making great places even better

Shaftesbury

Annual Report 2019

Shaftesbury is a real estate investment trust which invests exclusively in the liveliest parts of London's West End. Focused on food, beverage, retail and leisure uses, our portfolio is clustered mainly in Carnaby, Seven Dials and Chinatown, but also includes substantial ownerships in east and west Covent Garden, Soho and Fitzrovia.

Our purpose

To curate vibrant and thriving villages in the heart of London's West End.

At its core is a holistic approach to making great places even better for the benefit of our stakeholders, through fostering our areas and providing vibrant and inspiring experiences for visitors, occupiers, their customers and residents.

Our culture

Our open and inclusive culture is one of tradition and innovation.

Across the business, we forge lasting relationships and partnerships, based on respect, integrity and transparency. We embrace change, seek challenge and look to evolve and improve.

We welcome new people, businesses, ideas and perspectives – everyone has a voice and an impact.

By combining our strengths, we achieve success beyond profit to:

- make a positive difference;
- deliver sustainable, long-term benefits for our stakeholders and our people;
- build a thriving working culture; and
- make a positive, long-lasting contribution to London's West End.

Page 36

Our values

Human

- Approachable
- Honest and open
- Fair and respectful
- Inclusive

Original

- Finding and nurturing talent and new ideas
- Unique curation of our villages
- Creative thinking

Community minded

- Embedded in the local community
- Connecting people and businesses
- Public benefit

Responsible

- Committed to the West End
- Cultivating and fostering
- Sustainable

Long term

- Long-term partnerships
- Long-term careers
- Making great places even better

These values are fundamental to our behaviour, decision making and the delivery both of our purpose and strategic objectives.

Pages 36 to 45

Iconic villages

- CARNABY
- COVENT GARDEN
- CHINATOWN
- SOHO
- FITZROVIA

15.2 acres
and 1.9 acres owned in joint venture

1.9m sq ft
commercial and residential space and 0.3m sq ft in joint venture

c. 600
buildings

Mix of uses

Food, beverage and leisure	Retail	Offices	Residential
% of wholly-owned portfolio ERV			
38%	31%	19%	12%
0.7m sq ft	0.4m sq ft	0.4m sq ft	0.4m sq ft

Talented and experienced team

34 employees

68% female

32% male

11 years
average length of service

Strategic report

Governance

Financial statements

Other information

shaftesbury.co.uk

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Our long-term business

Impossible-to-replicate portfolio

- Clustered in the busiest parts of the West End
- Focused on uses with a long history of occupier demand exceeding availability
- Small to medium-sized space with competitive rental levels

Pages 8 to 15

Long-term growth prospects

- Benefit from growth in London's population, workforce and visitor numbers
- Highly reversionary
- Consistent record of converting rental potential into contracted income

Pages 15, 49 to 50

Proven active management strategy to create value

- Long record of sustained growth in rental income
- Long-term outperformance against the wider real estate sector
- Pipeline of value-accretive schemes

Pages 6 to 7, 49, 52, 94

Experienced and innovative management team

- Forensic knowledge of the West End property and occupier markets
- Skilled in adapting our space to meet occupiers' evolving needs

Pages 4, 8, 63 to 65

Socially responsible

- Sustainable reuse of buildings
- Strong relationships with occupiers, local authorities and communities
- Open and inclusive culture

Pages 29 to 35, 52

Resilience, stability and low risk

- Long-term outperformance through economic and property cycles
- Long-term growth in portfolio value and total shareholder returns
- Growing dividends
- Tax-efficient REIT structure and conservative financing

Pages 8, 55, 56, 94, 130

10 year performance

210.3%
Total Shareholder Return

13.5% pa
Total Accounting Return[1,5,6]

11.4% pa
EPRA NAV growth[1,5,6]

4.2% pa
Growth in annualised current income[2,3,6]

4.8% pa
ERV growth[2,3,6]

6.9% pa
Growth in rental income[6]

5.3% pa
Dividend per share growth[6]

2.9%
Average EPRA vacancy[2,4]

5.8%
Average ERV of space under refurbishment[2,4]

1 An alternative performance measure: see page 124
2 Wholly-owned portfolio
3 Like-for-like
4 % of total ERV
5 No IFRS equivalent has been presented because these are "per share" metrics, for which there is no equivalent under IFRS
6 Compound annual growth

Chief executive's statement

In a year dominated by domestic political uncertainties and a slowing national economy, the qualities of our portfolio, business model and proven strategy, together, have delivered a resilient performance.

Highlights of the year

- Net property income: £98.0m +4.5%
- Profit for the year: £26.0m
- EPRA earnings[1]: £54.6m (+5.6%)
- Commercial leasing activity[2]: +3.2% vs 2018 ERV
- Underlying average occupancy: 97%
- Value-enhancing asset management schemes across 241,600 sq. ft. of space[2]
- Planning consent for 72 Broadwick Street scheme secured and works commenced
- Seven Dials Market opened in Thomas Neal's Warehouse
- Central Cross now 93% let or under offer
- Wholly-owned portfolio valuation: £3.8bn (-0.2%)[3]
  - ERV growth[3]: 3.2%
  - Reversionary potential: £32.6m
- Longmartin[5] property valuation: £0.2bn (-8.5%)[3]
- Net assets: £3.0bn (-0.9%)
- EPRA NAV per share[1]: £9.82 (-0.9%)
- Three-year strategic people plan implemented
- Community investment: £0.8m (1.5% of EPRA earnings)
- For the third year, top of the FTSE 250 in the Hampton-Alexander review for the highest female representation on the executive committee and direct reports

Our carefully-curated and managed locations continue to enjoy sustained, broad-based occupier demand for space, attracted by the popular, lively and distinctive West End destinations we create and the millions who visit throughout the year.

Profit for the year ended 30 September 2019 amounted to £26.0 million. EPRA earnings[1] grew by 5.6% over the year to £54.6 million, and EPRA earnings per share[1] increased by 4.1% to 17.8 pence. The principal driver of this growth was a 4.5% increase in net property income to £98.0 million.

At 30 September 2019, EPRA NAV[1] stood at £9.82, down 9 pence per share (0.9%) over the year. This decrease was the result of deficits arising from revaluations of the combined portfolio, net of disposal profits, totalling £31.7 million, equivalent to 10 pence per share. The valuation of our wholly-owned portfolio was broadly flat, showing a like-for-like decline of just 0.2%. Property owned by our Longmartin joint venture fell in value by 8.5%, principally due to a 19.4% write down of its retail, principally large shops on Long Acre, where the valuers advise, over the year, ERVs have fallen by 14% and yields have moved out by 25 basis points.

We have continued our long record of converting our portfolio's reversionary potential into contracted income. The cash flow and earnings this generates supports long-term shareholder value creation and a growing dividend stream. The Board is recommending a final dividend of 9.0p, an increase on last year's final dividend of 5.9%. This will bring the total dividend for the year to 17.7p, up 5.4% on 2018.

Economic backdrop

Uncertainties stemming from Brexit and the political impasse in Parliament, which have continued throughout the year, are weighing on UK business and consumer confidence, resulting in low levels of growth and investment nationally. At the same time, trends in consumer spending patterns and structural changes in traditional, national retailing, resulting from developments in technology and logistics, continue to have a significant impact on retailers' space requirements and their appetite to take on new commitments.

London's status as a global destination for business and visitors, and the breadth and scale of its economy, means it is not solely reliant on the fortunes of the UK economy. Its unique features, and those of the West End in particular, underpin the resilience of our portfolio and continue to provide a considerable degree of insulation from national economic headwinds.

Our portfolio benefits from the West End's exceptional volume of daily visitors, unmatched by any other UK location. With an estimated 200+ million visits per year, its catchment comprises a huge local workforce, nearly nine million Londoners and a similar number in the Home Counties who can easily visit for a day, as well as domestic and international tourists. This creates a seven-days-a-week trading environment for our occupiers, with access to an affluent, diverse customer base.

The West End continues to attract huge investment in its infrastructure and buildings by public bodies and landowners, as well as from businesses who are based here. We benefit from these commitments by others, which are bringing public realm and environmental improvements, modern offices to support the growth of the local working population, more hotels and new shopping and leisure choices, all of which will enhance the West End's appeal and footfall. The current plans for the Oxford Street District, alone, are expected to deliver £2.9 billion of new investment over the next three years[6].

1 An alternative performance measure: see page 124
2 Wholly-owned portfolio
3 Like-for-like
4 % of total ERV, excluding assets held for, or undergoing, refurbishment
5 Our 50% share
6 New West End Company

Occupational market trends

Food, beverage, retail and leisure[2] (69% of ERV)

Trading conditions in our locations remain good. Our food, beverage and retail tenants are, on average, reporting year-on-year turnover growth. In common with businesses generally, cost pressure and staff shortages continue to present operational challenges.

Our high-footfall and spending locations continue to attract robust demand for space from a wide range of domestic and international occupiers. This is in contrast to declining interest reported across high streets and shopping centres, as national retail and restaurant chains reduce their trading space, or abandon under-performing locations. We have been largely unaffected by widely-reported national retail and restaurant restructurings and failures, with tenant insolvencies during the year accounting for less than 2% of ERV. Where space has been handed back, it has re-let well.

We have a reputation as an innovative landlord with a consistent approach to curating our villages and a focus on creating an environment in which our tenants can prosper. Our proven strategy is based on a dynamic mix of uses, with careful occupier selection focused on a differentiated, mid-market offer, rather than formulaic formats or high-end brands. The success of our areas owes much to our preference for introducing interesting new concepts over covenant-led criteria, and brands that are creative, forward-thinking and adapt to fast-moving trends. Our ownership clusters give occupiers confidence that our strategy and standards will be rigorously maintained, unlike streets with competing owners and no clear direction.

An important aspect of our strategy, which is much valued by our tenants, is the promotion of our locations to the widest audience. Working closely with occupiers, our events, marketing and social media campaigns raise the profile and awareness of our areas with the aim of growing visitor numbers and spending, benefiting their businesses. We are currently trialling a data capture project in Seven Dials which will provide us with greater insight on trading conditions, footfall patterns and visitor demographics. This information, which will be shared with our occupiers, will be useful in both targeting our consumer marketing and our tenant selection process.

Across our streets, retail rental levels are generally modest in relation to those nearby, and the space we provide is generally smaller, resulting in lower fit out and accommodation costs for occupiers.

Offices and residential[2] (31% of ERV)

Demand for the office accommodation we provide remains good. Our lively locations and competitive rents particularly attract smaller businesses from across the creative sectors. Occupancy is high and we have seen rental growth over the year. Responding to growing demand for self-contained, "plug and play" space, this year, we have successfully trialled a fitted and cabled concept, let on short, simple and flexible leases.

With negligible vacancy throughout the year, our residential portfolio of 610 studios and small apartments continues to deliver reliable cash flows.

Evolution of our portfolio

Our strategy has always focused on constantly adapting our buildings, through reconfiguration or change of use, enabling us to provide accommodation which meets both current occupier requirements and anticipates market trends. We are always keen to take back under-utilised space in our buildings, often radically changing how that space is used, enhancing its long-term income prospects.

Examples include:

- Kingly Court, which, during our 22-year ownership, has changed from small offices and workshops, first to a retail-led courtyard and now to a vibrant dining hub;
- In Chinatown, for many years we have been introducing alternative uses in under-utilised upper floors, whilst improving trading space on lower trading floors;
- Demand for very small, inflexible offices has been in long-term decline, so we have responded by converting low-grade space, which cannot be brought up to modern standards, to residential accommodation for rent, to meet growing numbers seeking to live in our lively locations;
- Across the portfolio, we continually respond to trends in food, beverage and retail and occupier space requirements, either increasing or reducing trading area by combining or dividing units, or adding or removing first floors and basements.

Whilst we continue to have retailers upsizing, renewing leases early or opening concepts in other of our villages, this year it has become increasingly apparent that a growing number now prefer to operate from smaller space, reducing their overheads and rent commitments. The flexibility afforded by our buildings, and our long experience and skills in adapting space, mean we are able to meet this current change in appetite for larger space by reducing the size of our bigger shops, where appropriate. During the year, we completed schemes to repurpose or resize retail space across 49,000 sq. ft., and, currently, we have identified a further 23,000 sq. ft., subject to planning consents.

In response to the growing interest and spending on eating out and socialising, which are an important part of any visit to the West End, over recent years, our strategy has been to increase the number of interesting casual dining and leisure concepts in our popular and busy locations. Our 315 restaurants, cafés, pubs and bars are important drivers of footfall, dwell-time and trading in our villages and now account for 38% of our ERV[2], up from 27% ten years ago. Over that same period, the proportion of ERV from retail[2] has fallen from 45% to 31%.

Portfolio activity

This has been another busy year for leasing activity, with commercial and residential transactions[2] of £33.5 million, an increase of £2.1 million over last year. On average, commercial rents achieved exceeded ERVs twelve months earlier by 3.2%, while lease incentives have remained broadly unchanged. Average letting times in the year have been largely in line with last year and underlying occupancy remains around 97%.

During the year, capital investment in our portfolio[2] totalled £30.9 million, as we progressed a number of refurbishment schemes, which will deliver both individual and compound long-term benefits to our holdings. At 30 September 2019, projects underway[2] accounted for 10.4% of portfolio ERV. This included 4.1% at our larger scheme at 72 Broadwick Street, Carnaby, which is due to complete in phases from late 2020. Other schemes accounted for £9.4 million of portfolio ERV, of which £7.7 million is expected to complete in the coming year. Whilst this will increase EPRA vacancy in the short term, once let, they will make an important contribution to earnings over the medium term.

General uncertainty has led to an even greater reluctance of owners to sell their buildings. In the absence of financial pressures, they prefer to hold assets which offer long-term security and good growth prospects. Despite the low levels of investment market activity, we have secured acquisitions totalling £47.0 million, and have taken advantage of investor demand to sell two non-core assets, realising net proceeds of £14.3 million, 24.3% above their previous valuation.

Environment, social and governance

We have always sought to be a good corporate citizen. As a substantial landowner in high-profile parts of the West End, we have responsibilities to our wide range of stakeholders. This year, we have undertaken extensive work, involving all our staff and the Board, to define the "Shaftesbury Way". This articulates our purpose, values and culture and has been valuable in engaging the entire team in thinking about who we are, what we stand for, how we are perceived by our stakeholders, and what they expect from us. It has also identified the things we do well and what we can do better. Importantly, it has been a cornerstone of the staff engagement and development programmes we have started this year.

We are conscious that we must maintain our efforts to minimize the environmental impact of our business and portfolio of mainly older buildings. Their heritage is important to the fabric and ambience of the West End and we continue to address and improve their energy performance. We are now turning our attention to our occupiers and how they use the space we provide. We aim to help them address sustainability in their businesses, harnessing our particular knowledge and experience, so they meet our expectations as responsible property owners. We also coordinate our efforts with neighbouring owners and local authorities to tackle wider West End issues, such as air quality, congestion and biodiversity.

Our ethos has always been to be an engaged, open, and long-term, trusted and supportive neighbour, helping to address social and other issues which can have an adverse impact on the local community. Our annual community partners' breakfast drew 36 local groups and organisations, with whom we work closely and support throughout the year.

Looking ahead

The mood of uncertainty, which has grown since the 2016 EU referendum, may yet take some time to improve, and current forecasts for the national economy do not show any sign of return to confidence and optimism amongst businesses and consumers. The structural changes facing national retail are unlikely to abate, tempering retailer demand for space other than in the busiest locations.

By their nature, qualities and international appeal, London and the West End are much less affected by current national concerns, and their prospects for long-term growth and investment remain strongly positive. Our villages, in the popular heart of the West End, provide a character and variety which traditional high streets and shopping centres are unable to match, attracting exceptional footfall and seven-days-a week trading. Our skill in curating distinctive, prosperous destinations, which combine authentic experiences and innovative choices, is complemented by our long experience in continually adapting our buildings to meet trends in demand, occupier requirements and stringent environmental standards.

Our proven strategy, an impossible-to-replicate resilient portfolio, stable long-term financing and, most importantly, an experienced, enthusiastic and entrepreneurial team, guided by a responsible culture and embedded values, together provide the ingredients for the continued long-term success of this business.

Brian Bickell
25 November 2019

Areas of focus for the coming year

- Continue to deliver growth in ERVs
- Convert portfolio reversionary potential into contracted income and cash flow
- Maximise portfolio occupancy
- Seek out new food, beverage, retail and leisure concepts to bring to our villages
- Progress scheme at 72 Broadwick Street
- Ensure the size and configuration of space we offer reflects occupier requirements
- Identify opportunities to repurpose space to introduce alternative uses
- Identify potential public realm improvements
- Deliver on strategic people plan priorities
- Improve portfolio sustainability and energy efficiency
- Aim for BREEAM Very Good ratings for all schemes over £1 million
- Increase tenant engagement on sustainability goals
- Maintain rankings in key ESG indices
- Continue investing in our local communities

2019 General Election and Brexit

A General Election was announced in early November, which is to be held on 12 December 2019. The UK's departure from the EU has been postponed until 31 January 2020. The outcome of the election will determine the next stages of the Brexit process.

An agreement has been reached between the Government and the EU on the terms on which the UK will leave the EU, but the legislation to enact it cannot be passed until the new Parliament sits after the election. The agreement provides for a transition period to 31 December 2020, but extendable to 31 December 2022 if both parties agree, during which the UK's future trading and other arrangements are to be negotiated.

At the time of preparing this Annual Report, there remains a risk of a "no-deal" Brexit, which could result in short-term disruption to business supply chains. It may also have a negative impact on sterling and business and consumer confidence. Other than the non-binding political declaration now agreed between the parties, the detail and implications of the UK's future arrangements with the EU will not become clear until negotiations have progressed. The parties have stated a desire to conclude those negotiations by December 2020.

Principal risks and uncertainties: pages 60 to 61

Business model and strategy

Our purpose

To curate vibrant and thriving villages

our resources

Exceptional portfolio
Pages 8 to 15

Experienced team
Pages 63 to 65

Stakeholder relationships
Page 31

Financial resources
Page 57

Underpinned by

Forensic knowledge of the West End
Pages 63 to 65

Effective governance and risk management
Pages 58 to 59 and 63 to 94

Culture and values
Pages 36 to 45

our activities

Holistic long-term village curation
Page 16

Prudent financial management
Page 57

Focus on food, beverage, retail and leisure
Page 17

Invest exclusively in the West End
Pages 8 to 15

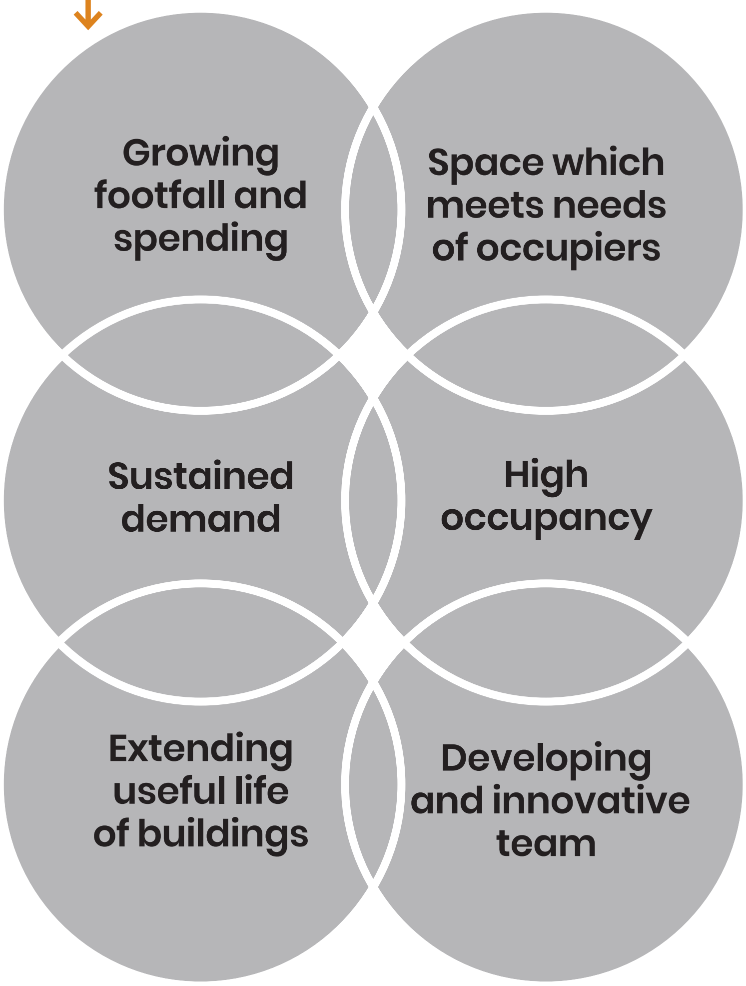
Reuse and improve buildings
Page 52

Focus on sustainability and stakeholders
Pages 29 to 35

Invest in staff welfare and development
Pages 36 to 47

in the heart of London's West End

creating value through...



...to meet our long-term strategic objectives

Long-term growth in rents and portfolio value

Grow recurring earnings and cash flow

Attract, develop and retain talented people

Minimise environmental impact

Deliver sustainable, long-term benefits for our stakeholders

Positive, long-lasting contribution to London's West End

Value creation and success against our long-term objectives are measured using KPIs, which are reflected in remuneration

Pages 26 to 28

Exceptional portfolio in the heart of London's West End

Since the early 1990s, we have invested exclusively in the heart of London's West End, concentrating on iconic, high-footfall locations.

Sustained rental growth and long-term outperformance

Our investment strategy was born out of our experience in the severe property recession of 1990 to 1993. In contrast to national conditions, our then modest holdings in Chinatown saw sustained tenant demand, and resilient rental levels and cash flows. Capital values declined much less, and recovered more quickly, than the wider London or UK market in that challenging period. We saw similar economic performance in the global financial crisis of 2007 to 2010.

Since we adopted this strategy, we have identified well-located areas in the West End, where footfall potential is good but rents are low, often because they have suffered from fragmented ownership, lack of investment and the absence of a coherent strategy for uses and tenant mix. Our mixed-use portfolio has grown to c. 600 buildings close to the West End's major employment locations, transport hubs and visitor attractions. Underwritten by an exceptionally resilient location, it has delivered sustained rental growth and long-term outperformance in capital values and total shareholder returns.

Why London's West End?: page 15

Compounded benefits of ownership clusters

We take a long-term view in our investment and management strategies. Establishing ownership clusters enables us to unlock rental and capital value potential whilst compounding the benefits of individual improvements we make, such as enhanced tenant mix, improved footfall and spending, and higher rental tones, across our nearby holdings.

Holistic long-term village curation: page 16

Mixed-use buildings with considerable management flexibility

Our areas are long-established, with street patterns generally laid out between 1680 and 1720. Our wholly-owned portfolio is all within Conservation Areas and around 20% of our buildings are listed as being of special architectural interest. As a consequence, there is limited opportunity for large-scale redevelopment to increase the supply of new accommodation materially, particularly at lower-floor levels. However, our portfolio of mostly smaller, mixed-use buildings provides considerable management flexibility, including the ability to reconfigure space and change uses, enabling our accommodation to adapt to changing occupier demand. Significantly, with our focus on uses which reduce our exposure to obsolescence, capital expenditure is modest, an important factor in long-term shareholder value creation.

Focus on food, beverage, retail and leisure: page 17

Portfolio activity report: page 51

Impossible to replicate

The buildings we seek to acquire are typically in long-term private ownership and existing owners are reluctant to sell. Consequently, it would be virtually impossible, now, to replicate a portfolio such as ours in the West End.

