provision. The year end balance sheet provision is £10.9 million.

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

The key areas of accounting judgement are:

Property classification: Judgement is required in the classification of property between investment, 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.

The preparation of the Company financial statements in accordance with FRS 101 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 year in which the estimate is revised if the revision affects only that year.

Areas of estimation and uncertainty are included within the accounting policies below, the more significant being property valuation and impairment of trade and other receivables.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Revenue recognition

Rent receivable consists of gross income calculated on an accruals basis. Rental income is recognised as revenue on a straight-line basis over the lease length.

Tenant lease incentive payments, and in certain instances surrender premium payments which are directly linked to new leases, are amortised on a straight-line basis over the lease terms as a reduction in net rental income. Surrender premiums received for early termination of leases are reflected in net rental income. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

A lease modification occurs when an existing lease is renegotiated. Lease modifications are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. On entering into a lease modification any initial direct costs associated with the lease, including surrender premia previously paid, are derecognised through rental expense in the year.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews and turnover rent, are recorded as income in the periods in which they are earned.

Service charge income in the ordinary course of business is recorded as income over time in the year in which the services are provided.

Where revenue is obtained by the sale of property, it is recognised when the buyer obtains control of the property. This will normally take place on legal completion.

Finance income and costs policy

Interest is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantially enacted by the balance sheet date.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

In accordance with IAS 12 'Income Taxes', deferred tax is provided for using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities. However, temporary differences are not recognised to the extent that they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss; or are associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary difference can be controlled by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable Group or different taxable entities where there is an intention to settle balances on a net basis.

Tax is included in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity respectively.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Investment and development property

Investment and development property is owned or leased by the Group and held for long-term rental income and capital appreciation.

The Group has chosen to use the fair value model. Property and any related obligations are initially recognised when the significant risks and rewards attached to the property have transferred to the Group. Payments made in respect of the future acquisition of investment and development property are initially recognised as prepayments until the recognition criteria outlined above have been met. Investment and development property is recorded at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value.

The fair value of property is arrived at by adjusting the market value as above for directly attributable tenant lease incentives and fixed head leases.

Property held under leases is stated gross of the recognised finance lease liability.

The valuation is based upon assumptions as outlined within the property portfolio note. These assumptions conform with the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. The cost of properties includes capitalised interest and other directly attributable outgoings with the exception of properties and land where no development is imminent in which case no interest is included. Interest is capitalised (before tax relief) on the basis of the weighted average cost of debt outstanding until the date of practical completion.

When the Group redevelops a property for continued future use, that property is classified as investment and development property during the redevelopment period and continues to be measured at fair value.

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement in the period in which they arise. Depreciation is not provided in respect of investment property including plant and equipment integral to such investment property. Investment and development properties cease to be recognised as investment and development property when they have been disposed of or when they cease to be held for the purpose of generating rental income or for capital appreciation.

Disposals are recognised on completion. Gains or losses arising are recognised in the income statement. The gain on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

A property ceases to be recognised as investment property and is transferred at its fair value to trading property when, in the Directors' judgement, development commences with the intention of sale. Criteria considered in this assessment include, the Board's stated intention, contractual commitments and physical, legal and financial viability.

When the use of a property changes from trading property to investment property, the property is transferred at fair value with any resulting gain recognised in the income statement.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract.

Group as a lessee:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Borrowings' in the balance sheet.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Group as a lessor:

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

As lessor, the Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Property, plant and equipment

Property consists of leased properties. At the commencement date of a lease, a right of use asset and a lease liability are recognised. Initial recognition of the asset and liability is measured at the present value of the lease payments, discounted at the average incremental borrowings rate applicable at the date of recognition. Depreciation is charged against the asset to the income statement on a straight-line basis over an asset's estimated useful life.

Plant and equipment consist of fixtures, fittings and other office equipment. Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset plus any attributable cost in bringing the asset to its working condition for its intended use. Depreciation is charged to the income statement on a straight-line basis over an asset's estimated useful life using the straight-line basis. Currently, the maximum life of the Group's plant and equipment is ten years. The residual value and useful life of an asset is reviewed at each financial year end.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. The methodology for assessment of impairment is defined in the following paragraph.

Impairment of financial assets

The Group applies the IFRS 9 'Financial Instruments' expected credit loss model in order to calculate a lifetime expected loss allowance for all financial assets. To measure the expected credit losses, receivables are reviewed on an individual contract basis. The expected loss rates are based on forward-looking information as well as historical evidence of collection. In the current environment the historical loss rates are adjusted to reflect current and future information such as estimated future cash flows or by using fair value where this is available through observable market prices and review of macro-economic factors which may affect the counter-party's ability to settle the receivables.

For rent receivables, all tenants are allocated a risk rating, as determined by management, and provided a rating of maximum, high, medium and low risk. Maximum risk tenants, which account for 10 per cent of the commercial portfolio, are predominantly in the retail and F&B sector. The classification is developed by taking into consideration information on the tenant's credit rating, current financial position, historical trading performance, historical default rate and the current impact of COVID-19 on the operational performance of the business. In assessing the provision the Group identifies risk factors associated by sector (food and beverage, retail, office, leisure and residential) and the type of rent receivable outstanding (rent arrears, service charge, insurance, other). In determining the provision on a tenant by tenant basis, the Group considers both recent payment history and future expectations of the tenant's ability to pay or possible default in order to recognise an expected credit loss allowance. Based on sector and rent receivable type a provision is provided in addition to a full provision for maximum risk tenants or known issues.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the original impairment was recognised, the impairment reversal is recognised in the income statement on a basis consistent with the original charge.

Tenant lease incentives are impaired based on an assessment of tenant affordability and fully impaired for all maximum risk tenants.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value. Cash and cash equivalents comprise cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivative financial instruments

The Group uses non-trading derivative financial instruments to manage exposure to interest rate risk. They are initially recognised on the trade date at fair value and subsequently remeasured at fair value based on market price. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Instruments that have not been designated as qualifying for hedge accounting are classified as held for trading. Changes in fair value of these instruments are recognised directly in the income statement.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). For hedging instruments, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Trade and other payables

Trade payables are obligations for goods or services acquired in the ordinary course of business. Trade and other payables are recognised at fair value and subsequently measured at amortised cost until settled.

Amounts owed to and from Group undertakings

Amounts owed to and from Group undertakings are recognised at fair value and subsequently measured at amortised cost until settled. These balances are assessed annually for impairment in accordance with IFRS 9 'Financial Instruments' using the expected credit loss model. If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the original impairment was recognised, the impairment reversal is recognised in the income statements on a basis consistent with the original charge.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Provisions

Provisions are recognised when the Group has a current obligation arising from a past event and it is probable that the Group will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Borrowings

Borrowings are ordinarily recognised initially at their net proceeds as an approximation of fair value.

If the transaction price is not an approximation of fair value at initial recognition, the Group determines the fair value as evidenced by a quoted price in an active market for an identical instrument or based on a valuation technique that uses data from observable markets. Where equity holders of the Group are party to the transaction the difference between the net proceeds and fair value is recognised within equity. Borrowings are subsequently carried at amortised cost. Any transaction costs, premiums or discounts are capitalised and recognised over the contractual life of the loan using the effective interest rate method; or on a straight line basis where it is impractical to do so.

In the event of early repayment, transaction costs, premiums or discounts paid or unamortised costs are recognised immediately in the income statement.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Company statement of cash flows

The Company does not hold any cash balances. All operations of the Company are financed by related party funding and therefore no statement of cash flows has been prepared as required under IAS 7 'Statement of Cash Flows'.

Segmental analysis

All of the Group's revenue is generated from properties located in one geographical area, Covent Garden, central London. The properties are managed as a single portfolio by a single asset management team, irrespective of their use. Within this portfolio, a number of properties are under development at any one time. This is viewed by the Directors as a part of the life-cycle of these assets rather than as a separate division; once the development is completed, the property returns to either the investment or trading property portfolio. The Directors have considered the nature and management of the business as well as how the Group's performance is reported internally and, in their judgement, the Group has only one reportable segment.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

3 Revenue

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

The analysis of the Group's revenue and cost of sales for the year from continuing operations is as follows:

	2021 £ m	2020 £ m
Rental Income	63.1	68.7
Service charge income	5.3	5.1
Revenue	68.4	73.8

4 Cost of Sales

	2021 £ m	2020 £ m
Property expenses	10.4	9.7
Expected credit losses	2.3	12.4
Service charge expenses	5.3	5.1
Impairment of tenant lease incentives	3.4	7.4
Lease modification expenses	2.6	20.4
Cost of sales	24.0	55.0

5 Loss on revaluation and sale of investment and development property

The analysis of the Group's gains and losses on revaluation and sale of investment property for the year is as follows:

	2021 £ m	2020 £ m
Loss on revaluation of investment and development property	(9.8)	(691.7)
Loss on sale of investment property	(5.8)	(0.9)
Loss on revaluation and sale of investment and development property	(15.6)	(692.6)

6 Operating profit/(loss)

The operating profit for the year of £12.0m (2020: loss £694.4m) is arrived after charging:

	2021 £ m	2020 £ m
Depreciation	0.2	0.4

Covent Garden Group Holdings Limited
Notes to the Financial Statements
for the Year Ended 31 December 2021

6 Operating profit/(loss) (continued)

The Group and Company had no employees during the year (2020: nil).

Management services

Management services were provided to the Group throughout 2021 by C & C Management Services Limited, a related Group undertaking, for which fees of £15,186,000 (2020: £18,908,000) were charged.

Management services were provided to the Group in 2020 by Covent Garden Management Services Limited, a related Group undertaking, for which £12,440 fees were charged. During 2021 no such services were provided and therefore the fees charged were £nil.

7 Directors' remuneration

The Directors of the Group and Company received no emoluments for their services during 2021 (2020: £nil). Some Directors are also Directors of Capital & Counties Properties PLC, the Company's ultimate parent company, and the remuneration of these Directors is disclosed in the financial statements of Capital & Counties Properties PLC.

8 Auditors' remuneration

The audit fee charged for the Group in 2021 amounts to £44,054 including its subsidiary undertakings, this amount has been borne by the Company's immediate parent, Capco Covent Garden Limited, and not recharged (2020: £61,280).