Portfolio valuation: page 49

Food, beverage and leisure	Retail	Offices	Residential
38%	31%	19%	12%

£149.7m ERV[3]

£4.0bn[1]
portfolio valuation

CARNABY
4.8 ACRES
36% of portfolio[2]
page 10

COVENT GARDEN
4.8 ACRES
26% of portfolio[2]
page 11

CHINATOWN
3.2 ACRES
21% of portfolio[2]
page 12

SOHO
1.5 ACRES
8% of portfolio[2]
page 13

FITZROVIA
0.9 ACRES
4% of portfolio[2]
page 14

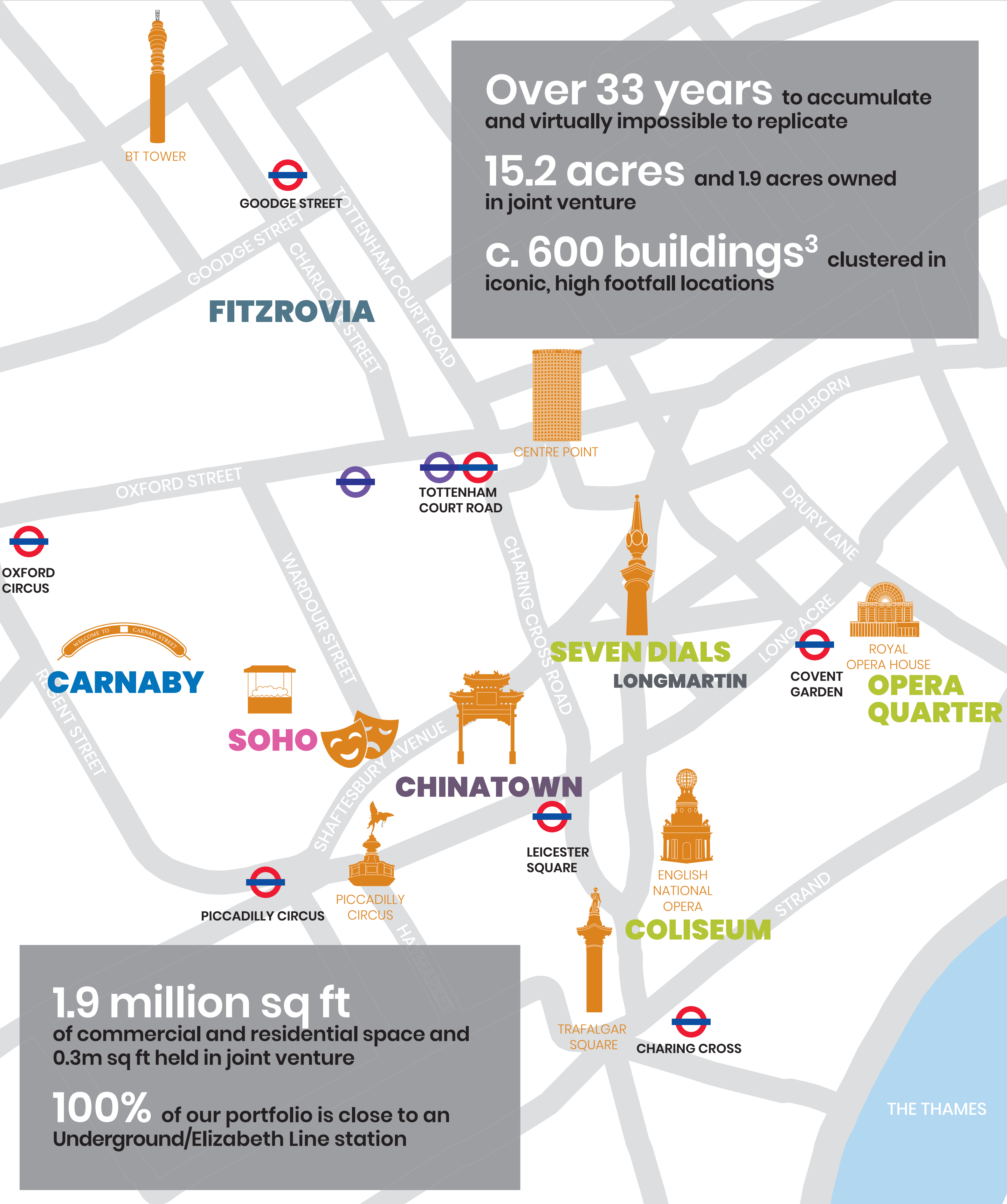
LONGMARTIN
1.9 ACRES
5% of portfolio[2]
page 11

1 Combined portfolio, including our 50% share of the Longmartin joint venture
2 By value
3 Wholly-owned portfolio

Over 33 years to accumulate and virtually impossible to replicate

15.2 acres and 1.9 acres owned in joint venture

c. 600 buildings[3] clustered in iconic, high footfall locations



1.9 million sq ft of commercial and residential space and 0.3m sq ft held in joint venture

100% of our portfolio is close to an Underground/Elizabeth Line station

Carnaby

36% of combined portfolio[1]

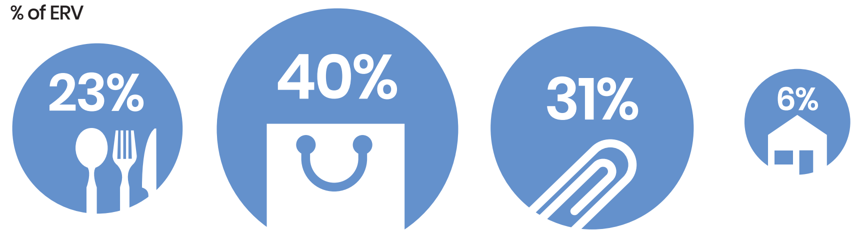
Carnaby is an iconic shopping and dining destination, a few minutes from both Oxford Circus and Piccadilly Circus.

Famous for its history as the centre of "Swinging Sixties London", Carnaby has reinvented itself throughout the decades. Today, its 14 streets are filled with an eclectic mix of shops, restaurants, cafés and bars, and attract footfall estimated at over 40 million people each year. Our ownership covers 4.8 acres.

Carnaby's shops showcase international and British labels, from flagships to independent brands and new concepts. It is also home to a large cluster of restaurants, cafés and bars, centred on Kingly Court and Kingly Street, with an all-day offer.

Food, beverage and leisure | **Retail** | **Offices** | **Residential**

% of ERV



Food, beverage and leisure	Retail	Offices	Residential
23%	40%	31%	6%
167,000 sq ft	178,000 sq ft	271,000 sq ft	69,000 sq ft

£60.8m ERV[2]

Portfolio analysis: page 126

carnaby.co.uk

follow carnabylondon

1 By value
2 Wholly-owned portfolio

“Seven Dials is full of independent brands and boutiques. A well-travelled person who knows more about design tends to gravitate towards Seven Dials as they want to find exclusive products”

Gautam Sinha, Nappa Dori

Covent Garden

31% of combined portfolio[1,2]

Famous for its historic street patterns and architecture, and home to half of London’s West End theatres, Covent Garden is a popular destination for visitors and Londoners. It also has a flourishing residential community.

Our wholly-owned holdings, extending to 4.8 acres, are centred on Seven Dials but also include the Coliseum and Opera Quarter restaurant districts, in west and east Covent Garden.

Seven Dials is a historic village in north Covent Garden, close to Soho and the Tottenham Court Road transport hub.

Attracting estimated annual footfall of over 30 million, its seven interconnecting streets showcase a wide range of independent boutiques, international fashion labels, heritage brands, as well as a diverse selection of interesting restaurants, cafés and bars.

The Longmartin joint venture, in which we own 50%, owns a 1.9 acre cluster of mixed-use buildings, centred on St Martin’s Courtyard in Covent Garden. This offers a range of fashion, beauty, lifestyle and wellbeing brands, alongside 9 restaurants, 102,000 sq. ft. of office space and 75 apartments.

% of ERV[3]

Food, beverage and leisure	Retail	Offices	Residential
37%	31%	14%	18%
203,000 sq ft	130,000 sq ft	88,000 sq ft	135,000 sq ft

£39.0m ERV[3]

Portfolio analysis: page 126

sevendials.co.uk
stmartinscourtyard.co.uk

follow @shaftesburyplc

1 By value
2 % includes our 50% share of property held by Longmartin
3 Wholly-owned portfolio

01 Strategic report
02 Governance
03 Financial statements
04 Other information

Chinatown

21% of combined portfolio[1]

Chinatown is a bustling village with a large far-eastern community at the heart of London's West End entertainment district, next to Leicester Square and Shaftesbury Avenue, and close to Piccadilly Circus.

Its large concentration of restaurants and cafés offers an evolving mix of traditional and modern Chinese and pan-Asian culture and cuisines.

The prosperity of this thriving destination is underpinned by the large number of visitors it attracts throughout the day, and into the night, seven days a week, estimated at over 50 million annually. We are the dominant owner, with holdings extending to 3.2 acres.

Food, beverage and leisure | **Retail** | **Offices** | **Residential**

% of ERV

Food, beverage and leisure	Retail	Offices	Residential
213,000 sq ft	79,000 sq ft	26,000 sq ft	100,000 sq ft

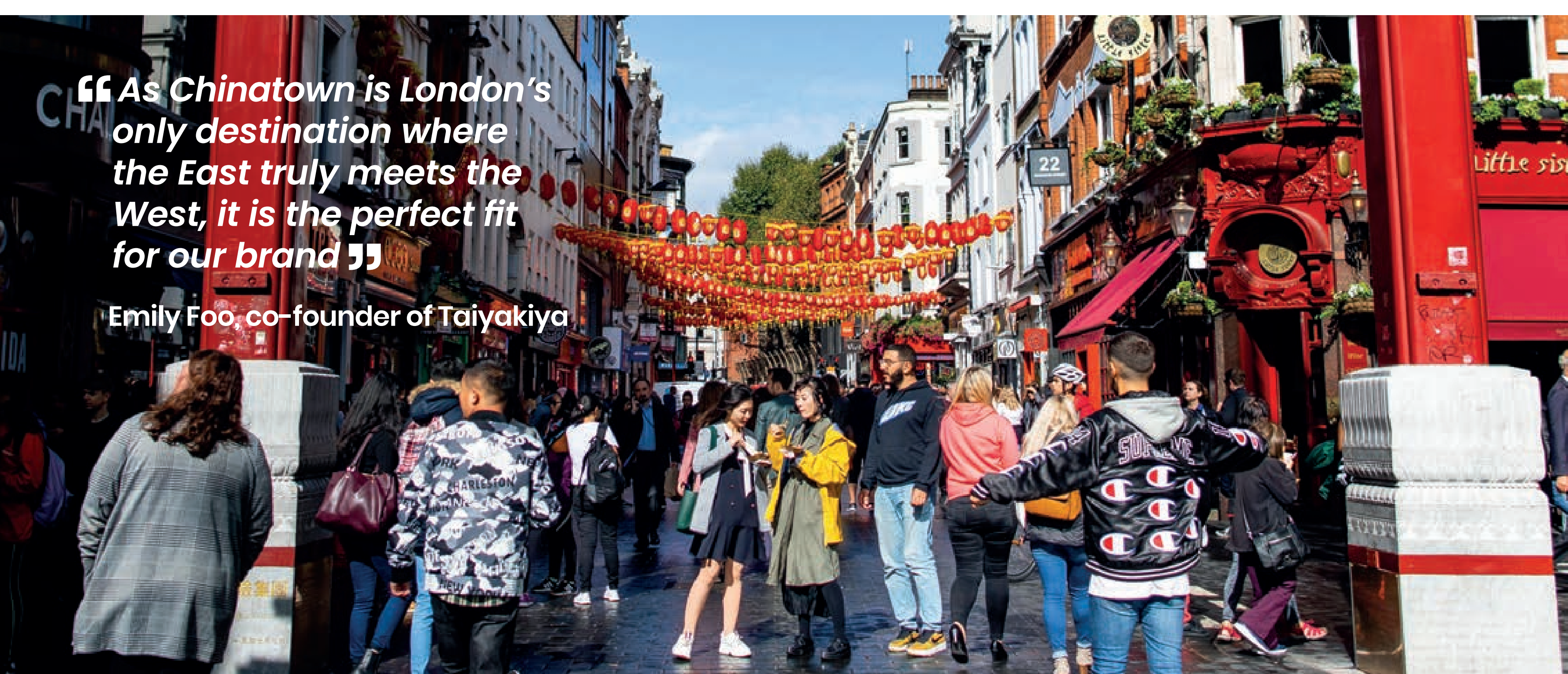
£31.8m ERV[2]

Portfolio analysis: page 126

chinatown.co.uk

follow ChinatownLondon

1 By value
2 Wholly-owned portfolio



“As Chinatown is London's only destination where the East truly meets the West, it is the perfect fit for our brand”

Emily Foo, co-founder of Taiyakiya

“Berwick Street’s varied and cutting-edge shops, including wonderful neighbouring Swedish fashion businesses, makes it the perfect setting for our first London Söderberg café”

Åsa Penman, Söderberg

Soho

8% of combined portfolio[1]

South of Oxford Street and between Carnaby and Seven Dials, Soho is home to many creative businesses, independent boutiques, iconic restaurants, cafés, bars, and clubs. It has a large residential community.

By day, Soho offers a wide variety of independent, quirky shops and is a hub for creativity with many small businesses, typically in the media, tech and fashion sectors.

In the evening and night-time, its distinctive atmosphere and proximity to the West End’s main leisure and cultural attractions, makes it a popular destination both for visitors and the West End’s large working population.

Extending to 1.5 acres, our holdings in Soho are centred on Berwick Street, Broadwick Street and Brewer Street.

	Food, beverage and leisure	Retail	Offices	Residential
% of ERV	38%	29%	18%	15%
	63,000 sq ft	43,000 sq ft	40,000 sq ft	37,000 sq ft

£12.1m ERV[2]

Portfolio analysis: page 126

thisissoho.co.uk

follow thisissoho

1 By value
2 Wholly-owned portfolio

Fitzrovia

4% of combined portfolio[1]

To the north of Oxford Street and close to Tottenham Court Road, Fitzrovia is London's oldest dining district, renowned for its abundance of small restaurants, bistros, cafés, pubs and bars. Its large residential, student and working populations add to the area's buzz and cosmopolitan feel.

Our ownerships extend to 0.9 acres on, or close to, Charlotte Street and Goodge Street.

% of ERV

Food, beverage and leisure	Retail	Offices	Residential
50%	16%	8%	26%
51,000 sq ft	16,000 sq ft	10,000 sq ft	27,000 sq ft

£6.0m ERV[2]

Portfolio analysis: page 126

1 By value
2 Wholly-owned portfolio

"It's been great to see Fitzrovia develop into the cool "neighbourhood" it is now. It has its own, quite chilled, vibe and is becoming a real foodie hotspot, with independent restaurants and bars popping up all over"

Ben Tish, Norma London

Exceptional portfolio in the heart of London's West End

Why London's West End

London

8.9 million
London's population[1]

c. 23%
contribution to UK GVA[2]

350 million domestic and international visits[3] in 2018

19.1 million overseas visits to London[3] in 2018

One of the world's principal cities

The largest city in Western Europe, London is a global creative, financial and commercial centre and one of the world's most popular visitor destinations. Its economy generates nearly 23% of UK Gross Value Added (GVA), and is expected to grow at a faster rate than the wider UK economy over the coming years.

Growth in population and visitor numbers

Greater London's population, currently 8.9 million, is expected to grow by 11% to 10 million by 2030. Additionally, there is a similar, and growing, population in southern England which can easily commute or visit.

Its outstanding cultural offer, heritage, education facilities and experience continues to draw huge numbers of visitors. 2018 saw an estimated 350 million domestic and international visits to London with a combined spend of £29 billion. With 19.1 million international visitors, it was ranked the third most popular tourist city destination[4] in 2018 and forecasts[3] point to growth of around 25% by 2025.

This global appeal brings prosperity and gives London a broad and resilient visitor and leisure economic base which is not reliant solely on the fortunes of the wider UK economy.

The West End

>200 million
annual visits to the West End[6]

c.700,000 working population in the City of Westminster[5]

>3% of UK GVA produced within the City of Westminster[2]

>225 million passengers use the six Underground stations closest to our villages[7]

Seven-days-a-week footfall and spending

At the heart of central London, the West End is a vibrant and popular destination with estimated visits of over 200 million annually.

Drawing visitors from around the world, it provides an all-round experience, from its unrivalled concentration of entertainment and cultural attractions, historic buildings and public spaces, to its world-class variety of shopping and some of London's best and most-innovative restaurants, cafés, bars and clubs.

The West End is a location for a wide range of global, national and local businesses, and a popular place to live. The City of Westminster, alone, accounts for over 14% of London's economic output and more than 3% of UK GVA. It is the largest employment centre in the UK with a working population of over 700,000.

Together with the West End's visitors, and its residential community, this brings seven-days-a-week footfall and spending, both of which have shown long-term resilient growth.

Constrained availability of space

Availability of commercial space in the West End is constrained, planning regulations are restrictive and there is demand from a wide variety of national and international occupiers. This structural imbalance between supply and demand is fundamental to our portfolio's rental prospects and capital value, both of which have shown significantly greater long-term growth and stability through the economic cycles than the wider real estate market.

At the heart of London's transport network

The West End is at the heart of London's transport network. The six underground stations closest to our villages handle over 225 million passengers annually[7]. Over the longer term, our portfolio is also uniquely well-placed to benefit from increased visits, spending and materially changing footfall patterns resulting from the opening of the Elizabeth Line. This will expand London's rail capacity, bringing an additional 1.5 million people within 45 minutes of the West End. Having been delayed further, current expectations are that initial services will commence in 2021 at the earliest.

1 Draft London Plan
2 Office for National Statistics
3 London & Partners
4 Mastercard Global Destination Cities Index 2019
5 City of Westminster
6 New West End Company
7 Transport for London

Holistic long-term village curation

Our strategy is to encourage footfall to, and spending in, our areas to provide our restaurants, cafés, pubs and shops with an environment within which they can prosper.

This drives sustained occupier demand and high occupancy levels, which supports our ability to deliver long-term income growth. Key aspects to our management strategy are set out below.

Ownership clusters

Compounding benefits of individual transactions across nearby holdings

Page 8

Tenant selection

Providing visitors with an interesting experience

Pages 18 to 21

Improving our buildings and the public realm

Unlocking value, improving long-term sustainability and creating welcoming areas

Pages 52 to 53

Promoting our villages

Raising awareness to drive footfall and spending

Pages 24 to 25

Engagement with local community and stakeholders

Understanding local expectations and supporting the West End

Pages 31, 34 to 35

Forensic knowledge of the West End

Experience through economic cycles

Pages 63 to 65

Focus on food, beverage, retail and leisure

Dining, socialising and shopping are important elements of the West End's economy.

Diversified mix of income streams

Providing a diversified mix of income streams, our mixed-use portfolio comprises restaurants, shops, cafés, bars and pubs over lower floors with offices and residential on upper floors. Our 1.1 million sq. ft. of food, beverage, retail and leisure space provides 70% of our annualised current income[1] and 69% of ERV[1]. Currently, it comprises 315 restaurants, cafés and pubs and 293 shops, mostly of medium or small size.

Growing interest and spending on food and beverage

Over recent years, our strategy has been to increase the number of interesting casual dining and leisure concepts in our popular, high-footfall locations to meet growing interest and spending on food and beverage by the West End's large, relatively affluent, customer base. Food, beverage and leisure now accounts for 38% of our ERV, up from 27% ten years ago. Over that same period, the proportion of ERV from retail has fallen from 45% to 31%.

Evolution of uses over time (% of ERV[1])

Preference for mid-market, innovative concepts

Careful tenant selection is critical to ensure our areas remain distinctive, lively and popular, attracting growing footfall and spending. We favour new concepts, independent operators and international brands making their UK debut, and prefer mid-market, innovative formats, rather than formulaic national chains. The combination of high footfall, modest rental levels, the consistent curation and promotion of our villages, and the small to medium-sized accommodation we provide is important in providing occupiers with the ingredients to trade prosperously.

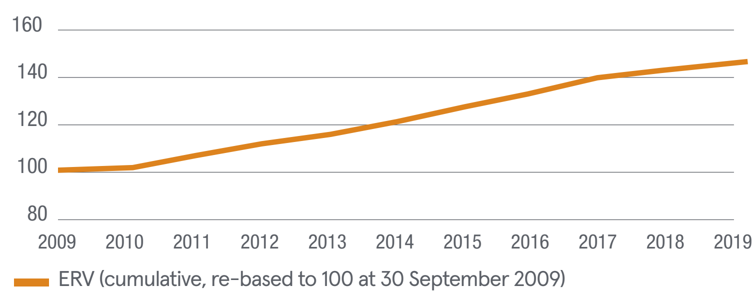
Food, beverage and leisure: page 18; retail: page 20

Long-term growth and stability through economic cycles

In our areas, there is a long history of occupier demand exceeding the availability of space, which often is restricted by listed building and conservation area legislation. This is particularly the case for restaurants, pubs and bars, which are also subject to local planning and licensing restrictions. Consequently, occupancy is generally high and rental levels for these uses have not demonstrated cyclical volatility, resulting in greater long-term growth and stability through economic cycles than the wider real estate market.

Over the past ten years, these uses have delivered like-for-like annualised ERV growth of 3.9%. Over the same period, vacancy levels for these uses have averaged 2.6% of ERV[1,2,3].

Restaurants, retail and leisure: like-for-like ERV growth[1]



EPRA vacancy: page 51

Limited obsolescence

We provide food, beverage, retail and leisure accommodation in shell form only. Occupiers are responsible for their fit-out, normally with no capital contribution from us. When tenants vacate, we re-let the shell of space usually without incurring significant refurbishment costs, limiting portfolio obsolescence.

Upper floors – a mix of offices and residential

Typically, our upper floors comprise small offices, residential, or a mix of both. A local working population and a residential community are important elements of the character and economy of our areas, bringing added life and vibrancy, and providing a regular customer base.

Offices: page 22; residential: page 23

1 Wholly-owned portfolio
2 EPRA vacancy
3 Excluding larger schemes at 30 Sept 2017 and 2018

Food, beverage and leisure

We are the largest single provider of dining and leisure space in the West End, curating high-profile and busy destinations such as Chinatown, Kingly Court, Neal's Yard and Opera Quarter.

38% of our portfolio[2]

315 restaurants, cafés, pubs and bars

0.7m sq ft

"I love the buzz of Kingly Court. You immediately feel transformed to another world. For me, the courtyard reminds me of my home in India in the summer, on the second floor with all the windows opened. In winter, the roof and beautiful lights remind me of the winter marquees of my family weddings. It fits so well with the food we serve"

Asma Khan, Darjeeling Express

9 years weighted average unexpired lease term

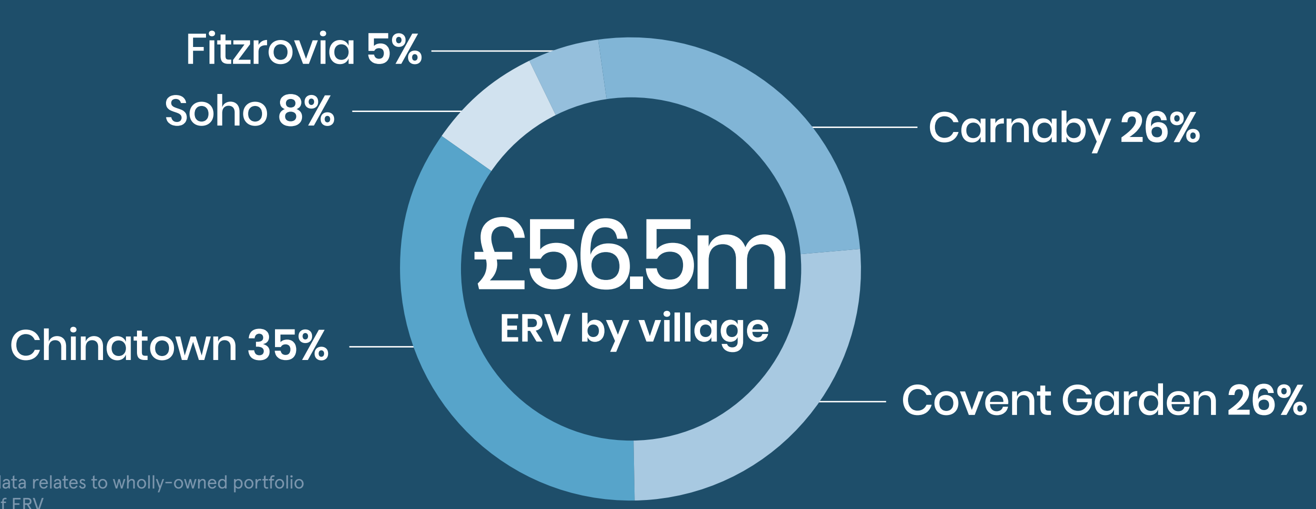
2.5% EPRA vacancy[2,3]

£9.9m lettings/rent reviews[4] (17.5% of restaurant, café and leisure ERV)

16 new lettings

8 lease renewals

36 rent reviews settled



1 All data relates to wholly-owned portfolio
2 % of ERV
3 As at 30 September 2019
4 Leasing activity during the year ended 30 September 2019

Halo effect on footfall, dwell-time and trading

At the centre of London's food scene, the West End has a wide choice of high quality, creative and accessible dining experiences, from breakfast through to late night dining.

We are the largest single provider of food and beverage space in the West End, curating high-profile and busy destinations such as Chinatown, Kingly Court, Neal's Yard and Opera Quarter. In our experience, a strong food and beverage offer has a halo effect on footfall, encouraging new customers to visit, increasing dwell time and driving improved trading in our villages.

Evolution of uses: page 17

Adding variety to our offer

The majority of our restaurants provide casual dining, with a focus on ambience, quality and experience, often with an all-day offer. Always looking to add more variety to our existing offer, we favour mid-market and distinctive formats, often supporting new independent concepts or international entrants, rather than formulaic chains. In assessing new tenants, we consider a number of factors including their plans for fit-out, service and social media, and, crucially, whether we would like to eat or drink there. In many cases, successful occupiers will look to us for further space, often for new concepts.

Constrained availability of space

Availability of restaurant space remains constrained by local planning and licensing policies, which restrict large-scale increases in these uses, whether by development, extension of existing space, or conversion from other uses. Existing operators are generally reluctant to relinquish their valuable sites, other than for significant premiums.

Healthy occupier demand

Against this backdrop of limited availability of space, occupier demand remains healthy, buoyed by the potential to trade profitably seven-days-a-week in our high footfall villages.

During the year, we concluded lettings and rent reviews with a rental value of £9.9 million. These included Seven Dials Market, which opened in Thomas Neal's Warehouse, a 23,000 sq. ft. Victorian warehouse in the heart of Seven Dials. The concept is an innovative hybrid, providing an exciting line-up of street food concepts with their first "bricks and mortar" space, a bar, bookshop and a market selling fresh produce. This has increased the casual food and beverage offer in Seven Dials, further improving this popular and distinctive village destination.

Pages 38 to 39

Occupancy levels are high, and with tenants ensuring they preserve their valuable occupation rights, our bad debt history is negligible. Many national casual dining chains, suffering from reduced consumer spending outside of London and poor site selection, are closing units. In contrast, the incidence of concepts not succeeding in our villages is low, reflecting the prosperity of our locations, careful tenant selection, and the holistic curation of our areas. Where concepts fail, usually the space re-lets quickly, often with the incumbent receiving a substantial premium for the lease from the new operator.

At 30 September 2019, EPRA vacancy for our food, beverage and leisure space was 2.5%, of which 1.6% was under offer. Much of this space was in recently completed schemes.

Portfolio activity report: page 51

Evolution of restaurant leases

Restaurant tenants invest considerable sums fitting out their space, sometimes spending the equivalent of 3 to 5 years' rent and, therefore, we grant longer leases than for shops, to provide an extended period over which occupiers can amortise this cost.

Historically, leases were often granted over whole buildings and provided tenants with renewal rights on expiry. We find that upper floors often are now under-utilised and, where opportunities arise, we seek to negotiate the surrender of these leases to secure vacant possession. This allows us to improve the configuration of space on the lower floors, attract new operators on more beneficial terms, and often release valuable upper floors for other uses.

In recent years we have also reduced the term of leases we grant and introduced more flexibility at expiry and, now, we include turnover-related rental top-ups, giving us the higher of market rent and a percentage of sales. This continues to provide a useful contribution to both income and earnings, as well as providing us with useful commercial data. At 30 September 2019, the proportion of our restaurants under historical leases was 49% (2018: 54%), over a third of which are in Chinatown, providing us with further opportunities to add value and flexibility over the coming years.

Typical restaurant lease terms

	Historical Leases	New Leases
Term	25 years	15 years
Rent reviews	Five-yearly, upward-only	Five-yearly, upward-only
Security of tenure on expiry	Yes	No
Turnover-related top-up	No	Yes
Space leases typically granted over	Whole buildings	Operational space only (i.e. not upper floors)
Proportion of our restaurant leases (by ERV)	49%	51%
Incentives	N/A	Short rent-free period to help cover tenant fit-out time. No contribution to fit-out costs

Retail

Our shops, mainly clustered in Carnaby, Seven Dials and Soho, make an important contribution to the West End's reputation as a leading global retail destination.

31% of our portfolio[2]

293 shops

0.4m sq ft

"We selected Seven Dials for our first permanent store because we wanted an attractive high-footfall location to display our fantastic activewear labels for our loyal customers to discover in person. The space combines the choice of e-commerce with the experience of physical retail and will offer Seven Dials visitors complete brand takeovers, hosting talks and running clubs"

Alexandra Vanthournout, Managing Director of Fashercise

3 years weighted average unexpired lease term

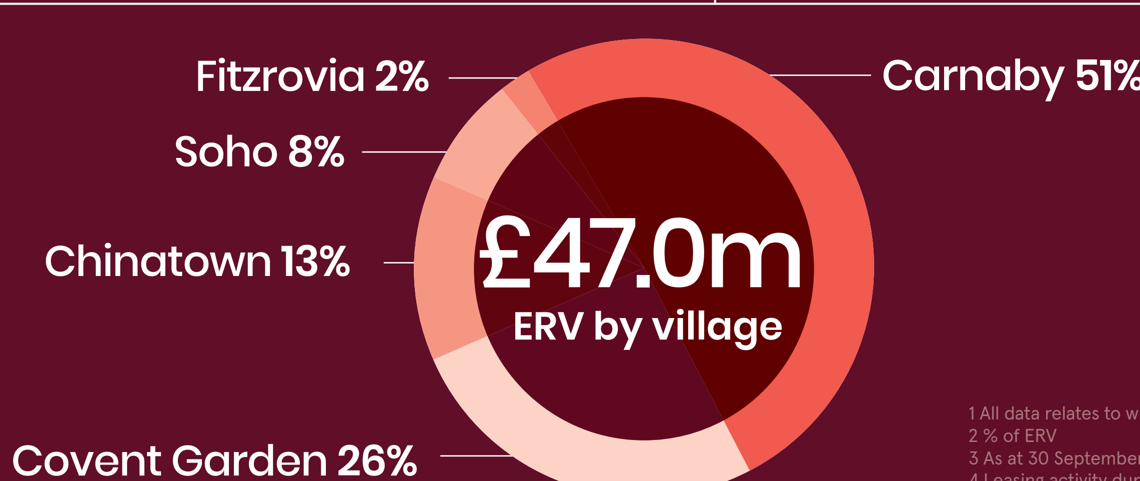
6.8% EPRA vacancy[2,3]

£12.5m lettings/rent reviews[4]
(26.6% of retail ERV)

37 new lettings

28 lease renewals

13 rent reviews settled



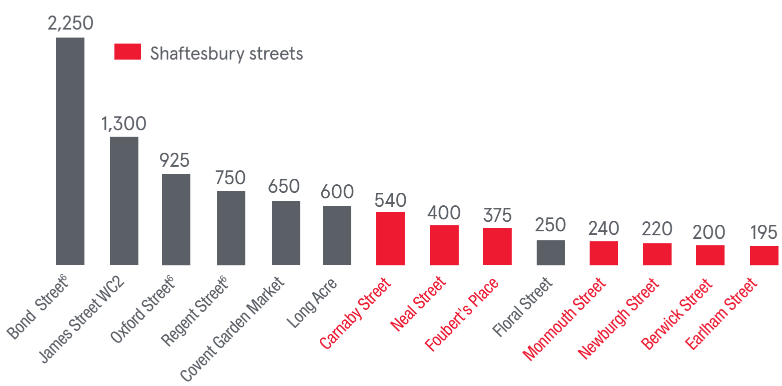
1 All data relates to wholly-owned portfolio
2 % of ERV
3 As at 30 September 2019
4 Leasing activity during the year ended 30 September 2019
5 Source: Cushman & Wakefield, published information and company data
6 Based on 30 ft zones

Wide range of shop sizes and competitive rents

A key element of the character of our villages is the wide range of shop sizes across our buildings and streets, from boutiques to larger flagships. Of our 293 shops, 67% by number are small to medium-sized (ERV < £150,000) and provide 33% of retail ERV. 96 shops are larger (ERV > £150,000) and provide 67% of ERV. This allows us to provide a variety of rental levels and retail formats, from start-ups to more established operators, whilst offering retailers flexibility to expand or introduce new concepts within our villages.

Importantly, rental tones in our high-footfall and spending locations are competitive compared with nearby streets.

West End retail rental tones[5] (prime zone A per sq.ft.)



Ever-evolving retail strategy

Ensuring our villages have a fresh and differentiated retail mix is fundamental in ensuring we create and maintain distinctive locations. As with our food, beverage and leisure space, tenant selection is critical. We target brands with new concepts, or first stores and flagships, rather than national chains found in shopping centres and high streets. Many of our retailers are independents, an important factor in making our villages distinctive destinations. There is a current trend away from "fast fashion", with our visitors preferring experience, wellness, sustainable products and brands with an authentic ethical purpose.

Aspects we consider when assessing whether a brand will benefit our villages include:

- Whether it fits the village's distinct brand identity;
- How interesting their product is and what experience their customers will have;
- Its social story including business transparency, supply chain ethics, carbon footprint, and price of production; and
- How it will promote its story and use digital media channels.

In researching new ideas and concepts, we travel to see other cities and their brands, attend trade shows and meet retailers, many of which view our areas in the West End as ideal places to launch their international business. Also, through building long-term relationships with our tenants, we are well-placed to help them expand or introduce new concepts in our areas.

Good leasing activity and high occupancy

Interest in our areas is robust, with retailers attracted by high footfall, the mix of retail and food and beverage, the affordability of our rents, the marketing support we offer and our approach to the curation of our villages.

Despite well-publicised headwinds being faced by the retail sector, leasing activity during the year has been good, occupancy is high and the level of lease incentives has remained stable.

During the year, we concluded 78 lettings, renewals and rent reviews, with a combined rental value of £12.5 million. At 30 September 2019, EPRA vacancy was 6.8% of retail ERV, and comprised eleven available shops (4.0% of ERV) and six units which were under offer (2.8% of ERV). Importantly, we have a number of retailers which recently have upsized, renewed leases, sometimes ahead of lease expiry, or opened concepts in our other villages, demonstrating their confidence in continued profitable trading in our locations.

We are seeing growing demand for retailers requiring smaller shops. This is driven by a lower overall commitment in rent and fit out together with less need for storage space due to more-efficient stock replacement models. Our skill in the reconfiguration and repurposing of space to alternative uses is allowing us to respond to this changing demand. Examples include splitting space into smaller shops and taking back space, particularly basements and first floors, where, subject to planning, we can introduce often more valuable alternative uses, such as restaurants, live entertainment space or offices.

We expect retail headwinds to prevail for some time and occupiers are likely to become ever-more discerning over the locations and stores they choose. With the combination of our high footfall streets, modest rents, flexible approach to leasing and reputation for encouraging innovation, we are well-placed to weather these challenges.

Portfolio activity report: page 51

Importance of flexible leasing approach

Given the negative retail news backdrop, retailers are innovating and modifying their strategies more quickly, to respond to ever-changing consumer trends. Consequently, our flexible approach to leasing is becoming ever-more important. Our typical retail leases have always been relatively short, allowing us to keep the brand line-up fresh and interesting. We trial new concepts through pop-ups and short-term leases. As well as adding interest to our areas, this provides the opportunity to assess performance and the value they add to our streets. Often, these convert into longer leases.

Typical lease terms

Smaller shops: 3-5 years

Larger shops: 5-10 years

Short rent-free period to help cover tenant fit-out periods.

Offices

We are an important provider of small, flexible office space in the West End.

19%
of our portfolio[2]

0.4m sq ft

3 years
weighted average unexpired lease term

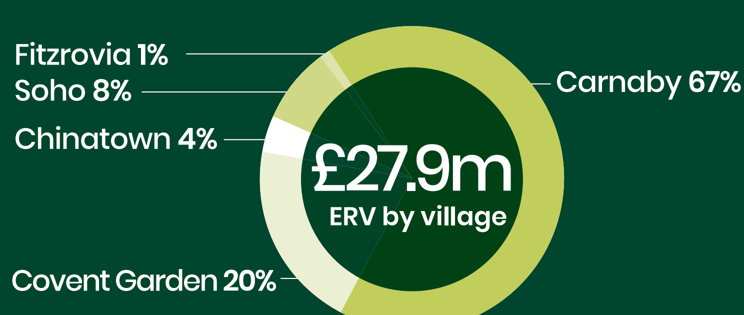
2.9%
EPRA vacancy [2,3]

£3.8m
lettings/rent reviews[4]
(13.6% of office ERV)

15
lease renewals

29
new lettings

6
rent reviews settled



1 All data relates to wholly-owned portfolio
2 % of ERV
3 As at 30 September 2019
4 Leasing activity during the year ended 30 September 2019

Important source of customers

Offices are an intrinsic part of the mix of uses in our villages, bringing a working population which is an important source of customers for our restaurants, cafés, pubs, bars and shops.

At 30 September 2019, our wholly-owned portfolio included 435,000 sq. ft. of office space, a net decrease of 31,000 sq. ft. during the year, predominantly due to securing planning consent to convert space into restaurant and leisure uses at 72 Broadwick Street.

Read more on 72 Broadwick Street on page 52

Typically, our space is occupied by small and medium-sized businesses in the media, creative, fashion and tech sectors. These have traditionally found their natural home in Carnaby, Soho and Covent Garden, and are attracted by the vibrant locations, flexibility and affordable accommodation we provide, together with the community of similar businesses in this creative part of London. Our tenants' staff benefit from privilege cards, offering discounts in our shops, restaurants and cafés.

Small, flexible and affordable space

Our office space is generally small, affordable, and mostly situated above our restaurants, cafés and shops. We can offer a range of office sizes, allowing our occupiers to grow within our portfolio.

Our average letting is 1,400 sq. ft. at £59 per sq. ft. (2018: £57 per sq. ft.) and average ERV is £65 per sq. ft. (2018: £64 per sq. ft.).

Despite the growth in co-working space in the West End, demand for our smaller, self-contained space remains good. Responding to growing demand for flexible "plug and play" space, we have successfully trialled a workspace concept during the year, the key aspects of which are:

- Short and simple leases;
- Fitted and cabled space;
- Fixed costs; and
- Flexible lease terms, starting at two years.

High occupancy

Demand for our office accommodation is good, rental levels and incentives are firm and occupancy is high. During the year, we completed lettings, renewals and rent reviews with a rental value of £3.8 million. Retention rates have been good, with fifteen leases being renewed during the year.

At 30 September 2019, office vacancy was £0.8 million, representing 2.9% of office ERV, of which half was under offer.

Portfolio activity report: page 51

Typical lease terms

Smaller offices: 3-5 years

Larger offices: 5-10 years, with break options at year 5

Incentives: Short rent-free period. No contribution to fit-out costs

Residential

Demand to rent our mid-market apartments – mainly studios and one or two bedroom flats – remains good.

12% of our portfolio[2]

610 apartments

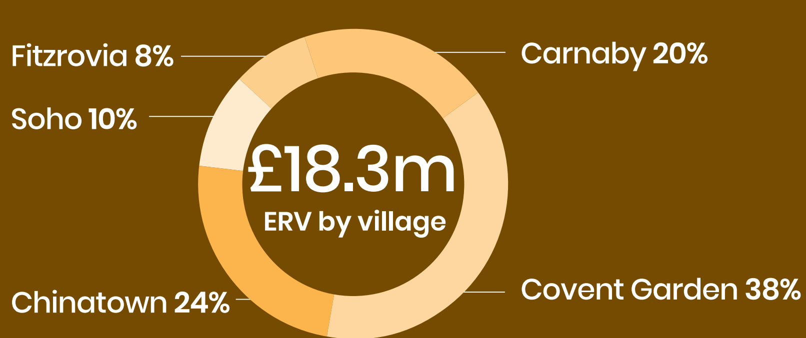
0.4m sq ft

0.5% EPRA vacancy[2,3]

212 new lettings

£7.3m lettings and renewals[4] (39.9% of residential ERV)

43 lease renewals



1 All data relates to wholly-owned portfolio
2 % of ERV
3 As at 30 September 2019
4 Leasing activity during the year ended 30 September 2019

Mid-market accommodation

Our 610 mid-market flats are mainly studios and one or two-bedroom apartments, many of which have been created from the conversion of small office accommodation back to its original residential use. We have a number of further planning consents for residential conversion, which we could implement in the future.

Our tenants are typically international students or people working in London, often for a few years only, who like the convenience, vibrancy and bustle of the West End.

We let our apartments unfurnished, on three-year Assured Shorthold Tenancies. These leases are flexible, including rolling mutual break options after six months, and provide for annual RPI rent increases. In our experience, there is a high incidence of leases that renew at the end of the term.

High occupancy and stable cash flow

Demand for our apartments remains good, resulting in high occupancy levels and a stable cash flow. Lettings and renewals with a rental value of £7.3 million were completed during the year, with rents being achieved marginally above existing levels. At 30 September 2019 only three apartments were available, all of which were under offer.

We continue our rolling programme to upgrade our apartments, in order to ensure their specification remains competitive and maintain our high occupancy rates.

Portfolio activity report: page 51

Preference to lease, not sell, our apartments

Most of the value of our buildings is in the commercial uses on the lower floors. Consequently, we prefer to lease, rather than sell, our apartments in order to retain control over whole buildings to realise the long-term potential in those valuable lower floors.

Typical lease terms

Three year Assured Shorthold Tenancies
Let unfurnished
Annual RPI uplifts
Mutual break options on a rolling two-month basis after the first six months

1 Festival 30, Seven Dials
2 International Women's Day, Seven Dials
3 Soho Music Month, Carnaby
4 Chinese New Year, Chinatown
5 Christmas lights launch, Seven Dials

Promoting our villages

Our promotional activities are focused on improving awareness of our villages to drive footfall and spending and, in turn, help our tenants trade profitably.

We never assume that visitors to the West End will know of, nor come to our villages. To raise awareness, we use targeted marketing strategies to tell the story of our villages, including why consumers actively seek to spend time in these vibrant areas and the unique experiences they provide, which are generally not available on the high street or in shopping centres.

Our integrated marketing strategy includes trade and consumer press, digital and social media platforms and events. Our marketing partners, which include the Evening Standard, Time Out and London & Partners, as well as social media influencers, help further increase our promotional reach. Brand messages are tailored for each village to reflect their heritage, personality and target audience, be it domestic and international consumers or potential occupiers. A key aspect of our strategy is collaboration with our occupiers to help promote their brands and new product launches.

Throughout the year, we organise events and campaigns which highlight the culture and history of individual villages, their shopping and dining offer, and our charity and community initiatives. Our occupiers help bring these to life, using their own marketing channels and, often, arranging their own related activities.

Examples of events and campaigns in the year include:

- **Festival 30**: a one-day festival, celebrating the 30th anniversary of the iconic sundial in the heart of Seven Dials, which offered a range of activities, arts, workshops, food and community activities.
- **Contemplate**: a five-day art exhibition in Chinatown, demystifying lesser-known ingredients in Far Eastern cuisine.
- **Carnaby Feels the Love**: a campaign that has run throughout the year, championing sustainability, charity and community initiatives.
- **Blue Turtle**: An initiative focused on reducing the consumption of single-use plastic products and waste, and the sustainable sourcing of seafood. As part of this, 45 of Carnaby's restaurants have been recognised for improving practice and working towards being ocean friendly.
- **Soho Music Month**: a free music and culture festival celebrating Carnaby's and Soho's heritage and music scene.

Measuring success

We use a balance of financial and non-financial metrics to measure our performance. These include both long-term performance and operational measures, aligned with our long-term strategy. A number of these metrics help determine executive and staff remuneration.

Alignment with strategy and link to remuneration

Strategic objectives to deliver a positive, long-lasting contribution to London's West End

1. Long-term growth in rents and portfolio value
2. Grow recurring earnings and cash flow
3. Attract, develop and retain talented people
4. Minimise environmental impact
5. Deliver sustainable, long-term benefits for our stake-holders

K KPI

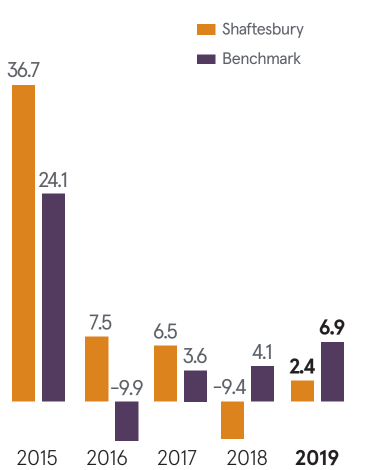
R Remuneration

* Metric introduced in 2019

Business model and strategy; pages 6 to 7

Total Shareholder Return (%)

1 2 3 4 5 K R



Measures shareholder value creation, taking into account share price movements and dividends in the period. We benchmark against the FTSE 350 REIT Index.

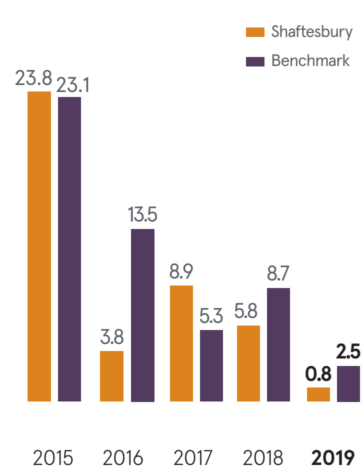
Over the long term, we have outperformed the sector. However, over each of the past two years we have underperformed with our share price falling from a premium to a discount to EPRA NAV. Over five years, TSR was 45.3%, outperforming the benchmark by 16.3 percentage points.

Performance over three years relative to the benchmark is a measure in the LTIP scheme.

LTIP vesting: page 90

Total Accounting Return[1] (%)

1 2 3 4 5 K * R



Overall measure of performance, taking into account growth in EPRA NAV plus dividends paid, as a ratio of EPRA NAV at the start of the period. For the benchmark above, we have used a market capital-weighted index of FTSE 350 REITs.