9 Finance income and costs

	2021 £ m	2020 £ m
Finance costs		
Interest on bank loans, overdrafts and other	18.3	21.2
Amortisation of debt issue costs	0.8	1.0
On obligations under finance leases	0.7	0.7
On amounts owed to Group undertakings	12.7	8.2
Total finance costs	32.5	31.1
Other Finance Costs		
Waiver fees	1.8	0.6

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10 Taxation

Tax charged/(credited) in the income statement:

	2021 £ m	2020 £ m
Current taxation		
Current tax charge	-	-
Adjustment in respect of previous years - Current Tax	-	(0.1)
	-	(0.1)
Deferred taxation		
Adjustments in respect of previous years - Deferred Tax	-	(0.1)
On derivative financial instruments	2.2	(1.4)
Total deferred taxation	2.2	(1.5)
Tax expense/(credit) in the income statement	2.2	(1.6)

The differences between the tax assessed for the year and the amount that would arise by applying the current average standard rate of corporation tax in the United Kingdom of 19 per cent (2020: 19 per cent) are shown below:

	2021 £ m	2020 £ m
Loss before tax	(17.5)	(735.1)
Current average United Kingdom corporation tax at 19% (2020: 19%)	(3.3)	(139.7)
Expenses disallowed	1.2	5.4
Transfer pricing adjustment	2.4	1.6
Group relief claimed	-	0.3
Revaluation losses attributable to REIT business	1.9	131.6
REIT tax-exempt rental losses/(profits)	0.8	(0.5)
Other temporary differences not provided	(0.8)	(0.1)
Adjustment in respect of previous years - current tax	-	(0.1)
Adjustment in respect of previous years - deferred tax	-	(0.1)
Total tax charge/(credit)	2.2	(1.6)

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10 Taxation (continued)

As a member of the Capital & Counties Properties PLC ("Capco") REIT Group, the Group is exempt from UK corporation tax on income and chargeable gains arising from qualifying activities. Non-qualifying activities are subject to UK corporation tax. Capital & Counties Properties PLC, as the principal member of the Capco REIT Group, must distribute at least 90 per cent of the Capco PLC group's income profits from its tax-exempt property rental business, by way of a dividend known as Property Income Distribution ("PID"), to its shareholders.

Tax arising on items recognised in other comprehensive income is also reflected within other comprehensive income. This includes deferred tax on movements on the cash flow hedge.

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 was substantively enacted on 24 May 2021 and therefore has been reflected in the consolidated financial statements.

11 Profit or loss for the year attributable to shareholder of the Company

Profit after tax of £17,700,000 was attributable to the shareholder of the Company for 2021 (2020: loss of £13,200,000). No income statement or statement of comprehensive income has been presented for the Company as permitted by Section 408 Companies Act 2006.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Investment properties

Group

	2021			2020		
	Lease- hold £m	Free- hold £m	Total £m	Lease- hold £m	Free- hold £m	Total £m
At 1 January	792.0	1,001.7	1,793.7	1,135.5	1,408.5	2,544.0
Additions from subsequent expenditure	1.7	5.3	7.0	4.4	14.7	19.1
Disposals	(4.9)	(93.5)	(98.3)	(0.2)	(77.5)	(77.7)
(Loss)/gain on valuation	(9.1)	(0.7)	(9.8)	(347.7)	(344.0)	(691.7)
Carrying value at 31 December	779.7	912.8	1,692.5	792.0	1,001.7	1,793.7
Adjustments						
Fixed head lease	(6.1)	-	(6.1)	(6.1)	-	(6.1)
Tenant Lease incentives	24.8	17.4	42.2	21.3	16.2	37.5
	18.7	17.4	36.1	15.2	16.2	31.4
Market value at 31 December	798.4	930.2	1,728.6	807.2	1,017.9	1,825.1

The fair value of the Group's investment property as at 31 December 2021 was determined by an independent, appropriately qualified external valuer, CBRE Limited. 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 Directors, on behalf of the Board, appoint the external valuers. The valuers are selected based upon their knowledge, independence and reputation for valuing assets such as those held by the Group.

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

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, discount rates, construction costs including any site specific costs (for example section 106), professional fees, planning fees, developer's profit including contingencies, planning and construction timelines, lease re-gear costs, planning risk and sales prices based on known market transactions for similar properties or properties similar to those contemplated for development. As at 31 December 2021 all Covent Garden properties are valued under the income capitalisation technique.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Investment properties (continued)

Due to the impact of COVID-19 the 31 December 2020 valuation included an assumption on loss on near-term income of £27.0 million. This assumption has been reduced to £nil in the 31 December 2021 valuation. There has been no change in the valuation methodology used as a result of COVID-19. Whilst the property valuations reflect the external valuers' assessment of the impact of COVID-19 at the valuation date, we consider +/- 5 per cent for ERV and +/-25bps movement on yields to capture the increased uncertainty in these key valuation assumptions.

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

Non-financial assets carried at fair value, as is the case for investment and development property held by the Group, are required to be analysed by level depending on the valuation method adopted under IFRS 13 'Fair Value Measurement' ('IFRS 13'). Trading property is exempted from IFRS 13 disclosure requirements. The different valuation levels are defined as:

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

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

Level 3: where one or more inputs to valuation are not based on observable market data.