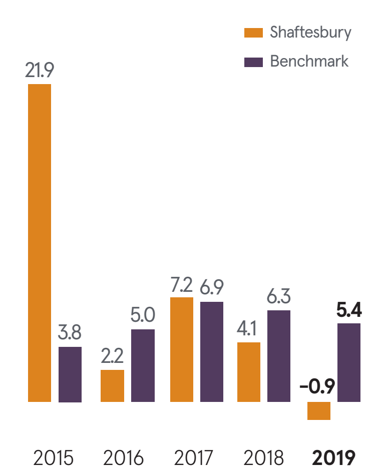
In 2019, TAR was 0.8%, following a decrease in the portfolio valuation in the year, underperforming the benchmark by 1.7 percentage points. Over five years, TAR was 8.3% pa, compared with the benchmark (10.4% pa), and is stated after exceptional refinancing costs which reduced EPRA NAV by 44 pence per share between 2016 and 2017.

For our LTIP, we measure TAR over three years relative to the benchmark.

LTIP: page 87

EPRA NAV[1] growth (%)

1 2 3 4 5 K R



Traditional real estate measure of value creation. The benchmark is RPI plus 3%.

Following a decrease in the valuation of our properties, EPRA NAV declined by 0.9% this year, underperforming the benchmark by 6.3 percentage points. Performance over five years, after exceptional refinancing costs in 2016 and 2017, was 6.6% pa, 1.1 percentage points above the benchmark.

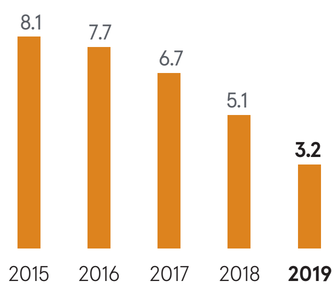
For our LTIP, we benchmark three-year growth in EPRA NAV on an absolute basis against the benchmark.

LTIP vesting: page 90

Rental growth

Commercial leasing vs ERV[2] (%)

1 2 K * R



Our strategy has delivered sustained growth in annualised current income and rental values over many years. Through our leasing activity, we convert previously assessed rental potential into contracted income, whilst establishing new rental levels which provide evidence for leasing negotiations and for our valuers in assessing ERVs.

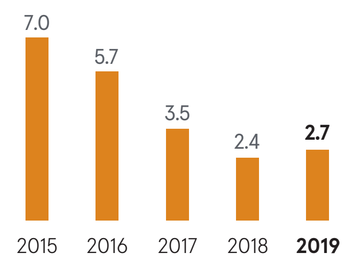
Commercial leasing transactions in 2019 were concluded 3.2% above ERV at September 2018.

Wholly-owned portfolio leasing performance against previous year ERV is a performance criterion for the annual bonus.

Portfolio activity report: page 51; Annual bonus: page 89

Like-for-like ERV growth[4] (%)

1 2 K R



Measures growth in the rental potential of our portfolio. Typically, our portfolio's reversion is crystallised into contracted income over three to five years. Importantly, the level of lease incentives granted to tenants remains modest. These are mostly in the form of rent-free periods.

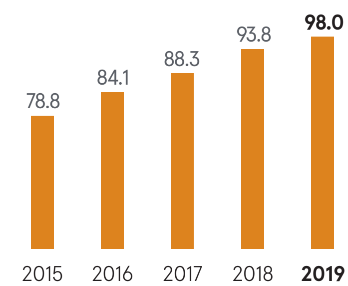
Like-for-like ERV growth is an annual bonus metric. In 2019, it was 2.7% for the combined portfolio, with the wholly-owned portfolio delivering 3.2% and Longmartin's portfolio declining by 3.5%.

Portfolio valuation: page 48; Annual bonus: page 89

Income

Net property income (£m)

2 K * R



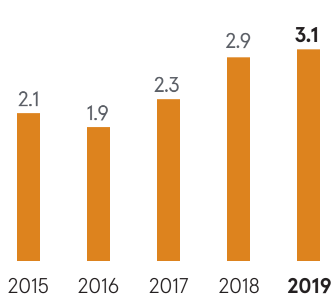
Growth in net property income is a key driver of earnings and dividends. This year, it increased by 4.5% to £98.0 million. The relative increases in rental income and associated property outgoings are assessed as a bonus metric. In 2019, the ratio of property outgoings to rental income fell from 16.8% to 16.5%.

Financial report: page 55; Annual bonus: page 89

Occupancy

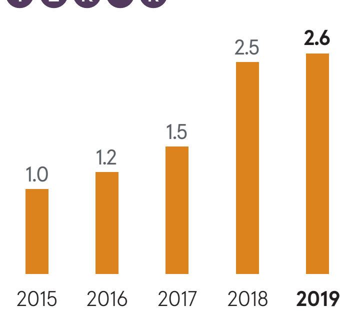
Underlying EPRA vacancy[2,3] (%)

1 2 K R



Average time to let[2,3] (months)

1 2 K * R



High occupancy and letting property quickly are key factors in sustaining good cash flows from our portfolio. For the wholly-owned portfolio, both average EPRA vacancy (measured quarterly) and letting times are KPIs for the annual bonus. During 2019, average EPRA vacancy was 3.1%, marginally higher than in 2018. Average letting time, measured from the date space becomes available to let, was 2.6 months, broadly in line with 2018.

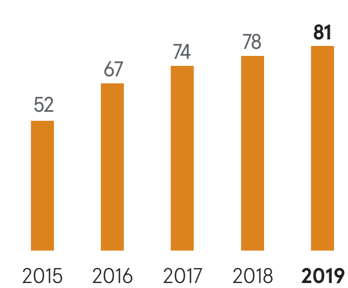
Vacancy comparatives have been restated to present quarterly averages each year, rather than the year end position, and to exclude exceptional larger schemes. This presentation matches the vacancy KPI calculation for the annual bonus scheme.

Portfolio activity report: page 51; Annual bonus: page 89

Energy performance

% of demises[2] with EPC rating A-E

1 4 5 *



Improving the energy performance of our space is an important factor in minimising the environmental impact of our operations. We aim to improve energy performance with each refurbishment scheme. This year, the number of demises with an EPC rating of at least E has increased by three percentage points to 81%.

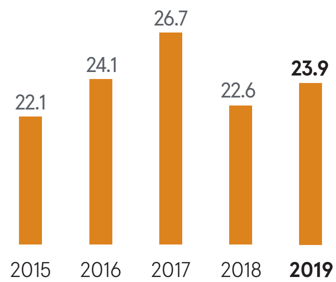
Environment: page 32

1 Alternative performance measure: page 124
2 Wholly-owned portfolio
3 Excluding exceptional larger schemes. See portfolio activity report: page 51
4 Including our 50% share of Longmartin

Financial management

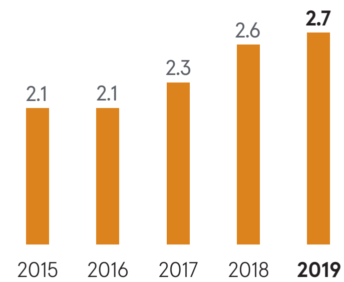
Loan-to-value[2,4,5] (%)

5



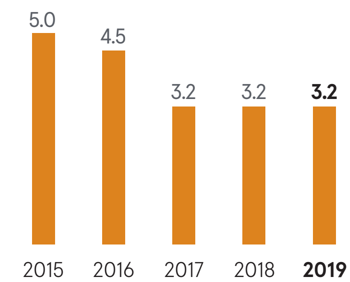
Interest cover[4,5] (x)

2 5



Blended cost of debt[3,4,5] (%)

2 5



We operate with conservative leverage levels with long-term fixed interest arrangements forming the core of our debt finance. Loan-to-value increased in 2019 to 23.9%, resulting from the combination of further investment in our portfolio, funded by net debt, and the decrease in the portfolio valuation.

Interest on our drawn debt facilities is fixed and, accordingly, the blended cost of debt has remained at 3.2% in 2019. However, with growing operating profit before investment property disposals and valuation movements, interest cover has increased from 2.6x to 2.7x.

Financial report: page 57; portfolio valuation: page 48

Other operational measures

In addition to our KPIs, other operational metrics we monitor in assessing the performance of the business include:

Portfolio management	2019	2018
Growth in annualised current income 1 *Page 49*		
Wholly-owned portfolio	**2.4%**	6.2%
Combined portfolio[1]	**1.8%**	5.1%
Reversionary potential 1 *Page 49*		
Wholly-owned portfolio	**27.8%**	26.7%
Combined portfolio[1]	**28.2%**	26.7%
ERV of space undergoing refurbishment[4] 1 5 *Page 52*	**10.4%**	7.6%

Our people	2019	2018
Staff retention 3 *Page 46*	**97%**	100%
Training (hours per employee) 3 *Page 46*	**20**	19

Financial	2019	2018
EPRA earnings per share[5] 2 *Page 54*	**17.8p**	17.1p

Sustainability and stakeholders	2019	2018
GRESB rating 4 R K *Page 29*	**75%**	69%
EPRA Sustainability BPR rating 4 R K *Page 29*	**Gold**	Gold
London Benchmarking Group contribution as a % of EPRA earnings 5 *Page 34*	**1.5%**	**1.7%**

Annual bonus: page 89

1 Including our 50% share of Longmartin debt
2 Based on net debt
3 Including non-utilisation fees on undrawn bank facilities
4 Wholly-owned portfolio
5 Alternative performance measure: page 124

Sustainability

WE SUPPORT
UN GLOBAL COMPACT

We have supported the UN Global Compact principles of sustainability since 2015 and, this year, we are integrating the UN Sustainable Development Goals (SDGs) into our sustainability strategy.

SUSTAINABLE DEVELOPMENT GOALS

We have mapped our strategy against the SDGs during the course of this year and will continue to integrate them into our processes. The relevant SDG icons are highlighted in the following sections where they apply.

UN Global Compact and the SDGs

We support the ten principles of the UN Global Compact on human rights, labour, environment and anti-corruption. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the seventeen SDGs, which are an urgent call for action by all countries, developed and developing, in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth, all while tackling climate change and working to preserve our oceans and forests. The UK is a signatory to these goals. The UK Government has developed its own agenda for delivering these goals and companies are encouraged to adopt this framework.

Sustainability Committee

Our Sustainability Committee, chaired by the Chief Executive, meets quarterly and is responsible for setting the sustainability policy and strategy across the Group. The Committee is advised by an external consultancy, which provides independent review and analysis of our actions and policies. This information is reported to the Executive Committee and the Board.

Modern Slavery and human rights

We have policies in place which address human rights, modern slavery and the ethical conduct of our business. Our sustainability policies and our supplier code of conduct are provided to our key suppliers, who are required to adhere to the same high standards we set for ourselves. Our Modern Slavery statement is available on our website. We require that workers in our supply chain are paid a London Living Wage. We have signed up to the Living Wage Foundation.

Climate change

Climate change is an increasingly significant issue for society. The UK Government has an objective of achieving net zero carbon by 2050. As the owner of a portfolio of buildings in central London, we recognise the need to respond to this challenge, with Building Regulations and MEES having an important role.

Our strategy to maintain and refurbish existing buildings is an intrinsically sustainable approach. It conserves embodied energy within existing materials and avoids unnecessary waste, materials and energy required to construct new properties. We acknowledge that there is much more to do to meet the challenges of climate change.

With over 800 commercial tenancies, we are in a good position to influence and support our tenants' own sustainability strategies. We report on our own impact, but are aware that our tenants' activities can have a much greater contribution on our environment. We have engaged more widely this year through both the Blue Turtle initiative and the use of a new tenant portal in Seven Dials. Both initiatives will be expanded and used to help guide our tenants' sustainability activities. We will seek to increase engagement with our tenants, to ensure that we are all working together to address these issues in 2020 and beyond.

Waste and single-use plastic: page 33

Sustainability data report

Our Sustainability Data Report is available on our website. It provides a full update on progress against our sustainability targets and associated data for the year ending 30 September 2019.

The report also contains our UN Global Compact Communication on Progress.

Industry recognition/awards

FTSE4Good
Continued inclusion in the FTSE4Good 2018 top 89% percentile

GRESB
GRESB Green Star – score 75

EPRA sBPR GOLD
Gold award winner for sustainability reporting – third successive year

ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Global
Continued Member of Ethibel Excellence, Europe

CDP DRIVING SUSTAINABLE ECONOMIES
CDP – Continued inclusion on Carbon Disclosure Project scoring a grade C in 2018

Corporate ESG Performance Prime RATED BY ISS ESG
ISS ESG prime status (formerly Oekom)

1 Community Breakfast 2019
2 Silver Sunday Tea Dance for Westminster over 65s
3 Launch of DEFRA's Bees' Needs Week in Carnabee

Stakeholders

We are committed to stakeholder engagement as a core component of our business and sustainability strategies.

We view engagement with our stakeholders as a continuous dialogue which enables us to work collaboratively to support and align our business goals and activities.

We engage with our many stakeholder groups in a variety of formal and informal ways. Engagement ranges from meetings with shareholders, local groups and employees to communication with our suppliers and occupiers, to provide advice, financial and in-kind support. By working together with external stakeholder partners, we are able to identify and address issues by bringing together the expertise, knowledge and passion of many organisations and individuals.

Shareholders

Open and transparent engagement through tours and shareholder meetings. Corporate governance is an important part of our day-to-day operations.

Page 74

Occupiers

Create prosperous locations, supporting business and providing amenity for residents. We encourage occupiers to be aligned with our sustainability goals.

Pages 16 and 33

Employees

Continual investment to support their development. Purpose and values articulated and embedded in the business. Development of a Strategic People Plan.

Pages 36 to 47

Visitors

Foster distinctive, lively locations, which are an important part of the West End's global appeal.

Page 16

Suppliers and advisors

Supplier code of conduct sets out the values and behaviours we expect of our supply chain.

Page 29

Local authorities

Work closely with Westminster City Council and Camden Council on a wide range of initiatives to support their policies and goals, including improving the public realm.

Page 53

Local community

Understand its needs and be part of our community. Provide opportunities to link our community partners and help them raise awareness of their causes and contribute through advice, and financial or in-kind support.

Page 34

Environment

At the heart of our environmental sustainability strategy is extending the useful lives of our heritage buildings, through refurbishment and change of use.

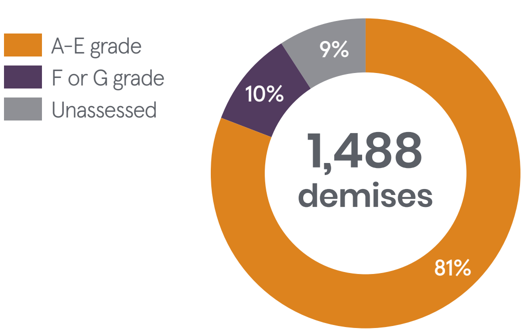
We have long been committed to operating in a sustainable way. At the core of our sustainability strategy is reusing and improving, rather than redeveloping buildings. In doing so, we extend their useful economic lives, while preserving the West End's rich heritage for future generations.

BREEAM

In order to ensure that we meet environmental standards for good building design and operation, we follow BREEAM principles when we refurbish a building. For all refurbishment projects with a value over £1 million, we aim to achieve a BREEAM certification of Very Good. Since we introduced this requirement, we have had 19 schemes certified, extending to approximately 10% of the portfolio. We have a number of other schemes which should be completed in the year ahead which will increase this percentage.

EPCs

All buildings, other than listed buildings, are required to have an energy performance certificate to measure their efficiency. Under MEES regulations, all demised areas are required to have an EPC of grade E or above. Set out below is the current status of commercial and residential demises in our portfolio.



The majority of properties assessed as F and G grade or unassessed are currently occupied. We have a programme of improvement to address the small number of residential properties which need to be upgraded by 2020. For commercial properties, there is a requirement that all properties should be at least a grade E by 2023. As part of the ongoing refurbishment programme, when they become vacant, we will undertake works to improve their ratings.

Energy and water consumption and greenhouse gas emissions

Our direct energy consumption is relatively low, as the majority relates to the, usually, small common parts of buildings. There is a trend towards the collection of whole building data which we are working towards. For the full report on GHG see page 96. We have seen an overall reduction in GHG emissions of 10% across the portfolio during the year.

We have committed to developing Science Based Targets for the reduction of emissions to reach the Government's target of net zero carbon by 2050, in line with the Paris Agreement.

All the energy we use in our common parts is from 100% renewable sources. Our Carnaby Christmas decorations this year are also powered using renewable energy.

As with landlord purchased energy, our water consumption only relates to common parts and is a relatively low figure. We intend to engage with our tenants to identify ways in which to expand monitoring and identify opportunities to reduce water consumption.

Our water fountain in Kingly Court has saved over 75,000 500 ml single-use plastic bottles since it was installed in June 2018.

Biodiversity

The West End of London is an urban landscape. The biodiversity and urban greening in our areas is important for visitors and those working and living in our areas, from a health and wellbeing perspective as well as improving the environment for local wildlife. Activities this year included:

- supporting WWF's Earth Hour in Carnaby with a themed arch and encouraging our tenants to show their commitment to action on environmental issues.
- supporting the launch of Defra's Bees' Needs Week campaign and providing a retail unit for Defra to promote the importance of pollinators in the ecosystem. For the third year running, we have been awarded Defra's Bees' Needs Champion for our work in this area.
- opening our roof terrace as part of Open Roof Weekend, for the Mayor of London's National Park City Festival. Over 350 people visited during the weekend.
- our employees picking litter up from the Thames as part of a community day, in partnership with Thames 21 conservation charity.

Our Bees' Needs Champion Award

Wild West End

Wild West End is a collaboration with a number of other West End landowners to promote biodiversity. Its objective is to encourage birds, bees and bats back into London's West End. Since the partnership undertook its 2016 baseline study, the number of green installations, across all its members, has increased from by 22% to 309.

In September 2019, Wild West End received the Biodiversity and Environmental Net Gain award at the Institute of Environmental Management and Assessment's Sustainability Awards. The project was commended by the judges as 'really imaginative– a well thought-out programme, with a highly diverse set of parameters considered'.

See www.wildwestend.london

A rare sighting of the tiny Firecrest, a scarce migrant bird and winter visitor to the UK, in Kingly Court, Carnaby.

Health and safety

The Board has overall responsibility for health and safety. In our refurbishment projects, responsibility for health and safety is identified in all pre-tender documentation and is monitored by site and project managers. Managing agents oversee day-to-day health and safety matters throughout the portfolio.

There were no reportable health and safety incidents in the portfolio during the year. The accident frequency rate for employees was zero (2018: zero) and there were no health and safety prosecutions, enforcement actions or fatalities.

Waste and single-use plastic

Reduction in waste, and particularly single-use plastic, is an important priority for us. We recycled and composted 59% of waste in Carnaby and Seven Dials during the year. The recycling rate across the portfolio is 44.5%. We have introduced a trial of coffee cup recycling in Carnaby and are monitoring its usage.

Blue Turtle initiative

Climate change, ocean degradation and plastic pollution are recognised as the most significant and growing threats to ocean health. To help prevent these impacts, it is essential that we engage with our occupiers and encourage them to consider better use of resources towards a more environmentally friendly lifestyle.

Blue Turtle is an initiative, we developed during the year, in partnership with ocean conservation charity, Project Zero. It is working to improve environmental sustainability in our cafés and restaurants, by enhancing awareness of the environmental consequences of their operations and how they can adapt their businesses. The initiative, which started in Carnaby, will now be rolled out to other locations.

Businesses participate in the Blue Turtle initiative by making a pledge and by auditing their own practices through an online toolkit. Their participation encourages them to commit and set targets against the Blue Turtle Criteria. Participants who commit to improve their practices gain the Blue Turtle Commitment Mark, which they can display within their premises and online channels.

Since it was launched in June 2019, over 45 Carnaby cafés, restaurants and pubs have made a pledge and 17 Carnaby businesses have been awarded the Blue Turtle mark, signifying their commitment towards being ocean-friendly.

Our Blue Turtle logo

Social

Our values recognise the importance we place on being community minded; of playing an integral part in our villages.

We work with not-for-profit organisations, charities, educational establishments and other local community groups, recognising that our long-term support enables them to make a difference in their activities. Our support takes a variety of forms: money, in-kind donations through space; advice and time given by employees, both volunteering or through working with community groups.

Our strategy is set by the Community Investment Committee, chaired by Andrew Price, with employees from across the Company. We focus on areas where investment has the ability to influence and impact our villages. Activities during the year have included:

- our annual community breakfast which brings together our stakeholders in an informal atmosphere together with local councillors and an external speaker enables networking between over 36 stakeholder groups.
- introduced volunteering leave for employees, with take-up of 74 hours.
- GivX award recognising the level of community giving.
- installation of Good Box tap donation points where contactless payments make instant donations. These were used for Tap London (homeless Christmas campaign), The Fawcett Society and ZSL for its People For Wildlife pop-up.
- co-sponsor of the Sir Simon Milton Foundation annual tea dance (part of Silver Sunday) for 1,000 Westminster residents aged 65 and over.
- Soho Music Month had an educational element as part of the month long activities. This involved working with young people for their ONC Advanced Project Management certification.
- in collaboration with London College of Fashion, we provided two recent tailoring graduates with studio space in Carnaby, using this space as a launch for their fledgling businesses (see Kingly Street Tailors opposite).
- we sponsor a daytime outreach worker from the Connection at St Martin-in-the-Fields, a charity tackling homelessness.
- we sponsored Pride in London and provided a pop-up shop for the month leading up to the event in July 2019.
- we fund the part-time advisory post at the Chinese Community Centre.

We often link our community support with marketing and events so that community groups are able to leverage from these activities to raise the profile of their organisations and funds at the same time. We may also provide short-term space as part of the activity.

In 2019, our contribution totalled **£0.82 million**, equivalent to 1.5% of EPRA earnings, as set out opposite. We measure this in accordance with LBG, a recognised benchmark.

MEASURING COMMUNITY INVESTMENT

GivX

Other organisations we have supported during the year:

Youth/education
- Young Westminster Foundation
- Soho Parish Primary school (the only school in Soho)
- Stage One (supporting the future of commercial theatre through education)

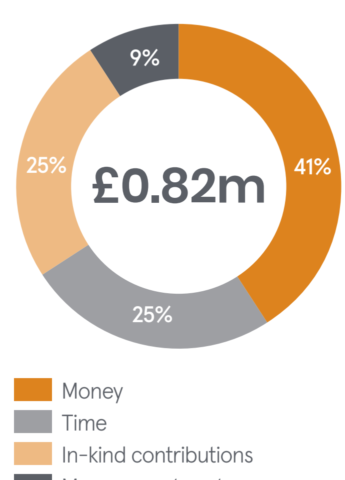
Social issues
- House of St Barnabas (breaking the cycle of homelessness)
- LandAid (the property industry's charity focusing on helping homeless youths)

Community groups
- West End Community Trust
- St Anne's Church
- Chinese Information and Advice Centre

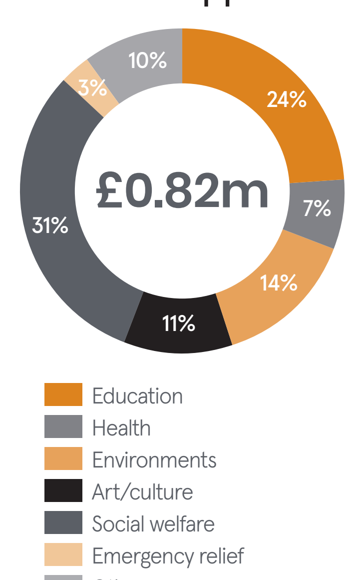
Industry groups
- Freehold (LGBT real estate professional network)
- Pathways to Property (raising awareness of property as a career)
- Real Estate Balance (addressing gender imbalance in the property sector)

Environmental/biodiversity
- Zoological Society of London (ZSL)
- Phoenix Gardens (a community garden close to Seven Dials)

How we contribute:



What we support:



Kingly Street Tailors

Following a competitive process for recent tailoring graduates of the London College of Fashion, judges including Harold Tillman, Mark Powell and Tom Horne, selected two tailors who were awarded incubator space in Kingly Street studios. Joshua Millard and Sarah Hollebon have emerging businesses in women's tailoring.

The collaboration with London College of Fashion also includes mentoring and business support from the college.

Tailoring is an important part of the heritage of Carnaby and Soho and this helps ensure the continuation of the talent development pipeline.

Our people and culture – the 'Shaftesbury Way'

At the heart of Shaftesbury is our team, who share a passion and ambition for making great places even better. We are committed to building upon our working culture, developing a diverse and inclusive team from the widest talent pools and making Shaftesbury a great place to work.

Our purpose:

To curate vibrant and thriving villages in the heart of London's West End

Our values:

- **Human**
- **Original**
- **Community minded**
- **Responsible**
- **Long term**

Read more on our values: pages 37 to 45

Our purpose, culture and values

This year we articulated our purpose and values, with input from everyone in the business, as well as listening to what our key stakeholders said about working with us. We believed we had a good sense of what was distinct about Shaftesbury's culture and ways of working and this came through strongly in the process, which we undertook with an independent facilitator. Our process included:

- Employee and Board workshops to explore, discuss and define the culture at Shaftesbury. The focus was on how people experience, and think about, Shaftesbury's culture today, as well as to indicate aspects of the culture that they felt might need to change or develop in the future.
- External stakeholder interviews, conducted independently, to gather insights on the Company's purpose, values, team and ways of working.
- Working sessions with our internal culture group, made up of a cross-section of employees, to gain input and feedback at each stage of the process.
- Regular Board updates and opportunities to input, with final sign-off and approval of our purpose statement and values.
- Distillation of our learning from the process to describe what kind of business we are, called the *'Shaftesbury Way'*.

The Shaftesbury Way

We have a small, diverse team of talented people, united by a shared ambition to make our great places better for the benefit of our multiple stakeholders. Our collective desire is to cultivate and foster environments to provide vibrant and inspiring experiences for visitors, occupiers, their customers and residents. Our culture is one of tradition and innovation. We act with courtesy, respect and integrity, embrace change, seek challenge, and look to the future to evolve and improve. We are inclusive, encouraging difference and openly welcoming new people, ideas and perspectives to enable everyone to be themselves, have a voice, and make an impact. We combine our strengths to achieve success beyond profit: making a positive difference and delivering sustainable, long-term results for our stakeholders, communities and each other. Together, we aim to make a positive, lasting contribution to London's West End.

Next steps

The next stage of this process, one that is a priority for the coming year, is to fully embed our values into all aspects of our employment proposition and practice. This includes reviewing how we develop, motivate, recognise and reward our team and how we recruit and induct new team members.

Human

We build relationships based on openness, empathy, trust and respect, showing interest and care for those with whom we work. We welcome difference and encourage diversity.

A variety of backgrounds, experiences, characteristics and preferences leads to wider perspectives, increased creativity, better decision-making and inclusive spaces where people feel welcome.

Outside of our workplace, we promote the diversity agenda including gender, ethnicity, social background and orientation.

We have been a corporate sponsor of Pride in London for four years. As part of Pride Jubilee celebrations, this year, we provided a free-of-charge pop-up shop, which raised £68,000 in sales, as well as office space leading up to Pride day.

Our culture and values: page 36

Original

From finding and nurturing new talent to challenging and evolving our thinking, we think creatively and encourage new ideas from our people, business partners and communities.

Originality is an important aspect in the unique curation of our villages, including the events we organise, public art, and the occupiers we choose, where innovative concepts are favoured over predictable formats found elsewhere.

For example, this year we selected Kerb to open Seven Dials Market in Thomas Neal's Warehouse. Having previously curated street food markets, this is Kerb's first "bricks and mortar" space. As well as offering a number of different food choices, their innovative approach to the curation of this space includes London's first cheese conveyor belt restaurant (left), which offers over 25 different cheeses, all sourced from around the UK, paired with condiments and small-producer wines.

Our culture and values: page 36
Holistic long-term village curation: page 16
Focus on food, beverage, retail and leisure: page 17

Community minded

As a responsible, long-term investor in our areas, being a good neighbour and focusing on local issues is essential. We work with, and support, our local communities to address issues and challenges, promote public realm improvements and create vibrant places.

In the summer, we collaborated with the Seven Dials Trust to mark the 30th anniversary of the iconic sundial pillar in the centre of Seven Dials. Visitors enjoyed live entertainment, theatre, arts, crafts, al fresco dining and cocktails across the seven interconnecting streets, including a pop-up lawn around the Dial.

Our culture and values: page 36
Stakeholders: page 31
Promoting our villages: pages 24 to 25

Responsible

We are committed to London's West End and see ourselves as long-term custodians of the areas in which we invest. We hold ourselves accountable to a wide-range of stakeholders.

We invest in staff wellbeing and development, cultivate relationships with our business partners and stakeholders, holistically curate our villages and behave in a socially-responsible manner.

During the year we collaborated with ocean conservation charity Project Zero to reduce the use of single-use plastics and promote sustainably-sourced seafood. Our innovative Christmas decorations in Carnaby, made from recycled and reusable materials and powered by renewable energy, raise awareness of the need to protect and restore the ocean by mitigating the damaging effects of climate change and plastic pollution.

Our culture and values: page 36
Holistic long-term village curation: page 16
Environment: page 33
Stakeholders: page 31


OCEAN
Project Zero
PLANET
MUJI
SHAKESPEA

Long term

As custodians, we take a long-term, holistic approach to our villages. We seek to make a positive, long-lasting contribution to the West End.

Across the business, our decision making is forward-looking, focused on long-term benefits rather than short-term gains.

Shaftesbury was founded in 1986 with a modest ownership in Chinatown. Over 33 years, we have grown our Chinatown holdings to 3.2 acres. During this period of ownership, we have worked with other stakeholders in delivering five separate public realm schemes, helping maintain this village as a busy, vibrant destination. Our curation of this area is one of respect for its historical heritage and evolution to showcase the breadth and diversity of regional Chinese cuisine, alongside Far-Eastern concepts.

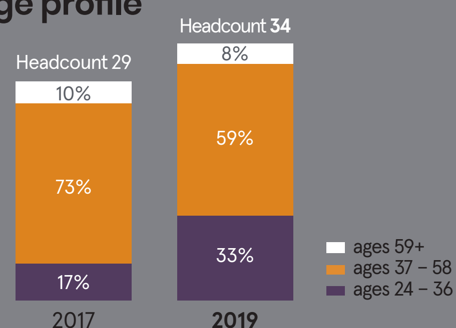
Our culture and values: page 36
Holistic long-term village curation: page 16

34 members of staff

2:1 female:male ratio

3% employee turnover

Staff age profile



30% female representation on the Board

67% female representation on the Executive Committee[1]

Employee engagement

We are committed to gaining regular feedback from our team and to listening to their perspectives about what we are getting right and where we can improve. In November 2018, we conducted an employee survey via the Best Companies Group "Best Places to Work in Property" survey, with over 90% of our employees taking part. The survey provided evaluation across a number of metrics including overall engagement, leadership and planning, culture and communication, role satisfaction, work environment, training and development, and pay and benefits.

Our results were positive, with strength in the overall engagement, leadership and planning and role satisfaction categories.

100% of respondents said:

"I understand the long-term strategy of this organisation"

"I am very satisfied with my employer"

"I am proud to work for this organisation"

"I would recommend working here to a friend"

The responses for training and development were positive at 80%, but indicated an area for focus and opportunity, which has been factored into our strategic people plan and priorities for the year.

We have continued to have a very low level of employee turnover, with only one leaver this year. The stability of our team, with an average length of service of 10.5 years, reflects the positive feedback from this survey.

Strategic People Plan

This year we developed the Shaftesbury Strategic People Plan 2021, working with an HR consultant to provide independent challenge. Our strategic intent is to be a great place to work; attracting, growing and retaining the best talent.

The plan focuses on five strategic pillars:

Engagement

- Understanding and driving high levels of employee engagement, with an active culture of listening and responding to employee needs and perspectives.

Experience

- To be recognised for providing a distinctive and positive employee experience, aligned with our purpose and values.

People development and capability

- Having the right organisation structure, capability and skills in place to drive business growth, with a committed leadership team which is equipped to lead the business and develop emerging talent for future leadership roles.

People performance

- To embed a culture of regular development and performance discussions.

Sustainable workforce

- To have a healthier, more inclusive and more sustainable working environment, where employees feel they make a difference in their roles.

We have shared our strategic plan across the business, developed a strategic delivery roadmap, and are regularly monitoring progress against our targets and priorities.

Developing talent for the future

We remain committed to our outsourced business model, operating with a small team and a wider group of external advisors and partners. However, as part of our strategic people plan, we have recognised the importance of a pipeline of talent and, during the year, we have recruited a number of people, taking our headcount to 34 at 30 September 2019. Together with recruitment in 2018, the age profile of our workforce has shifted over the past two years (see chart left).

We support everyone in the business to grow and develop. During the year, we have invested further in employee development, delivering nearly 700 hours of training across our team, including 'Leading Self', a nine-month leadership programme for a cohort of rising talent.

For the third year running, we were top of the FTSE 250 in the Hampton-Alexander review for the highest female representation on the executive committee and direct reports.

Hampton-Alexander Review
FTSE Women Leaders

1 Excluding executive directors

Employee wellbeing

Fostering employee wellbeing is good for our people and can be a core enabler both of employee engagement and organisational performance. The fast-changing world of work and the fluctuating demands it can place on our employees, and our business, means that our grasp of health and wellbeing needs to constantly evolve so we can understand the impact on our people. Consequently, this is a priority for us and, this year, we have introduced a number of employee wellbeing initiatives to support them.

Working with the Feelgood Company, we have offered everyone the opportunity to attend a series of one-hour workshops, delivered to support our team to be healthy and fit, with optimum levels of energy and resilience. These workshops were tailored to address the challenges presented by working life and to offer an opportunity to reflect on physical and mental health, as well as to consider nutrition, to ensure we can each be at our best. The workshops provided strategies to support people to perform at their best in work and life and to put into practice new habits to boost energy, both emotionally and physically.

We also reviewed our working policies, introducing flexible hours and a working-from-home policy as part of our employee offer. Our private health care scheme includes the provision of mental health counselling support.

Rewarding performance

We are committed to rewarding performance, offering competitive base salaries and benefits packages. This year we completed a comprehensive pay benchmarking process to ensure that we understand our position within the market place and are aware of any trends in remuneration in the sector. Our reward philosophy is based on team performance and our incentive schemes aim to focus everyone on the achievement of our strategic objectives.

Read more on reward scheme structures: page 85

Developing a diverse and inclusive team

We are committed to developing a diverse and inclusive team from the widest talent pools as we believe this promotes employee recruitment, engagement and productivity, and encourages collaboration and innovation, underpinned by respect and equal opportunities for all. Diversity is all about the rich mix of visible and non-visible differences and backgrounds we aim for in our team and which is ingrained in our culture. Inclusion means creating a collaborative environment that is open to different ideas, perspectives and styles of thinking, where all our people feel they can be themselves, and where everyone can contribute fully to the Company's success. Our commitment extends to the standards we expect of businesses with which we engage to provide advice and services.

In the year ahead, we will be reviewing our diversity and inclusion practices and we will specifically be looking at how we can attract more BAME candidates to apply for our positions, as well as considering how we can provide more opportunities for young people from disadvantaged backgrounds to develop careers either with us or within the real estate sector.

Read more on diversity and our progress against the recommendations for the Hampton-Alexander Review: page 77

30% Club
GROWTH THROUGH DIVERSITY

Portfolio valuation report

Wholly-owned ■ Longmartin[2]

Portfolio valuation[1]

£3.8bn (95%)

£0.2bn (5%)

£4.0bn combined

Valuation growth[1,3]

-0.2%

-8.5%

-0.6% combined

ERV growth[3]

3.2%

-3.5%

2.7% combined

Reversionary potential

£32.6m

£2.5m

£35.1m combined

Combined portfolio

Our combined portfolio comprises properties which are wholly owned by the Group and our 50% share of property held in the Longmartin joint venture. The financial statements, prepared under IFRS, include the Group's interest in this joint venture as one-line items in the Income Statement and Balance Sheet. The combined portfolio valuation is reconciled to the valuation in the financial statements in note 25 to the financial statements.

At 30 September 2019, our combined portfolio[1] was valued at £4.0 billion. On a like-for-like basis, the valuation has declined by 0.6%, with the wholly-owned portfolio (95% of the combined portfolio) declining by 0.2% and Longmartin's property (5% of the combined portfolio) showing a decrease of 8.5%.

	Valuation £m	% of combined portfolio %	Valuation growth[3] %	ERV growth[3] %
Wholly-owned portfolio	3,784.2	95%	(0.2)%	3.2%
Longmartin[2]	209.0	5%	(8.5)%	(3.5)%
Combined[1]	**3,993.2**	**100%**	**(0.6)%**	**2.7%**

In the analysis below, we have provided separate narratives on the wholly-owned portfolio and Longmartin. We believe this presentation provides a clearer analysis of the Group's portfolio and performance for stakeholders.

Wholly-owned portfolio

At 30 September 2019, the valuation of the wholly-owned portfolio was £3.8 billion. On a like-for-like basis, the valuation declined by 0.2%, principally due to an overall increase in the portfolio equivalent yield of six basis points to 3.47% (2018: 3.41%). The impact of this was largely offset by improvements made through asset management initiatives, which resulted in continued growth in both contracted income and estimated rental values. After allowing for acquisitions, disposals and capital expenditure, the revaluation deficit was £15.3 million.

	Valuation £m	% of portfolio	Annualised current income £m	ERV £m	Topped-up net initial yield %	Equivalent yield %
Carnaby	1,437.7	38%	44.4	60.8	2.98%	3.67%
Covent Garden	1,036.5	28%	30.3	39.0	2.75%	3.28%
Chinatown	843.9	22%	26.8	31.8	2.89%	3.35%
Soho	314.1	8%	10.7	12.1	2.97%	3.45%
Fitzrovia	152.0	4%	4.9	6.0	2.73%	3.40%
	3,784.2	**100%**	**117.1**	**149.7**	**2.89%**	**3.47%**

Village	2019 valuation growth[1,3]	5-year CAGR[3]
Carnaby	-1.3%	6.7%
Covent Garden	-0.1%	5.8%
Chinatown	0.8%	6.1%
Soho	3.1%	8.1%
Fitzrovia	-2.4%	7.3%
	-0.2%	**6.4%**

1 An alternative performance measure: page 124
2 Our 50% share
3 Like-for-like

The increase in the equivalent yield was predominantly due to:

- yield expansion of up to twenty basis points in respect of larger shops, mainly in Carnaby Street. Despite continuing demand for space in this street, and further rental growth during the year, this yield adjustment reflects a market-wide shift in sentiment with general uncertainty around occupier demand for even the best-located larger shops, where overall rents and fit-out commitments are higher; and
- a softening in the capital value of our mid-market residential accommodation in certain villages of up to 4%, averaging 2.3% across the portfolio. The average capital value of our residential is now £1,480 per sq. ft. (2018: £1,510 per sq. ft.).

Read more on how we are responding to changing demand for larger shops by repurposing our space on page 21

Residential: page 23

The availability of properties to buy in our locations and which meet our strict criteria continues to be exceptionally limited. Existing owners, who typically are private, rather than institutional investors, remain reluctant to dispose of assets which offer security, high occupancy, reliable cash flow and long-term growth prospects. When assets do become available, there is strong domestic and international appetite, particularly for lot sizes up to £25 million and where there are asset management opportunities.

Cushman & Wakefield, independent valuer of our wholly-owned portfolio, has continued to note that:

- our portfolio is unusual in its substantial number of predominantly restaurant, leisure and retail properties in adjacent, or adjoining, locations in London's West End; and
- there is a long record of strong occupier demand for these uses in this location and, as a result, high occupancy levels, which underpin the long-term prospects for rental growth.

Consequently, they have reiterated to the Board that some prospective purchasers may recognise the rare and compelling opportunity to acquire, in a single transaction, substantial parts of the portfolio, or the portfolio in its entirety. Such parties may consider a combination of some, or all, parts of the portfolio to have a greater value than currently reflected in the valuation included in these results, which has been prepared in accordance with RICS guidelines.

Sustained rental growth

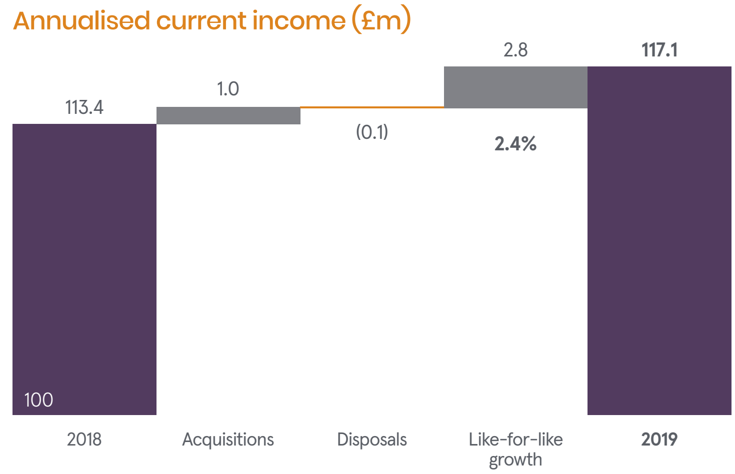
Over many years, our operationally-focused village management strategies have delivered sustained growth in both contracted and potential income; key drivers of long-term value creation. In our leasing activity, we aim to convert the portfolio's reversionary potential into contracted income and cash flow, whilst establishing new rental tones, the benefit of which is often compounded across nearby holdings. The 10-year like-for-like compound annual growth rate in annualised current income and ERV of our portfolio has been 4.2% p.a. and 4.8% p.a. respectively, with growth every year.

Growing reversionary potential

Despite an increased level of space undergoing refurbishment during the year, annualised current income has grown, on a like-for-like basis, by 2.4% to £117.1 million (2018: £113.4 million).

Portfolio activity report: page 52

Annualised current income (£m)

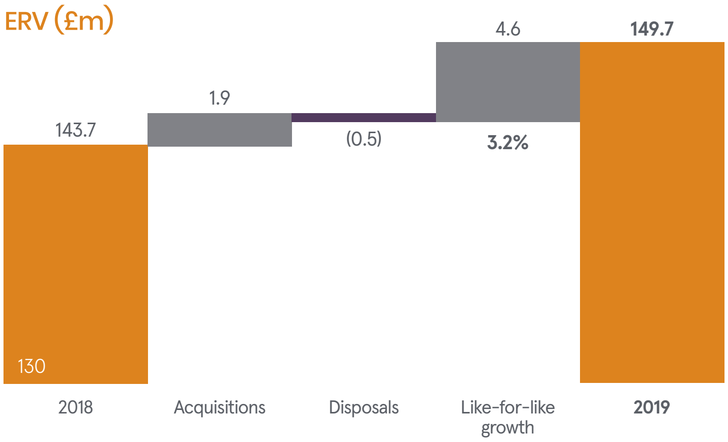


The ERV of our wholly-owned portfolio is based on current, proven rental tones. Importantly, the modest level of lease incentives granted to tenants, usually in the form of rent-free periods, has remained largely unchanged during the year.

At 30 September 2019, ERV was assessed by our valuers at £149.7 million, up £6.0 million over the year, following growth in every village. Across the portfolio, like-for-like growth was 3.2%, which included a contribution of 1.1% from 72 Broadwick Street, reflecting its increased rental potential as a result of the refurbishment scheme which is now underway.

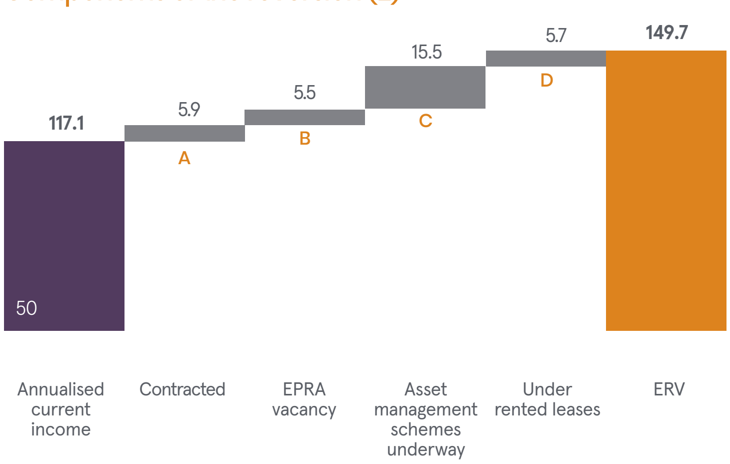
Portfolio activity report: page 52

ERV (£m)



The portfolio's total reversionary potential is now £32.6 million, 27.8% above annualised current income. We aim to crystallise this rental potential into contracted income over three to five years.

Components of the reversion (£)



How it will be realised

A On expiry of rent-free periods or contractual increases in rent

B On letting space available at 30 September 2019

C On completion and letting of schemes in progress at 30 September 2019

D Through the normal cycle of rent reviews, lease renewals and lettings. Typically realised over a 3-5 year period.

Longmartin valuation

In the narrative below, all figures represent our 50% share.

At 30 September 2019, Longmartin's long leasehold property was valued at £209.0 million, £15.6 million lower than at 30 September 2018. After allowing for capital expenditure in the year, the valuation decrease was 8.5%, equating to a revaluation deficit of £19.2 million, largely due to a further write-down in the value of retail space, which represents 37% of Longmartin's portfolio.

	Valuation £m	% of portfolio £m	Annualised current income £m	ERV £m	Valuation growth[1,2] %	ERV growth[2] %	Change in equivalent yield (basis points)
Retail	77.2	37%	2.6	3.5	(19.4)%	(10.3)%	+25
Non-retail	131.8	63%	4.9	6.5	(0.6)%	0.8%	+3
	209.0	**100%**	**7.5**	**10.0**	**(8.5)%**	**(3.5)%**	**+12**

Retail

At 30 September 2019, the valuation of Longmartin's retail space was £77.2 million (2018: £95.3 million), down 19.4% over the year, after allowing for capital expenditure. The majority of this space is on Long Acre, a "high street" which is characterised by large retail units, relatively high rental tones and overall rents, and where ownerships are fragmented. Occupier demand for these larger shops has declined and there has been a noticeable increase in the availability of space on Long Acre during the year.

Over the year, annualised current retail income has fallen by £0.2 million to £2.6 million (2018: £2.8 million), largely due to retail space on Long Acre which has become vacant and is now under refurbishment.

Portfolio activity report: page 53

The ERV of Longmartin's retail space decreased, on a like-for-like basis, during the year, by 10.3% from £3.9 million to £3.5 million. This follows a decline of 5.6% in 2018. On Long Acre, the decline was 14%, with the range of zone A rents now £550-£600 per sq. ft., down from £618 - £650 a year ago.

Reflecting increased availability and current uncertainty over occupier demand, the valuers have increased the equivalent yield attributed to Long Acre retail by 35 basis points. When combined with retail not on Long Acre, the overall retail equivalent yield has increased to 3.89% (2018: 3.64%).