When the degree of subjectivity or nature of the measurement inputs changes, consideration is given as to whether a transfer between fair value levels is deemed to have occurred. Unobservable data becoming observable market data would determine a transfer between Level 3 and Level 2. All investment and development property held by the Group are classified as Level 3.

The following tables set out the valuation techniques used in the determination of market value of investment and development property on a property by property basis, as well as the key unobservable inputs used in the valuation models.

	Market Value 2021 £m	Market Value 2020 £m	Key unobservable inputs	Range (weighted average) 2021	Range (weighted average) 2020
Market valuation technique					
			Estimated Rental Value per sq ft p.a.	£15 - £214 (£76)	£16 - £215 (£76)
Income capitalisation	1,728.6	1,825.1	Equivalent Yield	1.8% - 6.0% (3.9%)	1.8% - 6.0% (3.9%)

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Investment properties (continued)

Sensitivity Analysis - Income capitalisation method

Covent Garden properties are valued under the income capitalisation method and if all other factors remained equal, an increase in estimated rental value of five per cent would result in an increased asset valuation of £71.9 million (2020: £69.5 million). A decrease in the estimated rental value of five per cent would result in a decreased asset value of £71.0 million (2020: £68.7 million). Conversely, an increased equivalent yield of 25 basis points would result in a decreased asset valuation of £105.2 million (2020: £111.0 million). A decreased equivalent yield of 25 basis points would result in an increased asset valuation of £119.8 million (2020: £125.7 million).

13 Property, plant and equipment

Group

	Furniture, fittings and equipment £ m	Total £ m
Cost or valuation		
At 1 January 2020	2.3	2.3
Additions	0.3	0.3
At 31 December 2020	2.6	2.6
At 31 December 2021	2.6	2.6
Depreciation		
At 1 January 2020	(1.5)	(1.5)
Charge for year	(0.4)	(0.4)
At 31 December 2020	(1.9)	(1.9)
Charge for the year	(0.2)	(0.2)
At 31 December 2021	(2.1)	(2.1)
Carrying amount		
At 31 December 2021	0.5	0.5
At 31 December 2020	0.7	0.7

Plant and equipment includes fixtures, fittings and other office equipment. There are no restrictions on the title of any plant and equipment, or any contractual commitments for the acquisition of further plant and equipment.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Investments in subsidiary undertakings

Summary of the Company investments

	31 December 2021 £ m	31 December 2020 £ m
Cost		
At 1 January	2.0	2.0
Acquisitions	0.5	-
At 31 December	2.5	2.0
Impairment		
At 1 January	(2.0)	(2.0)
At 31 December	(2.0)	(2.0)
Carrying value at 31 December	0.5	-

Group subsidiaries

During the year, Covent Garden Limited, a wholly owned subsidiary of the Company, distributed its investment in Capital & Counties CG Limited, being 1 ordinary share of £1.00, to the Company, as part of an internal Group restructuring project.

The Directors believe that the carrying value of the investment in subsidiary and related undertakings is supported by their underlying financial position.

The principal subsidiary and related undertakings of the Company and their principal subsidiary undertakings, all of which are included in the consolidated financial statements, are shown below:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held 2021	
		2021	2020
Capco Covent Garden Residential Limited	Letting		
Covent Garden Holdings (No.1) Limited	Holding Company	100%	100%
Covent Garden Holdings (No.2) Limited	Holding Company	100%	100%
Covent Garden Limited and its subsidiary undertakings*	Holding Company	100%	100%
--Capital & Counties CG (No.1) Limited*	Holding Company	100%	100%
--Capital & Counties CG (No.2) Limited*	Holding Company	100%	100%
Capital & Counties CG Limited, the General Partner of Capital & Counties CGP, and its subsidiary undertakings:	Property	100%	100%
--- 20 The Piazza Limited	Property	100%	100%
--- 20 The Piazza Management Limited	Property management	100%	100%
- 22 Southampton Street Limited	Property	100%	100%

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Investments in subsidiary undertakings (continued)

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held 2021	
		2021	2020
--- 22 Southampton Street Management Limited	Property management	100%	100%
-- 34 Henrietta Street Limited	Property	100%	100%
--- 34 Henrietta Street Management Company Limited	Property management	100%	100%
-- Capital & Counties CG Nominee Limited	Dormant	100%	100%
-- Covent Garden (43 Management) Limited	Dormant	100%	100%
-- Covent Garden (49 Wellington Street) Limited	Property	100%	100%
-- Floral Court Limited	Property	100%	100%
--- Floral Court Collection Management Limited	Property management	100%	100%
Capital & Counties CGP	Property	100%	100%

* Entity is registered in Jersey, Channel Islands and registered address is 27 Esplanade, St Helier, Jersey, JE1 1SG.

Unless otherwise stated, the companies and limited partnerships are registered in England and Wales. The registered address of each of the companies and limited partnerships is Regal House, 14 James Street, London, WC2E 8BU unless otherwise stated.

The share capital of each of the companies, where applicable, is comprised of ordinary shares unless stated otherwise.

The entities listed above are those subsidiary and related undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures in the Group's consolidated financial statements.