Non-retail

At 30 September 2019, the valuation of Longmartin's non-retail space, comprising restaurants, offices and residential, was £131.8 million (2018: £129.3 million). After allowing for capital expenditure in the year, the like-for-like valuation decrease was 0.6%, reflecting a small increase in the average equivalent yield, largely offset by rental growth.

Current annualised income for the non-retail space decreased over the year from £5.3 million to £4.9 million, as a result of our restaurant reconfiguration scheme in St Martin's Courtyard, together with rent free periods following recent lettings.

Portfolio activity report: page 53

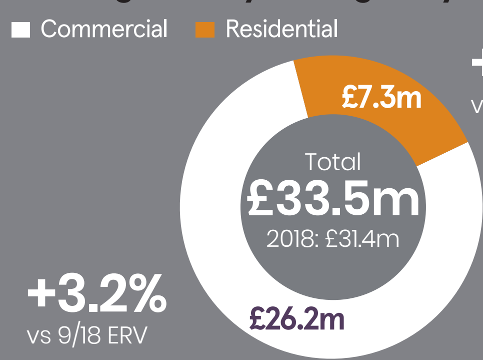
The ERV of non-retail space has increased on a like-for-like basis, during the year, by 0.8% to £6.5 million. The rental value of restaurants has grown by 3.2%, reflecting improvements we are making, whilst the ERV of offices and residential has been largely unchanged.

On average, the equivalent yield attributed to non-retail space was 3.97%, three basis points higher over the year (2018: 3.94%).

1 Alternative performance measure: page 124
2 Like-for-like

Portfolio activity report

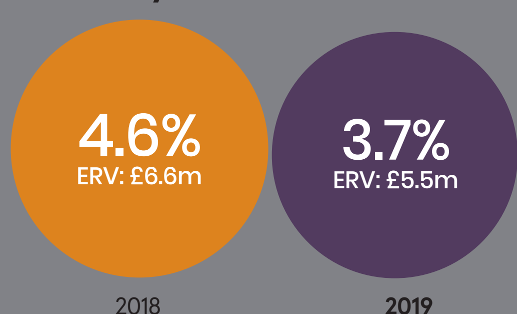
Leasing activity during the year[1]



+0.2% vs previous rent

+3.2% vs 9/18 ERV

EPRA vacancy[1,2]



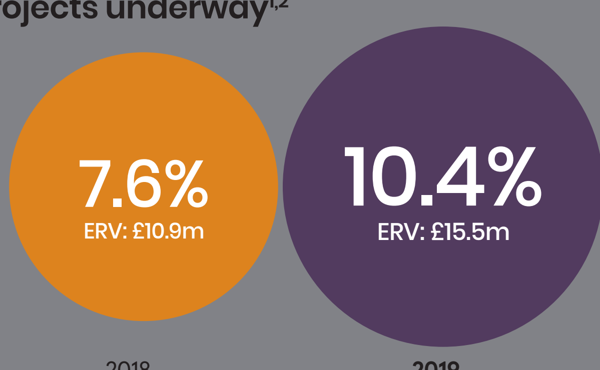
Schemes across[1]

241,600 sq ft

Capital expenditure[1]

£30.9 million

Projects underway[1,2]



Acquisitions[1]

£47.0 million

1 Wholly-owned portfolio
2 % of total ERV
3 2019: Central Cross; 2018: Central Cross and Thomas Neal's Warehouse

Leasing activity

During the year, occupier demand has been robust and occupancy levels have remained high.

We continue to convert our portfolio's reversionary potential into contracted income, whilst delivering further long-term growth in rental values. In the year to 30 September 2019, we concluded leasing transactions in the wholly-owned portfolio with a rental value of £33.5 million (2018: £31.4 million), equating to 22.4% of total ERV.

Commercial leasing activity totalled £26.2 million, 3.2% above ERV at 30 September 2018. This included lettings and renewals with a rental value of £15.6 million, 3.4% over 2018 ERV and rent reviews (rental value: £10.6 million) concluded 19.5% ahead of passing rents. Residential lettings and renewals amounted to £7.3 million, with rents being achieved marginally above previous levels.

Vacancy

During the year, EPRA vacancy[1] has decreased by 0.9% to 3.7% of ERV.

EPRA vacancy[1] at 30 September 2019

	Food, beverage and leisure £m	Shops £m	Offices £m	Residential £m	Total £m	% of total ERV 2019 %	2018 %
Larger schemes[3]	-	0.8	-	-	0.8	**0.5%**	1.9%
Underlying vacancy							
Available-to-let	0.5	1.6	0.4	-	2.5	**1.7%**	1.4%
Under offer	0.9	0.8	0.4	0.1	2.2	**1.5%**	1.3%
	1.4	2.4	0.8	0.1	4.7	**3.2%**	2.7%
Total	**1.4**	**3.2**	**0.8**	**0.1**	**5.5**	**3.7%**	4.6%
Area ('000 sq. ft.)	16	46	12	1	75		100

Larger schemes[3]

Having concluded lettings at Thomas Neal's Warehouse in Seven Dials, and Central Cross, larger scheme vacancy has fallen by 1.4% to 0.5% of total ERV during the year.

At 30 September 2019, just two shops (ERV: £0.8 million) remained available at Central Cross, of which one was under offer (ERV: £0.5 million).

Underlying vacancy

At 30 September 2019, available-to-let vacancy totalled £2.5 million, representing 1.7% of ERV (2018: 1.4%). This comprised one restaurant and three cafés (ERV £0.5 million), five large and five small shops (combined ERV: £1.6 million) and 6,800 sq. ft. of office space (ERV: £0.4 million).

Space with a rental value of £2.2 million (1.5% of ERV) was under offer (2018: 1.3%). This included eight restaurants and cafés (ERV: £0.9 million), five shops (ERV: £0.8 million), 5,500 sq. ft. of offices (ERV: £0.4 million) and three apartments.

Asset management

Sustainable reuse of buildings

With conservation area status and listed building legislation limiting wholescale development in our areas, our strategy is to carefully manage, reuse and adapt existing buildings. Through refurbishment, reconfiguration and change of use, we improve our assets by:

- extending their useful economic lives;
- improving income and rental prospects;
- enhancing environmental performance; and
- making our accommodation more attractive to occupiers.

Our reconfiguration and refurbishment schemes often involve a combination of maximising trading space across the lower floors, whilst converting under-utilised space on upper floors to introduce alternative, more valuable uses. Currently, we are responding to greater occupier interest for smaller shops, where possible, by reconfiguring units and introducing different, equally valuable uses for the space this releases.

Annual capital expenditure is generally modest at around 1% of portfolio value. Often, the loss of income during works being carried out is a relatively large part of the overall cost of a scheme.

Mixed-use buildings with considerable management flexibility: page 8

Limited obsolescence: page 17

In minimising our environmental impact, key scheme objectives include:

- reusing materials on site;
- using sustainably-sourced new materials;
- improving the energy performance of our accommodation; and
- achieving a BREEAM "Very Good" rating on all our larger projects.

Environment: page 32

Schemes

High levels of asset management and refurbishment activity continue across our portfolio. Capital expenditure during the year totalled £30.9 million, representing 0.8% of wholly-owned portfolio value, with schemes extending to 241,600 sq. ft. (12.6% of wholly-owned floor space). This included our 80,000 sq. ft. project at 72 Broadwick Street, Carnaby.

At any one time, we have schemes at various stages, from initial ideas, seeking planning approval, awaiting vacant possession or under construction. As part of this continuing activity, during the year, we submitted 108 planning applications, an important ingredient in securing the pipeline of activity.

We continue to identify opportunities to implement further asset management initiatives to improve the rental prospects and value of buildings across our portfolio, the timing of which often depends on when we can secure vacant possession of space.

Projects underway at year end

At 30 September 2019, vacant space held for, or under, refurbishment[1] extended to 213,000 sq. ft., and represented 10.4% of total ERV, an increase from 7.6% a year ago.

Space held for or undergoing refurbishment[1] at 30 September 2019

	Food, beverage and leisure £m	Shops £m	Offices £m	Residential £m	Total £m	% of total ERV 2019 %	% of total ERV 2018 %
72 Broadwick Street	3.5	0.4	1.5	0.7	6.1	**4.1%**	2.8%
Other schemes	1.9	2.4	4.0	1.1	9.4	**6.3%**	4.8%
	5.4	**2.8**	**5.5**	**1.8**	**15.5**	**10.4%**	7.6%
Area ('000 sq. ft.)	73	27	77	36	213		175

72 Broadwick Street, Carnaby

Having secured planning consent earlier in the year, we have now commenced works on our 80,000 sq. ft. mixed-use scheme to:

- introduce new retail, restaurant and leisure uses;
- relocate the office and residential entrances to allow activation of the commercial frontage on Broadwick Street;
- extend and refurbish the remaining office space; and
- reconstruct the residential accommodation, increasing the number of apartments from eleven to fifteen.

The project's ERV is £6.1 million (4.1% of portfolio ERV), up £2.1 million over the year, which reflects the planning consent secured in the year and incorporation of additional lower floor space into the design. Its estimated total cost is £32.1 million, of which £6.0 million had been incurred by 30 September 2019. Completion is anticipated in phases from late 2020.

Other schemes

At 30 September 2019, we had 52 schemes underway, extending to 133,000 sq. ft. and representing 6.3% of ERV. These included 26,700 sq. ft. of restaurants and cafés (ERV: £1.9 million), 23,800 sq. ft. of shops (ERV: £2.4 million), 60,100 sq. ft. of office accommodation (ERV: £4.0 million) and 36 apartments being created or upgraded (ERV: £1.1 million).

During the year, new schemes with an ERV of £5.6 million commenced, whilst schemes with an ERV of £3.0 million completed and are now largely income-producing or under offer.

Projects with an ERV of £7.7 million are expected to complete in the coming year, of which £5.0 million is anticipated in the first half of the year. In the short term, these will increase EPRA vacancy, but will provide a useful contribution to income and earnings over the medium term.

1 Wholly-owned portfolio

Other than 72 Broadwick Street, our medium-sized schemes underway at 30 September 2019 included:

Scheme	Description	Estimated cost £m	Cost to complete £m	Estimated completion
1 Gerrard Place, Chinatown	Reconfiguration to create two restaurants, including active frontage in Horse & Dolphin Yard, and 9 apartments	6.4	2.1	Q1 2020
1 Little Marlborough Street, Carnaby	Office extension and refurbishment	2.7	0.1	Q1 2020
45/49 Charing Cross Road, Chinatown	Reconfiguration and extension to provide new flagship restaurant space and five apartments at this gateway to Chinatown	4.0	1.6	Q2 2020
16-20 Short's Gardens, Seven Dials	Office reconfiguration and refurbishment	2.1	1.9	Q3 2020
50 Marshall Street, Carnaby	Creation of retail unit and refurbishment/extension of office space	4.9	4.3	Q4 2020

Longmartin asset management

In the narrative below, all figures (except areas) represent our 50% share.

During the year, lettings and rent reviews with a rental value of £1.4 million were concluded (2018: £1.4 million). This included a new lease to Dishoom, to combine two restaurants, fronting Upper St Martin's Lane and backing on to St Martin's Courtyard, to create a 10,000 sq. ft. flagship unit, which will further enhance the courtyard's dining offer.

At 30 September 2019, the ERV of Longmartin's vacant space was £0.9 million (2018: £0.7 million) and included a prominent flagship unit at the corner of Upper St Martin's Lane and Long Acre, together with 5,900 sq. ft. of office space at the recently completed Sussex House scheme (ERV: £0.6 million), all of which was under offer. Other vacancy included 8,800 sq. ft. of office accommodation, which was under offer (ERV: £0.2 million), two small shops (ERV: £0.1 million) and one apartment.

Capital expenditure in the year was £3.7 million. At 30 September 2019, the ERV of space under refurbishment was £1.0 million (2018: £0.9 million), the majority of which relates to:

- two large adjoining shops on Long Acre (ERV: £0.6 million), which have become vacant and where plans are being prepared to reconfigure the combined space to reduce the retail element and introduce alternative uses at first floor; and
- a scheme to reconfigure the north side of St Martin's Courtyard to create three restaurants (ERV: £0.3 million), each with outside seating, which is currently expected to complete in late 2019.

Public realm improvements

We continue to identify and contribute to public realm improvements in our villages. In our experience, creating safe and welcoming environments is an important catalyst for long-term growth in footfall and spending.

In the coming year, London Borough of Camden plans to improve the northern entrance to Seven Dials on Shaftesbury Avenue, at the junction with Monmouth Street and Neal Street. Complementing their existing junction improvement works, the scheme will involve repaving, de-cluttering the pavement and improved lighting and should increase footfall into Seven Dials, particularly from Tottenham Court Road once the Elizabeth Line opens. We are expecting to contribute £0.4 million to this scheme.

Improvements to Rupert Street, south of Shaftesbury Avenue, are planned next year by Westminster City Council after Chinese New Year celebrations in February 2020. Here, the pavement on the east side will be significantly widened and de-cluttered, with lighting and signage mounted on buildings wherever possible. Our contribution to this is anticipated to be £0.5 million.

Acquisitions

When seeking out new acquisitions, we remain disciplined, concentrating on buildings:

- in, and around, our areas;
- which have a predominance of, or potential for, restaurant, leisure and retail uses; and
- which offer the potential for future rental growth, either individually or through combination with our existing ownerships.

During the year, we acquired five properties at a total cost of £47.0 million. Located in Carnaby, Fitzrovia, Soho and Seven Dials, these comprised a pub (4,000 sq. ft.), two restaurants (4,000 sq. ft.), four shops (10,000 sq. ft.) and 3,300 sq. ft. of office accommodation.

90–104 Berwick Street

The vendor currently expects to be in a position to complete the sale of this long leasehold interest to us by 30 April 2020. Since 30 September 2019, a reduction in the purchase price, from £38.5 million to £36.0 million (exclusive of purchase costs), has been agreed.

Read more on availability of properties to buy: page 49

Financial report

Presentation of financial information

EPRA measures

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, earnings per share and NAV, making adjustments set out by EPRA in its Best Practices Recommendations. These recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency and coherence of the sector. These measures are reconciled to IFRS in note 25 to the financial statements.

Investment properties and debt

The financial statements, prepared under IFRS, include the Group's interest in its joint venture as one-line items in the Income Statement and Balance Sheet. The analysis that follows is based on the IFRS financial statements.

The Board considers the valuation of properties and our debt position on both IFRS and proportionally consolidated bases, including our 50% share of investment property and debt in the joint venture. This is reflected in the valuation and capital structure analyses on pages 48 and 57. We consider that this presentation is useful for stakeholders. Measures presented on a proportionally consolidated basis are alternative performance measures (APMs) as they are not defined under IFRS.

Further details on APMs used, and how they reconcile to IFRS, are set out on page 124.

Income statement

	2019 £m	2018 £m
Net property income	**98.0**	93.8
Administrative expenses	**(15.2)**	(13.7)
Valuation (deficits)/gains and disposal profits	**(12.5)**	127.7
Operating profit	**70.3**	207.8
Net finance costs	**(30.5)**	(31.2)
Share of Longmartin post-tax results	**(13.8)**	(1.1)
Profit before tax	**26.0**	175.5
Tax	**-**	-
Reported earnings for the year	**26.0**	175.5
Basic earnings per share	**8.5p**	58.1p
EPRA earnings[1]	**54.6**	51.7
EPRA earnings per share[1]	**17.8p**	17.1p

Profit after tax for the year was £26.0 million (2018: £175.5 million) and basic earnings per share was 8.5p (2018: 58.1p). The decrease in profit after tax was largely due to:

- a revaluation deficit, net of disposal profits, which reduced profits, this year, by £12.5 million, compared with a surplus of £127.7 million in 2018; and
- an increase in our share of the post-tax losses from the Longmartin joint venture, as a result of the reduction in the valuation of its investment property.

These reductions were partly offset by higher operating profit before investment property disposals and valuation movements and lower net finance costs, which, together, increased profit after tax by £3.4 million.

Portfolio valuation: page 48

EPRA earnings[1]

EPRA earnings are a measure of the level of underlying operating results and an indication of the extent to which current dividend payments are supported by recurring earnings. In our case, EPRA earnings exclude portfolio valuation movements, profits on disposal of investment properties and deferred tax arising in the Longmartin joint venture.

EPRA earnings increased by 5.6% to £54.6 million (2018: £51.7 million) resulting in EPRA EPS of 17.8p, 4.1% above last year (2018: 17.1p). The smaller relative increase in EPRA EPS, compared with that for EPRA earnings, is due to the larger weighted average number of shares in issue following the equity placing in December 2017.

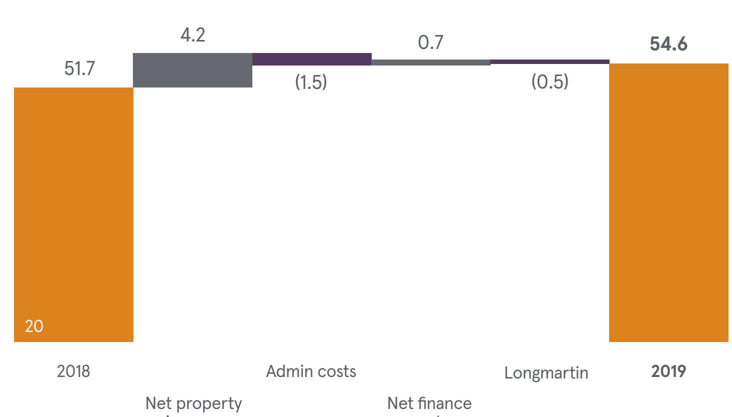
The increase in earnings was due to:

- an increase in net property income resulting from the continued conversion of our reversionary potential into contracted income; and
- a reduction in net finance costs, due to increased interest income received in the period, together with lower loan issue cost amortisation, following an accelerated write-off of costs in 2018.

These were partly offset by:

- higher employee costs, which increased administrative expenses; and
- lower net property income in the Longmartin joint venture as a result of development schemes and vacancy.

EPRA earnings[1] (£m)



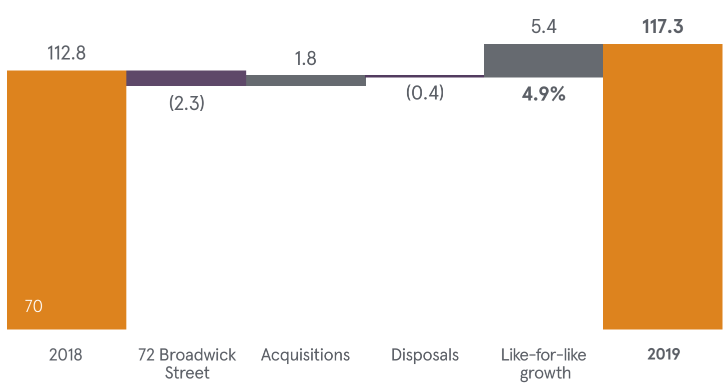
1 An alternative performance measure: page 124

Operating profit before investment property disposals and valuation movements

Rental income increased by 4.0% (£4.5 million) to £117.3 million (2018: £112.8 million). The like-for-like increase was 4.9%, as we continue to crystallise the reversionary potential of our portfolio. Acquisitions added £1.8 million, whilst disposals reduced rental income by £0.4 million. Having secured vacant possession at 72 Broadwick Street in September 2018, this scheme was not income-producing during the year, having contributed short-term income of £2.3 million to rental income in 2018.

Portfolio activity: page 52

Rental income (£m)



After irrecoverable property charges of £19.3 million (2018: £19.0 million), representing 16.5% of rental income (2018: 16.8%), net property income was £98.0 million, up 4.5% over the year (2018: £93.8 million).

Administrative expenses totalled £15.2 million (2018: £13.7 million). This increase was largely due to additional employee costs as a result of higher headcount, together with an increase in performance-related compensation. The total expense includes a non-cash accounting charge for equity-settled remuneration of £1.2 million (2018: £0.6 million) and a bonus cost of £2.6 million (2018: £2.2 million).

Annual remuneration report: page 89

Excluding employee costs, other administrative expenses were unchanged at £5.2 million (2018: £5.2 million).

Valuation deficit and disposal profits

The revaluation deficit in the year amounted to £15.3 million (2018: surplus of £123.1 million), representing a like-for-like valuation decrease[1] of 0.2%, largely due to average yield expansion of six basis points (2018: five basis points yield compression), largely offset by like-for-like ERV growth of 3.2% (2018: 2.6%).

During the year, we sold two non-core properties. Net proceeds, after sale costs, were £14.3 million, 24.3% above book value, representing a surplus of £2.8 million. Disposal gains in 2018 were £4.6 million.

Portfolio valuation: page 48

Net finance costs

Net finance costs of £30.5 million (2018: £31.2 million) included interest income of £1.0 million (2018: £0.8 million). The charge in 2018 included an accelerated write-off of previously unamortised loan issue costs, totalling £0.3 million, following refinancing activity in February 2018.

Share of Longmartin post-tax results

Revaluation deficits resulted in the Longmartin joint venture reporting post-tax losses in both 2018 and 2019. Our share of the revaluation deficit in 2019 was £19.2 million (2018: £5.0 million). Excluding these revaluation losses, and our share of the related deferred tax credits totalling £3.1 million (2018: £1.1 million), our share of EPRA earnings[1] from Longmartin decreased by £0.5 million to £2.3 million (2018: £2.8 million), due to lower net property income as a result of development schemes and vacancy on Long Acre.

Portfolio valuation: page 50

Portfolio activity: page 53

Tax

The Group's tax strategy is to account for tax on an accurate and timely basis. Our appetite for tax risk is low and we structure our affairs based on sound commercial principles, rather than engaging in aggressive tax planning. We maintain an open dialogue with HMRC with a view to identifying and solving issues promptly. During the year, HMRC confirmed our status as a 'low risk' taxpayer. Our detailed tax strategy is available on our website.

As a REIT, the Group's activities are largely exempt from corporation tax and, as a result, there is no tax charge in the year (2018: £Nil).

As with most businesses, we do collect and pay other taxes and levies e.g. payroll taxes, VAT, stamp duty land tax, business rates, and withholding tax on Property Income Distributions. During the year, the total amount paid in respect of these taxes amounted to £23.5 million (2018: £29.2 million). In addition, our share of taxes, including corporation tax, levied on, or collected by, Longmartin was £1.6 million (2018: £1.8 million).

Dividends

As a REIT, we are required to distribute a minimum of 90% of net rental income, calculated by reference to tax rather than accounting rules, as a PID. Notwithstanding this, our dividend policy is to maintain steady growth in dividends, reflecting the long-term trend in our income and EPRA earnings, adjusted to add back the non-cash accounting charge for equity-settled remuneration. To the extent that dividends for a year exceed the amount available to distribute as a PID, we pay the balance as ordinary dividends. Principal risks and uncertainties, including those which might affect income and earnings, are set out on pages 60 to 61.

The Board monitors the Group's ability to pay dividends out of available resources and distributable reserves. Our forecasts take into consideration future liquidity requirements, which include prospective dividend payments. At 30 September 2019, we had distributable reserves of £228.4 million. It is our policy, where possible, for subsidiary companies to distribute the majority of their distributable profits to Shaftesbury PLC annually. Currently, there are no restrictions on any subsidiaries' ability to distribute profits.

The Board has recommended a final dividend of 9.0p per share, an increase of 5.9% on last year's final dividend of 8.5p. If approved at the 2020 AGM, the total dividend for the year will be 17.7p per share, an increase of 5.4% on last year (16.8p).