The carrying value of investment in subsidiary and related undertakings is reviewed at least annually for impairment. Where an indication of impairment exists, the recoverable amount of the subsidiary undertaking is determined with reference to its fair value less costs to sell. Fair value is derived from the financial position of the subsidiary undertaking at the balance sheet date.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Trade and other receivables

	Group		Company	
	31 December 2021 £ m	31 December 2020 £ m	31 December 2021 £ m	31 December 2020 £ m
Non-current				
Prepayments and accrued income	37.8	33.1	-	-
	<u>37.8</u>	<u>33.1</u>	<u>-</u>	<u>-</u>
Current				
Rent Receivable	10.6	24.7	-	-
Amounts owed from Group undertakings	40.2	-	2,943.7	2,700.3
Prepayments and accrued income	9.8	11.4	-	-
Other receivables	2.0	2.1	-	-
	<u>62.6</u>	<u>38.2</u>	<u>2,943.7</u>	<u>2,700.3</u>

Included within prepayments and accrued income are tenant lease incentives of £42.2 million (2020: £37.5 million).

Amounts owed from Group undertakings are unsecured, interest-bearing at 0.6 per cent and repayable on demand (2020: 0.6 per cent).

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

16 Cash and cash equivalents

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	£ m	£ m	£ m	£ m
Cash at bank	300.6	344.1	300.0	343.6

17 Trade and other payables

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	£ m	£ m	£ m	£ m
Trade payables	13.5	15.5	-	-
Accrued expenses	5.9	7.9	2.7	3.0
Amounts due to related parties	2,148.5	2,092.6	2,692.8	2,363.7
Social security and other taxes	1.2	2.7	-	-
Other payables	13.9	14.1	-	-
	2,183.0	2,132.8	2,695.5	2,366.7

Amounts owed to Group undertakings at 31 December 2021 are unsecured, repayable on demand and interest bearing at 0.6 per cent (2020: 0.6 per cent).

Amounts owed to Group undertakings rank subordinate to external borrowings.

18 Derivative financial instruments

Group and Company

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	£ m	£ m	£ m	£ m
Derivative financial assets/(liabilities) held for trading				
Interest rate collars	1.1	(7.2)	1.1	(7.2)
Derivative financial instruments	1.1	(7.2)	1.1	(7.2)

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

19 Borrowings, including finance leases

Group	Carrying value £ m	Nominal value £ m	Fair value £ m	2021			
				Secured £ m	Unsecured £ m	Fixed rate £ m	Floating £ m
Current							
Lease obligations	0.7	0.7	0.7	0.7	-	0.7	-
	0.7	0.7	0.7	0.7	-	0.7	-
Non current							
Bank loan	(1.6)	-	-	-	(1.6)	-	(1.6)
Loan notes	548.4	550.0	554.1	-	548.4	548.4	-
	546.8	550.0	554.1	-	546.8	548.4	(1.6)
Lease obligations	5.4	5.4	5.4	5.4	-	5.4	-
Borrowings, including leases	552.2	555.4	559.5	5.4	546.8	553.8	(1.6)
Total borrowings, including leases	552.9	556.1	560.2	6.1	546.8	554.5	(1.6)
Cash and cash equivalents	(300.6)						
Net debt	252.3						

Group	Carrying value £ m	Nominal value £ m	Fair value £ m	2020			
				Secured £ m	Unsecured £ m	Fixed rate £ m	Floating £ m
Current							
Lease obligations	0.7	0.7	0.7	0.7	-	0.7	-
	0.7	0.7	0.7	0.7	-	0.7	-
Non current							
Bank loan	138.8	140.0	140.0	-	138.8	-	138.8
Loan notes	548.2	550.0	514.0	-	548.2	548.2	-
	687.0	690.0	354.0	-	687.0	548.2	138.8
Lease obligations	5.4	5.4	5.4	5.4	-	5.4	-
Borrowings, including Leases	692.4	695.4	659.4	5.4	687.0	553.6	138.8
Total borrowings, including leases	693.1	696.1	660.1	6.1	687.0	554.3	138.8
Cash and cash equivalents	(344.1)						
Net debt	349.0						

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

19 Borrowings, including finance leases (continued)

Company	Carrying value £ m	Nominal value £ m	Fair value £ m	2021			
				Secured £ m	Unsecured £ m	Fixed rate £ m	Floating £ m
Non current							
Bank loan	(1.6)	-	-	-	(1.6)	-	(1.6)
Loan notes	548.4	550.0	554.1	-	548.4	548.4	-
Total borrowings	546.8	550.0	554.1	-	546.8	548.4	(1.6)
Cash and cash equivalents	(300.0)						
Net debt	246.8						

Company	Carrying value £ m	Nominal value £ m	Fair value £ m	2020			
				Secured £ m	Unsecured £ m	Fixed rate £ m	Floating £ m
Non current							
Bank loan	138.8	140.0	140.0	-	138.8	-	138.8
Loan notes	548.2	550.0	514.0	-	548.2	548.2	-
Total borrowings	687.0	690.0	354.0	-	687.0	548.2	138.8
Cash and cash equivalents	(343.6)						
Net debt	343.4						

The fair values of floating rate borrowings have been established using the market value, which approximates nominal value. The fair values of fixed rate borrowings have been calculated using a discounted cash flow approach.

In December 2014, the Group issued a US Private Placement of £150 million 10 and 12 year senior unsecured notes.

In November 2016, the Group issued a US Private Placement of £125 million 10 year and a £50 million 12 year senior unsecured notes.

In August 2017, the Group issued a US Private Placement of £225 million senior unsecured notes with a maturity profile between 2024 and 2037.

On 28 January 2022, the Group served notice to prepay £75 million private placement loan notes. Details are set out in note 28 "Events after the reporting date".

During the year, the Group replaced the £705 million Covent Garden revolving credit facility with a £300 million three year Covent Garden revolving credit facility, maturing in September 2024.

Cash and undrawn committed facilities attributable to the Group at 31 December 2021 were £599.0 million (2020: £909.1 million).

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

20 Lease obligations

Group

Finance leases

2021

	Minimum lease payments £ m	Interest £ m	Present value £ m
Within one year	0.7	-	0.7
In two to five years	2.9	(0.6)	2.3
In over five years	18.0	(14.9)	3.1
	<u>21.6</u>	<u>(15.5)</u>	<u>6.1</u>

2020

	Minimum lease payments £ m	Interest £ m	Present value £ m
Within one year	0.7	-	0.7
In two to five years	2.9	(0.6)	2.3
In over five years	18.0	(14.9)	3.1
	<u>21.6</u>	<u>(15.5)</u>	<u>6.1</u>

The present values of future finance lease payments are analysed as follows:

	31 December 2021 £ m	31 December 2020 £ m
Current liabilities	0.7	0.7
Non-current liabilities	5.4	5.4
	<u>6.1</u>	<u>6.1</u>

Lease liabilities are in respect of leasehold investment property. Certain leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the rents above. Lease liabilities are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default.

Operating leases

The Group earns rental income by leasing its investment properties to tenants under operating leases. In the United Kingdom standard commercial leases vary considerably between markets and locations but typically are for a term of five to 15 years at market rent with provisions to review to market rent every five years.

The total future value of minimum lease payments is as follows:

	31 December 2021 £ m	31 December 2020 £ m
Within one year	53.7	61.3
In two to five years	174.0	169.1
In over five years	233.1	261.9
	<u>460.8</u>	<u>492.3</u>

The income statement includes £0.1 million (2020: £0.2 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

Covent Garden Group Holdings Limited
Notes to the Financial Statements
for the Year Ended 31 December 2021

21 Financial risk management

Group

The Capital & Counties Properties PLC Group's financial risk management strategy seeks to set financial limits for treasury activity to ensure they are in line with the risk appetite for the Group and these limits are applied to the entity and Group as applicable. The Group is exposed to a variety of risks arising from Group's operations: market risk (principally interest rate risk), liquidity risk and credit risk.

The following tables set out each class of financial assets, financial liabilities, and their fair values at 31 December 2021 and 31 December 2020:

	Carrying value 2021 £ m	Gain to income statement 2021 £ m	Carrying value 2020 £ m	Loss to income statement 2020 £ m
Cash and cash equivalents	300.6	-	344.1	-
Other financial assets	12.8	-	24.5	-
Total cash and other financial assets	313.4	-	368.6	-
Derivative financial instruments	1.1	4.9	(7.2)	(9.0)
Total held for trading assets/(liabilities)	1.1	4.9	(7.2)	(9.0)
Borrowings, including finance leases	(552.9)	-	(693.1)	-
Other financial liabilities	(34.5)	-	(24.8)	-
Total borrowings and other financial liabilities	(587.4)	-	(717.9)	-

The majority of the Group's financial risk management is carried out by the Treasury function ("Treasury") of the Capital & Counties Properties PLC Group under policies approved by the Board of Directors of Capital & Counties Properties PLC. The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below.

Interest rate risk comprises both cash flow and fair value risks. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The Group interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

It is the Capital & Counties Properties PLC Group's policy, which is applied to the entity and Group as applicable, and often a requirement of the lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using fixed interest rate derivatives. Swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate collars protect the Group by capping the maximum interest rate paid at the collar's ceiling but sacrifices the profitability of interest rate falls below a certain floor.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

21 Financial risk management (continued)

The table below shows the effects of derivative contracts that are linked to the external borrowings profile of the Group:

	Fixed/ Capped 2021 £ m	Floating 2021 %	Fixed/ Capped 2020 £ m	Floating 2020 %
Borrowings	550.0	-	550.0	-
Interest rate protection (%)	-	100.0	-	100.0

Cash flow hedges

In 2016, the Group entered into a forward starting interest rate swap to hedge the variability in specified hedged interest cash flows arising on £60.0 million of outstanding debt from 2016 to 2026. The loss recognised in other comprehensive income in the year was £nil (2020: £nil). This loss will be reclassified from other comprehensive income to the consolidated income statement over the term of the designated debt. The fair value of the designated hedging instrument at 31 December 2021 is £nil (2020: £nil). The hedge was 100 per cent effective; therefore no charge for an ineffective portion has been taken to the consolidated income statement.

The sensitivity analysis below illustrates the impact of a 50 basis point ("bps") shift, upwards and downwards, in the level of interest rates on the movement in fair value of derivative financial instruments.