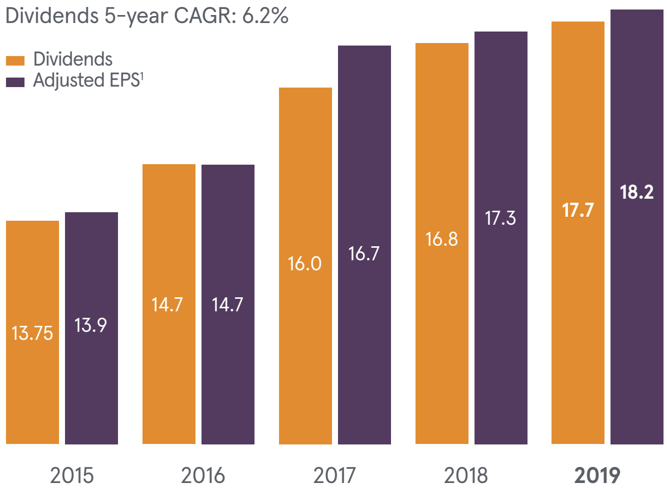
This increase reflects growth in EPRA earnings[1], as discussed above. Total dividends for the year are covered 1.01 times by EPRA earnings per share[1] and 1.03 times by adjusted earnings per share[1], after adding back the non-cash accounting share option charge of £1.2 million (2018: £0.6 million).

The total distribution for the year will be £54.4 million, 5.4% higher than last year (2018: £51.6 million) and is fully covered by adjusted EPRA earnings[1] of £54.6 million.

If approved at the 2020 AGM, the final dividend will be paid on 14 February 2020, with 5.25p as a PID and 3.75p as an ordinary dividend.

Dividends vs adjusted earnings[1] (pence per share)

Dividends 5-year CAGR: 6.2%



Balance Sheet

	2019 £m	2018 £m
Investment properties	**3,765.9**	3,714.8
Investment in joint venture	**127.6**	143.9
Net debt	**(905.8)**	(841.3)
Other net assets	**19.5**	15.6
Net assets	**3,007.2**	3,033.0
EPRA NAV per share[1]	**£9.82**	£9.91
Total accounting return[1]	**0.8%**	5.8%

Net assets

At 30 September 2019, net assets were £3,007.2 million. The decrease during the year of £25.8 million, from £3,033.0 million, followed dividends paid, amounting to £52.9 million, profit after tax for the year of £26.0 million and credits for share-based remuneration of £1.1 million.

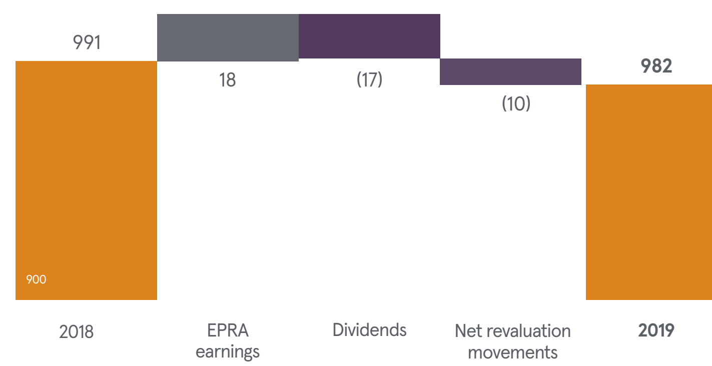
EPRA NAV[1]

EPRA NAV makes adjustments to reported NAV to provide a measure of the fair value of net assets on a long-term basis. Assets and liabilities which are not expected to crystallise in normal circumstances are excluded. In our case, the calculation excludes deferred tax related to property valuation surpluses and deficits in the Longmartin joint venture.

Total accounting return measures shareholder value creation, taking into account the growth in EPRA NAV together with dividends paid.

EPRA NAV per share decreased during the year by 9p (0.9%) to £9.82 (2018: £9.91), principally due to the revaluation deficits, both in the wholly-owned portfolio and Longmartin, less disposal profits. Together, these reduced EPRA NAV by 10p per share. EPRA earnings[1] of 17.8p per share were largely offset by dividends paid (17.2p per share).

EPRA NAV[1] (pence per share)

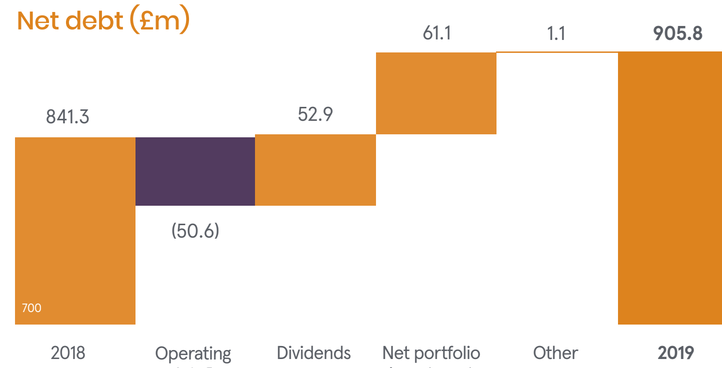


Cash flows and net debt

Net debt increased by £64.5 million to £905.8 million (2018: £841.3 million). The major cash flows were:

- Acquisitions and capital expenditure totalling £75.4 million.
- Net disposal proceeds of £14.3 million.
- Operating cash inflow totalling £50.6 million.
- Dividends paid amounting to £52.9 million.

Net debt (£m)



1 An alternative performance measure: page 124

Capital structure

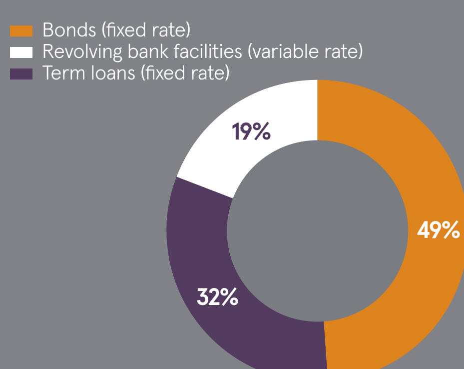
Under REIT rules, we are required to distribute the majority of our recurring earnings. Furthermore, the importance of our ownership clusters in long-term value creation means that opportunities to recycle capital are limited.

Investment in our portfolio is funded through a combination of equity and debt, with equity providing the permanent capital to support our long-term strategy. Debt provides capital for investment in our portfolio.

We seek to minimise financing risk and whilst we do not set out loan-to-value targets, over the long term, we would expect debt to represent around one third of our invested capital. Typically, when prospective financial ratios, including gearing, approach the upper limit of our tolerance, we look to secure additional equity funding to provide financial capacity for continued investment in our portfolio.

• **Conservative leverage**	We use debt to enhance, not drive, returns.
• **Spread of maturities and sources of finance**	Reduces refinancing risk.
• **Long-term arrangements form the core of our debt finance**	Consistent with the long-term nature of our portfolio and secure income streams.
• **Medium-term revolving facilities**	Provide flexibility and the ability to act swiftly when acquiring properties.
• **Majority of interest fixed**	Limits exposure to interest rate risk.

Sources of debt



At 30 September 2019, net debt was £905.8 million (2018: £841.3 million) and our loan-to-value ratio[5] increased to 23.9% (2018: 22.6%) as a result of investment in our portfolio during the year and the impact of the revaluation deficits.

Portfolio valuation: page 48; portfolio activity: pages 52 to 53

Available resources totalled £279.0 million (2018: £343.5 million), of which £82.4 million is earmarked for existing commitments. On a pro-forma basis, taking this expenditure into account, our loan-to-value ratio[5] would be 25.6%.

The blended cost of debt[5] was 3.2% (2018: 3.2%) and the marginal cost of drawing on our committed revolving credit facilities was 1.6% (2018: 1.6%).

The summary below is presented both with and without our proportional share of Longmartin's net debt.

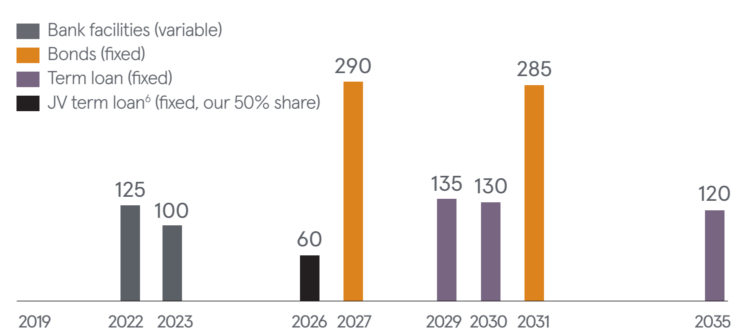
Presentation of financial information: page 54

Finance summary

	2019 £m	2018 £m
Net debt		
- reported under IFRS	**905.8**	841.3
- proportionally consolidated[1,5]	**965.2**	900.0
Resources		
Cash (IFRS)	**54.0**	118.5
Undrawn floating rate facilities (£m)	**225.0**	225.0
Available resources	**279.0**	343.5
Commitments[7]	**(82.4)**	(92.7)
Uncommitted resources	**196.6**	250.8

	Wholly-owned business 2019	Including Longmartin 2019	Wholly-owned business 2018	Including Longmartin 2018
Loan-to-value[4,5]	**23.9%**	**24.2%**	22.6%	22.8%
Gearing[3,4,5]	**31.9%**	**31.9%**	29.5%	29.5%
Interest cover[5]	**2.7x**	**2.7x**	2.6x	2.6x
% drawn debt fixed	**100%**	**100%**	100%	100%
Blended cost of debt[2,5]	**3.2%**	**3.2%**	3.2%	3.2%
Marginal cost of undrawn floating rate facilities	**1.6%**	**1.6%**	1.6%	1.6%
Weighted average maturity (years)	**9.3**	**9.2**	10.3	10.2

Debt maturity profile (£m)



1 Including our 50% share of Longmartin debt. See presentation of financial information on page 54.
2 Including non-utilisation fees on undrawn bank facilities.
3 Based on EPRA net assets.
4 Based on net debt.
5 Alternative performance measure: page 124.
6 Shaftesbury Group's 50% share; non-recourse to Shaftesbury.
7 Capital commitments (wholly-owned portfolio). 2018 included expected scheme commitments at 72 Broadwick Street.

Risk management

Context and risk appetite

We invest exclusively in London's West End, a location which has shown significantly greater long-term growth and economic stability through the property cycles than the wider real estate market. Our strategy has delivered long-term success for the Group. However, inevitably this geographic concentration is a high inherent risk and there are certain external factors which we cannot control.

In executing our strategy, we seek to minimise exposure to operational, reputational and financial risks, recognising that our appetite to risk varies across different elements of our strategy, as follows:

Important factors contributing to the relatively low risk of our business include:

- An experienced executive and senior leadership team, with an average tenure of 16 years, which has an in-depth knowledge of our business and the West End property market. We are based in one location, close to all our holdings;

Pages 63 to 65

- The nature of our portfolio does not expose us to risks inherent in material speculative development schemes;

Page 8

- Our diverse tenant base limits exposure to any single occupier;
- Our Balance Sheet is managed on a conservative basis with moderate leverage, long-term finance, a spread of loan maturities, good interest cover and with the majority of interest costs fixed;

Page 57

- A culture which encourages open dialogue within the management team and with the wide range of external advisors employed in running the business;

Page 36

- A simple group structure; and
- A governance framework which includes clearly defined responsibilities and limits of authority.

Page 70

The Board's attitude to risk is embedded in the business, with executive directors closely involved in all aspects of operations and significant decisions. Non-executive directors approve capital, debt and non-routine transactions above a relatively low specified level.

Senior management and executive directors share the same incentive targets and benefits, which are set to achieve the Group's purpose and long-term strategic objectives, and encourage decisions to be made on the basis of long-term benefit, rather than short-term gain.

Monitoring and managing risk

Roles and responsibilities in managing our risk and controls framework are summarised below.

Risk is considered as follows:

- Daily at an operational level by senior management;
- Weekly at executive director meetings;
- Monthly at the Executive Committee meetings; and
- Bi-annually (or as needed) by the Risk Committee.

The Board has overall responsibility for risk management and the systems of internal control. Such systems are designed to manage, rather than eliminate, the risks faced by the business and can provide only reasonable, not absolute, assurance against material misstatement or loss.

On a day-to-day basis, risks are dealt with as they arise and, where significant, are discussed more widely with the executive team. This ensures an awareness of the risks identified and solutions adopted. Issues that have arisen and how risks have changed are key inputs from executive management to the Risk Committee.

The day-to-day management of the Group's portfolio is outsourced to two managing agents. The Group monitors their performance and has established extensive financial and operational controls to ensure that each maintains an acceptable level of service and provides reliable financial and operational information. The managing agents share their internal control assessments with the Group.

Assurance: page 59

The Risk Committee, comprising executive directors and members of the senior leadership team, co-ordinates and develops the risk management and controls framework. It meets twice a year, or more frequently as needed, and reports to the Audit Committee and Board. Its key activities include:

- Reviewing and assessing the Group's risk register;
- Reviewing principal risks and uncertainties, including new/emerging risks;
- Providing support to the Board to define risk appetite;
- Assessing and reviewing the Group's control environment; and
- Assessing the effectiveness of the Group's controls.

Assessing risk and internal controls

Significant risks and mitigating controls are detailed in the risk register.

Risks are considered in terms of the likelihood of occurrence and their potential impact on the business. In assessing impact, a number of criteria are considered including the effect on our strategic objectives, operational or financial matters, our reputation, stakeholder relationships, health and safety, environmental matters and regulatory issues. Risks are assessed on both gross (assuming no controls are in place) and residual (after mitigation) bases.

To the extent that significant risks, failings or control weaknesses arise, appropriate action is taken to rectify the issue and implement controls to mitigate further occurrences. Such occurrences are reported to the Audit Committee.

The Group's processes and procedures to identify, assess, and manage its principal risks and uncertainties were in place throughout the year and remained in place up to the date of the approval of the Annual Report.

Top down

Oversight, assessment and mitigation at a Group level

Board

- Overall responsibility for risk management and internal control
- Determines the risk appetite
- Reviews principal and emerging risks

Risk committee

- Co-ordinate and develop the risk management process
- Consider strategic and emerging risks and internal controls

Audit committee

- Monitor the effectiveness of the risk management process and internal control framework

Executive management

- Day-to-day monitoring of risk
- Design and implementation of controls

Assurance

- Internal audit reviews
- Review of the effectiveness of controls
- Observations from the external auditor

Identification, assessment and mitigation at an operational level

Bottom up

Assurance

Effectiveness of controls

During the year, external assurance reviews have been carried out on the effectiveness of controls in the following areas:

- portfolio investment;
- refurbishment and reconfiguration scheme management; and
- tax procedures in relation to the prevention of the facilitation of tax evasion.

Executive management have also assessed the effectiveness of key controls not covered by these external reviews.

Advisory review of procedures

Procedures and controls over tax processes, GDPR and processes at one of our managing agents have been externally reviewed during the year.

Findings from these reviews were reported to the Audit Committee. Whilst they did not identify any significant issues or control failings, a small number of recommendations for improvements were made and these have been addressed or are being considered by management, with oversight by the Risk Committee.

Whilst the programme for reviewing processes and controls in the coming year is currently being finalised, a review of the purchases and payments cycle is currently underway. In addition, we anticipate an external review of the effectiveness of tax controls and an advisory review of the rent cycle processes.

Principal risks and uncertainties

The Board has carried out a robust assessment of the principal and emerging risks and uncertainties which might prevent the Group achieving its strategic objectives. These risks and uncertainties, their mitigation and the evolution of risk during the year are set out below. They are largely consistent with those reported in 2018.

Other risks discussed, but, through mitigation, currently are not considered to be principal risks or uncertainties included:

Market	• Failure to adapt to changing market conditions or competition. • Failure to anticipate changes in occupier profitability.
Reputation	• Misconduct or poor operational standards by third party agents. • Damage to reputation with local stakeholders and communities.
Governance, data and internal control	• Significant cyber security breach leading to disruption and/or loss of data. • Expulsion from REIT regime through non-compliance. • Health and safety matters. • Failure to meet our environmental, social and governance (ESG) responsibility objectives. • Failure to meet financial or tax compliance obligations.
People	• Attracting, retaining and developing talented people. • Succession planning.

New and emerging risks discussed by the Risk Committee and the Board included:

- Impact of climate change.
- Failure to anticipate or understand changes in consumer and occupier trends in food, beverage and retail.
- Failure to effectively use, store and manage data.
- Failure to meet stakeholder ESG expectations.

Additionally, other issues discussed included competing locations and the impact of CVA's on leasing negotiations.

Climate change is expected to have a growing impact on our weather over the medium term, which is likely to present local, national and global challenges for all businesses and society generally. We have in place a number of measures to minimise the environmental impact of our business. This risk will now be considered at each Risk Committee meeting.

To tackle some of these emerging issues, we:

- have increased staffing levels;
- are carrying out a commercial data pilot in Seven Dials;
- are assessing our IT strategy; and
- continue to consider future consumer trends and technological disruption.

This report should be read in conjunction with the viability statement on page 62.

Reduction of spending and/or footfall in our areas

Footfall and customer spending are important ingredients for the success of our restaurant, leisure and retail tenants.

Potential causes

- Fall in the popularity of the West End and particularly our areas leading to decreasing visitor numbers.
- Changes in consumer tastes, habits and spending power.
- Terrorism or the threat of terrorism.
- Competing destinations.

Consequences

- Reduced tenant profitability.
- Reduced occupier demand.
- Higher vacancy.
- Reduced rental income and declining earnings.
- Reduced ERV, capital values and NAV (amplified by gearing).

Mitigation

- Focus on areas and uses which have a long history of growth and resilience.
- Ensure our areas maintain a distinct identity.
- Seek out new concepts, brands and ideas to keep our areas vibrant and appealing.
- Active promotion of our areas.
- Tourism and retail/leisure spending in the West End are not solely reliant on the wider UK economy.
- Regular Board monitoring of performance and prospects.
- KPI to deliver sustained rental growth.

Strategic objectives	1 2 5
Link to business model	A,B,C
Evolution of risk	→
Residual risk within appetite	✓

Strategic objectives

1	2	3	4	5
Long-term growth in rents and portfolio value	Grow recurring earnings and cash flow	Attract, develop and retain talented people	Minimise environmental impact	Deliver sustainable, long-term benefits for our stakeholders

Pages 6 to 7

Link to business model

- A Invest exclusively in the West End
- B Holistic long-term village curation
- C Focus on food, beverage, retail and leisure
- D Focus on sustainability and stakeholders
- E Invest in staff welfare and development
- F Reuse and improve buildings
- G Prudent financial management

Pages 6 to 7

Evolution of risk

- ↗ Risk increased
- → Risk unchanged
- ↘ Risk decreased

Changes in regulatory environment

All our properties are in the boroughs of Westminster and Camden, so changes to local policies may limit our ability to maximise the long-term potential of our portfolio. Increasing national regulation, including corporate social responsibility targets and obligations raise costs and, in extremis, could limit the ability to maximise values and income.

Potential causes

- Unfavourable changes to national or local planning and licensing policies.
- Tenants acting outside of planning/licensing consents.
- Growing complexity and level of sustainability regulation.
- Increased stakeholder focus on ESG.

Consequences

- Ability to maximise the growth prospects of our assets limited.
- Reduced occupier demand.
- Increased costs.
- Reduced earnings.
- Decrease in property values and NAV (amplified by gearing).

Mitigation

- Ensure our properties are operated in compliance with local and national regulations.
- Make representations on proposed policy changes, to ensure our views and experience are considered.
- Use of specialist advisors on planning and licensing.
- Monitoring of tenant compliance with planning consents and licences.
- Sustainability targets included in remuneration, including for each refurbishment or reconfiguration scheme appraisal.
- Recruitment of a head of sustainability.

Portfolio activity report: page 52

Strategic objectives 1 2 4 5

Link to business model B,C,D,E

Evolution of risk ↗ Risk level increased to reflect impact of building performance and environmental regulation.

Residual risk within appetite ✓

Macroeconomic factors

Impact of economic and political uncertainty.

Potential causes

- Macroeconomic shocks or events.
- 2019 general election.
- Uncertainty on the timing and terms of Brexit.
- Upward cost pressures.

Consequences

- Lower consumer confidence.
- Reduced visitor numbers.
- Reduced tenant profitability.
- Reduced occupier demand.
- Pressure on rents.
- Higher vacancy.
- Reduced rental income and declining earnings.
- Reduced ERV, capital values and NAV (amplified by gearing).
- Depending upon the terms of Brexit, lower availability of labour, occupier supply chain disruption and higher import costs.

Mitigation

- Focus on locations and uses which historically have proved to be economically resilient.
- Tourism and retail/leisure spending in the West End are not reliant on the wider UK economy.
- Active promotion of our areas.
- Diverse tenant base with limited exposure to any one tenant.
- Tenant deposits held against unpaid rent obligations at 30 September 2019: £20.7 million.

General election 2019 and Brexit: page 5

Strategic objectives 1 2 5

Link to business model A,B,C,F

Evolution of risk ↗ The increased rating reflects continued uncertainty as our EU departure approaches.

Residual risk within appetite ✓

Decline in the UK real estate market

Changes to macroeconomic outlook.

Potential causes

- Changes to political landscape.
- Increasing bond yields and cost of finance.
- Reduced availability of capital and finance.
- Lower relative attractiveness of property compared with other asset classes.
- Changing overseas investor perception of UK real estate.

Consequences

- Reduced property values.
- Decrease in NAV (amplified by gearing).
- Risk of loan covenant breaches.
- Ability to raise new debt funding curtailed.

Mitigation

- Focus on assets, locations and uses where there is a structural imbalance between availability of space and demand, and which historically have demonstrated much lower valuation volatility than the wider UK property market.
- Regular review of investment market conditions including bi-annual external valuations.
- Conservative levels of leverage.
- Spread of sources of finance and loan maturities.
- Quarterly forecasts including covenant headroom review.
- Pool of uncharged assets available to top up security held by lenders.

Capital structure: page 57

Strategic objectives 1 2 5

Link to business model A,B,F

Evolution of risk ↗ Risk increase reflects growing macroeconomic uncertainty.

Residual risk within appetite ✓

Viability statement

The directors have assessed the Group's viability and confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to September 2024.

Period of assessment

The five-year assessment period reflects lease lengths or rent review patterns across a large part of our portfolio, and corresponds with the Group's current forecast period. Typical lease terms are set out on pages 19 to 23. Whilst the directors consider prospects over a longer period in the execution of our strategy, we consider this assessment horizon strikes the optimum balance between planning for the longer term and the progressively unreliable nature of forecasting in later years. The directors confirm that they have no reason to expect a material change in the Group's viability immediately following the end of the five-year assessment period.

Assessment process

Our forecasts are updated at least half-yearly and reflect the Group's established strategy of long-term investment in London's West End, existing commitments, available financial resources, and long-term financing arrangements. They consider profits, cash flows, and other key financial ratios over the period, as well as the headroom in the financial covenants contained in the Group's various loan agreements.

In its assessment, the Board considered a five-year review of the Group's viability, prepared by senior management. The base case scenario was the latest five-year forecast. The key forecast assumptions were:

- continued crystallisation of the portfolio reversionary potential over the period. ERVs are based on current, proven rental tones, and do not assume any further growth. Our long record of converting ERV into contracted income and cash flow, typically over a three-to-five year period, is set out on page 50.
- no further acquisitions or capital expenditure, other than that which had been committed or approved by the Board.
- no new debt facilities are raised and no debt refinancing takes place, other than refinancing bank facilities totalling £125 million and £100 million which mature in 2022 and 2023 respectively. These facilities represent 18% of our total committed debt arrangements.