	Increase in interest rates by 50 bp 2021 £ m	Decrease in interest rates by 50 bp 2021 £ m	Increase in interest rates by 50 bp 2020 £ m	Decrease in interest rates by 50 bp 2021 £ m
Effects on loss before tax:				
Increase/(decrease)	2.1	(2.1)	4.1	(4.1)

Sensitivity analysis

The sensitivity analysis above is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur and represents management's assessment of possible changes in interest rates. The fixed rate derivative financial instruments are matched by floating rate debt, therefore such a movement would have a very limited effect on Group cash flow overall.

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due. Liquidity analysis is intended to provide sufficient headroom to meet the Group's operational requirements and investment commitments.

The Capital & Counties Properties PLC Group's Treasury policy, which is applied to the entity and Group, also includes maintaining adequate cash, as well as maintaining adequate committed facilities.

A key factor in ensuring existing facilities remain available to the Group is the borrowing entities' ability to meet the relevant facilities' financial covenants. The Group has a process to monitor regularly both current and projected compliance with the financial covenants.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

21 Financial risk management (continued)

The Capital & Counties Properties PLC Group's policy is to seek to minimise its exposure to liquidity risk by managing its exposure to interest rate risk and to refinancing risk. This is applied to the entity and Group. The Capital & Counties Properties PLC Group seeks to borrow for as long as possible at the lowest cost, and this principle is applied to the entity and Group.

The Group regularly reviews the maturity profile of its financial liabilities and will seek to avoid concentrations of maturities through the regular replacement of facilities and by staggering maturity dates. Refinancing risk may be reduced by re-borrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk. This is subject to credit facilities being available at the time of the desired refinancing.

Maturity analysis

The tables below set out the maturity analysis of the Group's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal. Where interest payment obligations are based on a floating rate, the rates used are those implied by the par yield curve.

2021					
Interest	Less than one year £ m	1-2 years £ m	Between 2-5 years £ m	Over 5 years £ m	Totals £ m
Group					
Unsecured borrowings	1.5	1.6	1.2	-	4.3
Finance lease obligations	-	0.1	0.5	14.9	15.5
Interest rate derivatives payables	-	0.4	0.3	-	0.7
	1.5	2.1	2.0	14.9	20.5
Principal Group					
Finance lease obligations	0.7	-	2.3	3.1	6.1
	0.7	-	2.3	3.1	6.1
2020					
Interest	Less than one year £ m	1-2 years £ m	Between 2-5 years £ m	Over 5 years £ m	Totals £ m
Group					
Unsecured borrowings	19.6	19.4	43.0	35.8	117.8
Finance lease obligations	-	0.1	0.5	14.9	15.5
Interest rate derivatives payables	-	0.1	3.7	-	3.8
	19.6	19.6	47.2	50.7	137.1
Principal Group					
Unsecured borrowings	-	140.0	132.0	417.5	689.5
	-	140.0	132.0	417.5	689.5

Contractual maturities reflect the expected maturities of financial instruments.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Fair value estimation

Credit risk and impairment

The Group's principal financial assets are trade and other receivables, amounts receivable from joint ventures, loan notes and cash and cash equivalents. Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the Group's undrawn commitments and holdings of assets such as cash deposits and loans with financial counterparties. The carrying value of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any deposits or guarantees obtained.

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, anticipating and wherever possible identifying and addressing risks prior to default. Trade receivables are less than 1 per cent of total assets at 31 December 2021 (2020: Less than 1 per cent) and no one tenant accounts for more than 10 per cent of rental income.

Prospective tenants are assessed through an internally conducted review process, by obtaining credit ratings and reviewing financial information. As a result, deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2021 was £12.1 million (2020: £13.5 million).

Due to the nature of tenants being managed individually by asset managers, it is Group policy to calculate any impairment specifically on each contract.

The ageing analysis of these trade receivables, past due but not impaired, is as follows:

	2021 £ m		2020 £ m	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Not yet due	0.6	(0.3)	2.6	(0.6)
0-90 days	6.5	(1.4)	11.9	(4.5)
91-180 days	5.1	(0.4)	14.2	(2.0)
Over 180 days	9.2	(8.8)	6.6	(5.3)
Trade receivables	21.4	(10.9)	34.7	(12.4)

As the Group operates predominantly in central London, it is subject to some geographical risk. However, this is mitigated by the extensive range of tenants from varying business sectors and the credit review process as noted above.

The credit risk relating to cash, deposits and derivative financial instruments is actively managed by Capital & Counties Properties PLC's Group Treasury function. Relationships are maintained with a number of institutional counterparties, ensuring compliance with Group policy relating to limits on the credit ratings of counterparties.

Excessive credit risk concentration is avoided through adhering to authorised limits for all counterparties.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Capital structure

The Capital & Counties Properties PLC Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure. This is applied to the entity and Group as applicable. The Group uses a mix of debt and other financial instruments and aims to access both debt and equity capital markets with maximum efficiency and flexibility.

A key ratio used to monitor the capital structure of the Group is the debt to assets ratio. The Group aims not to exceed an underlying debt to asset ratio of more than 40 per cent.

	2021 £ m	2020 £ m
Debt to asset ratio		
Investment properties	1,692.5	1,793.7
Net external debt	(252.3)	(349.0)
	14.9%	19.5%

Financial instruments carried at fair value are required to be analysed by level depending on the valuation method adopted under IFRS 13. The different valuation levels are defined in note 8.

The tables on the next page present the Group's assets and liabilities recognised at fair value at 31 December 2021 and 31 December 2020. The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values.

2021	Level 1 £ m	Level 2 £ m	Level 3 £ m	Total £ m
Liabilities measure at fair value				
Derivative financial assets/(liabilities)	-	1.1	-	1.1
2020	Level 1 £ m	Level 2 £ m	Level 3 £ m	Total £ m
Liabilities measure at fair value				
Derivative financial assets/(liabilities)	-	(7.2)	-	(7.2)

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

22 Deferred tax

Deferred tax

The changes in the corporation tax rate referred to in note 10 'Taxation', has been enacted for the purposes of IAS12 'Income Taxes' ("IAS 12") and therefore has been reflected in these consolidated financial statements based on the expected timing of the realisation of deferred tax.

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Properties that fall within the Group's qualifying REIT activities will be outside the charge to UK corporation tax subject to certain conditions being met. The Group's recognised deferred tax position on investment and development property as calculated under IAS 12 is £nil at 31 December 2021 (2020: £nil).

Deferred tax assets and liabilities

		Provided deferred tax asset
		£ m
2021		0.1
Derivatives		
		Provided deferred tax asset
		£ m
2020		2.3
Derivatives		

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

22 Deferred tax (continued)

Group

Deferred tax movement during the year:

	At 1 January 2021 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 31 December 2021 £ m
Derivatives	2.3	(2.2)	-	0.1
Net tax assets/(liabilities)	2.3	(2.2)	-	0.1

Deferred tax movement during the prior year:

	At 1 January 2020 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 31 December 2020 £ m
Derivatives	0.9	1.5	(0.1)	2.3
Net tax assets/(liabilities)	0.9	1.5	(0.1)	2.3

Company

Deferred tax assets and liabilities:

	Provided deferred tax asset £ m
2021 Derivatives	0.1
2020 Derivatives	2.3

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

22 Deferred tax (continued)

Deferred tax movement during the year:

	At 1 January 2021 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 31 December 2021 £ m
Derivatives	2.3	(2.2)	-	0.1

Deferred tax movement during the prior year:

	At 1 January 2020 £ m	Recognised in income £ m	Recognised in other comprehensive income £ m	At 31 December 2020 £ m
Derivatives	0.9	1.5	(0.1)	2.3

23 Share capital

Group and Company

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No.	£	No.	£
Ordinary shares of £1 each	2	2	2	2

24 Commitments

Group

Capital commitments

At 31 December 2021, the Group was contractually committed to £4.1 million (2020: £0.8 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. The full committed amount of £4.1 million relates to 2021 expenditure.

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

25 Cash generated from operations

	Note	2021 £m	2020 £m
Loss before tax		(17.4)	(735.1)
Adjustments for:			
Loss on revaluation and sale of investment and development property	5	15.6	692.6
Expected credit losses		2.3	
Depreciation	6	0.2	0.3
Amortisation of lease incentives and other direct costs		(1.0)	36.8
Finance costs	9	34.3	31.7
Change in fair value of derivative financial instruments		(4.9)	9.0
Change in working capital:			
Change in trade and other receivables		(9.6)	(45.8)
Changes in trade and other payables		11.0	186.6
Cash generated from operations		30.5	176.1

Covent Garden Group Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

26 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation of the Group.

Significant balances outstanding between the Company, its subsidiaries and other related entities are shown below:

Subsidiary/related undertaking	2021 £ m	2020 £ m
Capital & Counties CG (No.1) Limited	-	(157.2)
Capital & Counties CG (No.2) Limited	-	(110.7)
Covent Garden Holdings (No.1) Limited	278.8	-
Covent Garden Holdings (No. 2) Limited	278.8	-
20 The Piazza Limited	(2.1)	(2.1)
Capco Group Treasury Limited	(2,148.5)	(2,092.6)
Capital & Counties CGP	1,838.8	1,886.6
Covent Garden Limited	0.1	809.5
Capital & Counties CG Limited	3.2	3.3
Capco Covent Garden Residential Limited	1.1	0.6

During the year there were no transactions with key management personnel (2020: nil).

27 Parent and ultimate parent undertaking

The ultimate parent of the largest Group and smallest Group of which the Company is a member and for which consolidated financial statements are available is Capital & Counties Properties PLC, a company incorporated and registered in England and Wales, copies of whose financial statements may be obtained from the Company Secretary, Regal House, 14 James Street, London WC2E 8BU.

The Company's immediate parent is Capco Covent Garden Limited, a company incorporated in England and Wales, copies of whose financial statements may be obtained from the Company Secretary, Regal House, 14 James Street, London, WC2E 8BU.

28 Events after the reporting date

On 28 January 2022, the Group served notice to prepay £75 million private placement loan notes, consisting of £37.5 million loan notes set to mature on 16 December 2024 with an interest rate of 3.63 per cent and £37.5 million loan notes set to mature on 16 December 2026 with an interest rate of 3.68 per cent. The prepayment occurred on 28 February 2022, at a cost of £80.5 million including make-whole costs. As a result of the prepayment, the pro forma weighted average debt maturity on drawn facilities increased to 5.0 years and the weighted average cost of debt reduced to 2.7 per cent.