The review considered the potential impact of the principal risks which could affect solvency or liquidity in 'severe but plausible' scenarios, and particularly those risks which could result in reduced income, profitability and capital values, including macroeconomic uncertainties and the potential impact of a no deal Brexit.

Sensitivity analyses were prepared which flexed the key inputs, both individually and in unison.

See pages 60 to 61 for principal risks and uncertainties.

Our investment strategy is focused on food, beverage, retail and leisure, uses which, in the West End, have a long record of resilience and growth. Our management strategy has delivered high occupancy and sustained income growth over the long term as set out on page 49. A fall in income would result in lower earnings. If sustained, this could lead to reduced dividends but would not threaten the Group's viability unless loan covenants were breached. See page 55 for information on our dividend policy.

A reduction in capital values might curtail the ability to raise new debt funding, but would not present a viability risk if loan-to-value covenants continued to be satisfied. See page 57 for more on our prudent approach to financial management. Loan-to-value and interest cover ratios are set out on page 57.

The sensitivity analyses modelled asset value declines of up to 50%, resulting from increasing equivalent yields, together with decreases in ERVs. In unison, we considered decreases in net property income of up to 50%, alongside an increase in interest rates of up to 5%. Whilst these scenarios would present significant challenges over the five-year period, our assessment is that they would not threaten the viability of the Group.

The Strategic Report on pages 1 to 62 was approved by the Board on 25 November 2019.

Brian Bickell
Chief Executive

Chris Ward
Finance Director

Our people

Senior leadership team

The Executive Committee comprises the executive directors and the senior leadership team.

Penny Thomas

Company Secretary

Joined: 2005

Penny leads on company secretarial activities within the Group, advising the Board on governance. Penny is a chartered secretary and is responsible for compliance, company secretarial and group-wide sustainability. She also acts as secretary to the Board and its Committees. Penny is a member of our Sustainability, Risk, Pension and Community Investment Committees.

Penny is a Trustee of the Soho Square Garden Committee.

Julia Wilkinson

Group Restaurant Strategy Executive

Joined: 1997

Julia is a chartered surveyor and leads the Group restaurant and leisure leasing strategy.

Andrew Price

Portfolio Executive

Joined: 2001

Andrew is a chartered surveyor and is responsible for the Group-wide acquisitions strategy and Chinatown asset management.

Andrew chairs the Community Investment Committee and is a member of our Pension and Risk Committees.

Charles Owen

Portfolio Executive

Joined: 2012

Charles is a chartered surveyor and is responsible for the asset management of the Covent Garden portfolio.

Charles is a member of the Community Investment and Risk Committees.

Sam Bain-Mollinson

Head of Retail

Joined: 2011

Sam is a chartered surveyor and is responsible for the Group retail strategy and leasing.

Karen Baines

Head of Group Marketing & Communications

Joined: 2016

Karen is responsible for the Group-wide strategic marketing and PR for consumer, trade and corporate communications.

Executive directors
Left to right
Tom Welton
Brian Bickell
Simon Quayle
Chris Ward

Non-executive directors
Left to right
Dermot Mathias
Jennelle Tilling
Sally Walden
Jonathan Nicholls
Jill Little
Richard Akers

Our board

Executive directors

Brian Bickell
Chief Executive
Appointed to the Board: July 1987

Relevant experience and contribution
Brian was appointed Chief Executive in 2011, having joined Shaftesbury in 1986 and was appointed Finance Director in 1987. As Chief Executive, Brian is responsible for implementing strategy and the day-to-day operations of the Group. Brian is a chartered accountant.

Brian has a long tenure with Shaftesbury and extensive experience within the property sector. Brian has a proven record of driving strategy, delivering success and setting an open and transparent culture.

Current external appointments
Director of Longmartin Properties Limited, Board member of Westminster Property Association, and Board member of Freehold. A trustee of Young Westminster Foundation.

Simon Quayle
Executive Director
Appointed to the Board: October 1997

Relevant experience and contribution
Simon joined Shaftesbury in 1987, and was appointed Property Director in 1997. Simon is a chartered surveyor and is responsible for the asset management and operational strategy in Carnaby, Soho and Fitzrovia.

Simon's long tenure with the Group and knowledge of the West End property market means that he has valuable knowledge and insight to promote and contribute to our villages and the Group's strategy.

Current external appointments
Member of the Strategy Board for ZSL, and a Member of Council for Sustainable Business.

Tom Welton
Executive Director
Appointed to the Board: October 1997

Relevant experience and contribution
Tom joined the Group in 1989 and was appointed Property Director in 1997. Tom is a chartered surveyor and is responsible for the asset management and operational strategy in Covent Garden and Chinatown.

Tom's commercial experience and knowledge of the Group, and the West End property market, contributes value to our villages and the Group's strategy.

Current external appointments
Director of Longmartin Properties Limited.

Chris Ward
Finance Director
Appointed to the Board: January 2012

Relevant experience and contribution
Chris joined the Group in 2012 as Finance Director, having previously spent nine years with Redevco as Finance Director of the UK and Nordic countries. Chris is a chartered accountant and is responsible for financial accounting, tax and IT matters.

Chris has financial and real estate experience, which contributes to Group strategy.

Non-executive directors

Jonathan Nicholls N
Chairman
Appointed to the Board: September 2016

Relevant experience and contribution
Jonathan was finance director of Hanson plc between 1998 and 2006, and of Old Mutual plc between 2006 and 2008.

Jonathan has been non-executive director and chairman of the audit committee of Great Portland Estates plc (2009 to 2016), SIG Plc (2009 to 2017) and DS Smith plc (2009 to 2019), where he was also Senior Independent Director between 2013 and 2019.

Jonathan has over 20 years' experience of public company boards and their operations. He also has over 21 years of experience in the property sector. and is a chartered accountant.

Current external appointments
Chairman of Ibstock plc.

Richard Akers A R N
Senior Independent Director
Appointed to the Board: November 2017

Relevant experience and contribution
Prior to joining the Board, Richard was a senior executive of Land Securities Group PLC from 1995 and joined the main board in 2005 as managing director of the Retail Portfolio.

Richard is a chartered surveyor and provides a broad range of real estate knowledge and experience at board level.

Richard was appointed Senior Independent Director and designated non-executive director for employee engagement in February 2019.

Current external appointments
Non-executive director, senior independent director and chairman of the remuneration committee and safety, health and environmental committee of Barratt Developments PLC. Non-executive director of The Unite Group plc, and member of the advisory board of Battersea Power Station Development Company Limited.

Jill Little
Non-executive director
Appointed to the Board: February 2010

Will retire from the Board in February 2020

Relevant experience and contribution
Jill worked with the John Lewis Partnership from 1975 to 2012. Jill has extensive experience in the retail sector, as well as strong communication and management skills.

Current external appointments
Chairman of the Commercial Group of the National Trust, non-executive director of Joules Group Plc, Nobia AB and Loungers PLC.

Sally Walden A R N
Non-executive director
Appointed to the Board: October 2012

Relevant experience and contribution
From 1984 to 2009, Sally held senior fund management roles in Fidelity International, and has broad experience within the financial markets and fund management. Sally has good experience in remuneration.

Current external appointments
Trustee of the Fidelity Foundation and director of the Pantry Partnership.

Dermot Mathias A R N
Non-executive director
Appointed to the Board: October 2012

Relevant experience and contribution
Dermot was a partner in the corporate finance department of BDO LLP from 1980, and from 2004 to 2010 was senior partner of BDO and chairman of the Policy Board of BDO International.

As a chartered accountant, Dermot provides recent and relevant financial experience to the board and the audit committee. In addition, Dermot brings extensive experience in leadership and management.

Current external appointments
Non-executive director and chairman of the audit committee of JTC PLC, governor of Activate Learning.

Jennelle Tilling A R N
Non-executive director
Appointed to the Board: January 2019

Relevant experience and contribution
Jennelle joined the Board in 2019, and has over 25 years' experience of consumer marketing, digital and innovation within food retail brands. Jennelle held a variety of senior marketing roles over 17 years at Yum! Restaurants, and is the Founder and Chief Brand Strategist at Marketing with Insight.

Jennelle has a wide range of experience in consumer marketing, digital and innovation which complements the skills on the Board.

Current external appointments
Non-executive director of Camelot and non-executive director of Butchies. Fellow of The Marketing Society, member and past president of Women in Advertising and Communications London and a mentor to The Marketing Academy.

Key to Committee Membership

A Audit Committee
R Remuneration Committee
N Nomination Committee
Committee Chair

01 Strategic report
02 Governance
03 Financial statements
04 Other information

Governance at a glance

UK Corporate Governance Code 2016[1]

Full compliance see page 68

Leadership

Sets out the Group's governance structure and the function and operation of the Board

The Chairman and non-executive directors

- Independent Chairman
- Meetings of non-executive directors held without executives after each Board meeting
- Senior Independent Director identified

Effectiveness

Explains the procedures in place and the steps taken to ensure the Board and its Committees function effectively

Re-election and commitment

- All directors stand for annual re-election
- Three non-executive directors have more than six years' service and are subject to rigorous review
- Engagement with largest shareholders on extension of tenure of Jill Little for a further year
- Time commitment considered when electing and re-electing directors

Accountability

Explains the role of the Board and Audit Committee in maintaining effective risk management and internal control procedures

Financial and business reporting

- Annual report which is fair, balanced and understandable – page 80
- Auditor's report – pages 98 to 101
- Business model description – pages 6 to 7
- Going concern – page 95

Remuneration

Describes the Group's approach to executive directors remuneration and how it is implemented

The level and components of remuneration

- Directors' Remuneration Report – pages 82 to 94

Relations with shareholders

An overview of the actions taken to engage with shareholders

Dialogue with shareholders

- Over 200 meetings with investors and potential investors in the year, including portfolio tours – page 74
- Chairman and Senior Independent Director available to shareholders
- Regular updates on shareholder meetings provided to Board

1 Available at www.frc.org.uk

The role of the Board

- Leadership of the Company
- Meets five times a year
- Schedule of matters reserved for the Board
- Directors & Officer's insurance and deeds of indemnity

Division of responsibilities

- Separation of roles of Chairman and Chief Executive
- Statement of division of responsibilities

Composition of the Board

- Independent Chairman
- Balance of four executive directors, five independent non-executive directors and Chairman
- All directors have recent and relevant experience – page 65

Development and evaluation

- Induction of new non-executive director – page 76
- Directors' training monitored and updates on regulatory and legislative changes provided
- Internal Board performance evaluation – page 73

Appointments to the Board

- Succession planning
- Nomination Committee report – pages 75 to 77
- Independent non-executive directors
- Non-executive director search – page 76

Information and support

- Company Secretary advises the Board through the Chairman
- Access to independent professional advice
- Good information flows between management and the Board

Risk management and internal control

- Robust assessment of principal risks – pages 60 to 61
- Effectiveness of risk management and internal control systems – pages 58 to 59
- Viability statement – page 62

Audit Committee and auditors

- Audit Committee report – pages 78 to 81
- Whistleblowing policy – page 78
- Review of need for internal audit function – page 81
- Recent and relevant financial experience

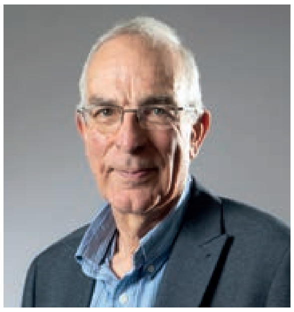
Procedure

- Remuneration policy approved by shareholders at 2019 AGM – page 85
- Directors' Remuneration Report – pages 82 to 94
- No director is involved in setting their own remuneration
- Committee Chairman engages with shareholders

Constructive use of general meetings

- Accessible AGM with voting on a poll, separate resolutions and proxy voting (for, against or withheld)
- Committee Chairs available at AGM to answer questions
- Notice sent out at least 20 working days before meeting

Corporate governance



Dear shareholder
Governance underpins the way in which our business is managed, encompassing culture, values and corporate behaviour, and is an important ingredient of our long-term success.

Compliance with the UK Corporate Governance Code

The Company has complied in full with the main and supporting principles of the UK Corporate Governance Code 2016 (the "Code") during the year. Their application is contained in the rest of the governance section. Where appropriate further information is given on the Code provisions and how they are applied. The UK Corporate Governance Code 2018 (the "2018 Code") applies to the Company from 1 October 2019, our preparatory work has continued this year, and we shall report against this in our 2020 Annual Report.

I am pleased to present the 2019 Corporate Governance Report. Our focus on culture and stakeholder engagement has been a key theme for the Board this year.

The executive directors and employees are tasked with running the business day-to-day. The Board's role is to oversee their activities, promoting the long-term success of the Company and generating value not just for shareholders, but a wide audience of stakeholders. Oversight extends beyond challenging and supporting executive directors to regular contact and dialogue with our other 30 employees.

My role as Chairman is to ensure the Board carries out its responsibilities effectively, that it works cohesively and it has a range of skills and experience to support the delivery of our corporate purpose and aims.

This is the last year we will report under the 2016 UK Corporate Governance Code. We have already implemented some of the aspects of the 2018 UK Corporate Governance Code, which is applicable from 1 October 2019, including:

- updated terms of reference for each of our Board committees;
- updated Board Diversity Policy;
- Directors' Remuneration Policy updated for directors' pension contribution parity with employees;
- two-year post-vesting holding period in the LTIP;
- designated non-executive director for employee engagement; and
- initiating an extensive project across the business, with input from external stakeholders, to articulate our corporate purpose, culture and values.

Board composition and changes

A number of changes to the Board took place during the year.

Hilary Riva retired from the Board at the conclusion of the 2019 AGM, having completed nine years' service.

Jill Little also reached nine years' service at the 2019 AGM. In order to maintain Board continuity, and having carried out a rigorous review of her independence and consulted major shareholders, she was re-appointed for a further year. She stood down from the Audit, Remuneration and Nomination Committees, and as Senior Independent Director, to focus on her Board role. Jill will now retire at the 2020 AGM. In her ten years as a non-executive director, she spent five years as our Senior Independent Director and four years as chair of the Remuneration Committee. Throughout, she has been a voice of challenge, wisdom, advice and support. On behalf of the Board I would like to thank Jill for her invaluable wisdom and counsel.

Richard Akers became our Senior Independent Director at the 2019 AGM, and also took on the additional role as designated non-executive for employee engagement.

Jennelle Tilling joined the Board in January 2019. We have already benefited from her extensive experience gained in her career in consumer marketing and food retail brands, complementing the Board's existing skills. The recruitment process we undertook is set out in the Nomination Committee report.

Nomination committee report: pages 75 to 77

Shareholder litigation

As announced on 11 June 2019, the Board has been served with legal proceedings issued by companies controlled by Sam Tak Lee, who is the beneficial owner of 26.32% of our share capital. The proceedings concern allegations and claims relating to the equity placing conducted by the Company in December 2017, challenging both the rationale for the equity placing and the way in which shares were allocated. The claimants are seeking damages for their alleged losses in the region of £10 million plus interest and costs.

The Board considers the claims have no merit and intends to defend the allegations robustly. We are advised that the case is likely to be heard in Court in 2021.

In connection with this dispute, Mr Lee voted against a number of resolutions at the 2019 AGM. He has chosen not to respond to, or declined numerous invitations to engage directly with the Board.

Significant votes against at our AGM: page 74

People and culture

An important part of planning for the future is to ensure that, as our business continues to grow and evolve, we recognise and articulate our values and culture which have underpinned our success for over 30 years. This process, which has involved all our employees, has demonstrated the open, collaborative culture embedded in our business, and their infectious enthusiasm and commitment, which are clearly evident to our wide range of stakeholders.

Our people and culture: pages 36 to 47

Engaging with our shareholders and stakeholders

We maintain a regular dialogue with shareholders throughout the year. The management team are available to meet shareholders following annual and half year results announcements, and encourage tours of our portfolio to explain the very granular nature of our asset management activity. Feedback from these shareholder events is provided to the Board.

We have a wide range of stakeholders, from our commercial and residential occupiers, to our advisors and our supply chain, the local community in which we invest and also work, our local authorities, neighbouring landowners and industry groups. Each of these groups plays an important role in supporting the delivery of our corporate purpose and delivering a positive, lasting contribution to London's West End.

All Board members will attend the AGM and Committee chairs are available to shareholders to answer questions.

Thank you for your continuing support.

Jonathan Nicholls
Chairman

25 November 2019

Key focus for 2020

- External review of Board performance
- Board succession planning
- Implementing the recommendations of the 2018 Code
- Continuing investment in our employees
- Encourage and grow initiatives in stakeholder engagement and environmental sustainability

Corporate governance
Leadership

Our balanced and experienced Board delivers and drives our strategy

Our governance structure is set out on page 71. The Board is responsible for corporate governance and has established this structure to enable effective leadership and oversight of the Company's activities. As recommended by the Code, the Board has a majority of independent non-executive directors who provide relevant advice and challenge to the executive directors.

The Board meets regularly and there is an annual cycle of topics it considers, including updates on key management, financial, and operational matters and approval of significant acquisitions and refurbishment schemes. Non-executive directors meet after each Board meeting without management present.

Committee Chairs provide a detailed update to the Board after each Committee meeting, and all Committee minutes are circulated to the Board.

Senior employees below Board level are invited to present to the Board on operational topics during the course of the year. This enables non-executive directors to have direct and open access to our senior leadership team.

The Executive Committee comprises executive directors and the senior leadership team. Its role is to oversee operational matters and contribute to the longer-term evolution of our strategy. It provides senior employees below Board level with greater engagement and experience in the management of the business. We continue to evolve the Executive Committee's role and responsibilities.

Board meeting attendance

Number of meetings held	5
Jonathan Nicholls	●●●●●
Brian Bickell	●●●●●
Simon Quayle	●●●●●
Tom Welton	●●●●●
Chris Ward	●●●●●
Richard Akers	●●●●●
Jill Little	●●●●●
Dermot Mathias	●●●●●
Sally Walden	●●●●●
Jennelle Tilling[1]	●●●●
Hilary Riva[2]	●●

1 Jennelle Tilling joined the Board on 1 January 2019 and could have attended a maximum of four meetings

2 Hilary Riva retired from the Board on 8 February 2019 and could have attended a maximum of two meetings

Leadership

Chairman
Jonathan Nicholls

Responsible for the leadership of the Board and its overall effectiveness and individual director performance.

Chief Executive
Brian Bickell

Responsible for the day-to-day running of the business. Recommends the Company strategy and commercial objectives to the Board. Overall responsibility for the executive team and implementing the Board's decisions.

Other executive directors
Simon Quayle, Tom Welton, Chris Ward

Each have specific areas of executive responsibility relating to the say-to-day running of the business.

Independent non-executive directors
Richard Akers, Sally Walden, Dermot Mathias, Jennelle Tilling, Jill Little

Hold management to account and constructively challenge the executive directors. Provide strategic guidance and offer specialist advice.

Senior Independent Director
Richard Akers

Provides a sounding board for the Chairman and support to the Chairman in the delivery of his responsibilities. Available to shareholders as an alternative channel of communication to the Chairman.

Designated non-executive director for employee engagement
Richard Akers

Ensures that the views and interests of the employees are considered in the Board discussions and decision-making.

Board
Ten directors (Chairman, four executive directors and five independent non-executive directors)

Provide leadership to promote the long-term sustainable success of the Company.

Accountable to shareholders, to ensure the Company generates value to shareholders and contributes to wider society.

Review the Company's purpose, values and strategy and alignment with the Company culture.

Review the performance of the Group.

Company Secretary
Penny Thomas

Advises the Board on governance, and ensures a good information flow between the Executive Committee and Board. Acts as Secretary to all Board Committees.

Audit Committee

Chairman: Dermot Mathias

Membership: four non-executive directors

Monitors the integrity of the financial statements and all financial reporting. Oversees the Group's risks and controls, and maintains the relationship with the external auditor.

Remuneration Committee

Chairman: Sally Walden

Membership: four non-executive directors

Determines the policy for executive director remuneration and quantum, including bonus and LTIP awards. Responsible for setting annual performance objectives.

Nomination Committee

Chairman: Jonathan Nicholls

Membership: four non-executive directors and the Chairman

Leads the process on board appointments, and ensures succession planning for the Board and senior executives. Leads the annual board performance evaluation.

Disclosure Committee

Chairman: Jonathan Nicholls

Membership: Chairman, Chief Executive, Finance Director and Company Secretary

Assists and informs the decisions of the Board concerning the identification of inside information, and considers related disclosure requirements.

Executive Committee

Chairman: Brian Bickell

Responsible for oversight of operational matters and contributes to the long-term evolution of strategy.

Sustainability Committee

Chairman: Brian Bickell

Sets the Sustainability Policy and strategy across the Group.

Risk Committee

Chairman: Chris Ward

Assesses the Group's principal risks, and ensures effective risk management and internal controls.

Community Investment Committee

Chairman: Andrew Price

Sets the strategy for community investment.

Pensions Committee

Chairman: Chris Ward

Oversight of the governance of the Shaftesbury pension scheme.

Key activities supporting the Shaftesbury strategy

The governance structure assists the Board with the delivery of our strategy and is central to our daily operations. Our structure ensures that the culture and values of good governance go beyond the boardroom and is embraced by all employees.

Our people and culture: pages 36 to 47

The table below highlights the areas of Board focus during the year and how it links to our strategic objectives.

Focus area	Activities	Link to strategic priorities
Strategy and operations *Pages 1 to 28*	Reviewed the retail and leisure occupier market and their customers, and trends in the food and beverage market Reviewed and discussed portfolio activity to ensure decisions are made focusing on the long term, including any environmental effects Reviewed marketing strategies across the villages	1 2 4
Purpose and values *Page 36*	Reviewed the Company purpose statement and values, following employee workshops	1 3
Employees and culture *Pages 36 to 47*	Received an update on employee views and engagement Approved a three-year strategic people plan Established a culture group across the Company with an executive director sponsor Designated non-executive director attended meetings with employees on culture	3
Finance *Pages 54 to 57*	Approved full year results, half year results, trading update and the annual report Reviewed the key risks to the Group and the controls in place for their mitigation Considered and monitored the Group's risk appetite and principal risks and uncertainties Approved the viability and going concern statements Reviewed and approved the tax strategy	2 5
Governance *Pages 66 to 74*	Reviewed and approved the Modern Slavery statement Reviewed the 2018 Code and ongoing preparatory work to ensure compliance Reviewed the results from the Board performance evaluation Approved updated Committees' terms of reference Approved a new Board Diversity Policy Reviewed the whistleblowing policy Feedback from shareholder engagement	3

In all its activities, the Board considers its statutory duties and the interests of its key stakeholders, including employees, shareholders and the local community.

Key

1. Long-term growth in rents and portfolio value
2. Grow recurring earnings and cash flow
3. Attract, develop and retain talented people
4. Minimise environmental impact
5. Deliver sustainable, long-term benefits for our stakeholders

Culture and values

The Board has an important role in defining our corporate culture which underpins the success of our business and is embedded throughout our business model.

The Board has an open and transparent culture which is facilitated and monitored by the Chairman. This is particularly evident in Board meetings where discussion is constructive and open.

Following Hilary Riva's retirement from the Board in February, Richard Akers took on the role of the designated non-executive director for employee engagement. The Board felt that out of the possible options recommended by the 2018 Code, the designated non-executive director was the best fit, due to our open culture. We have a small number of employees in an open plan office, which the non-executive directors visit throughout the year. This provides all non-executive directors with the opportunity to maintain close involvement and a regular dialogue with employees. This links through to our value of being human, with all our Board members being approachable, visible and open. The Board felt that expanding the role of the Senior Independent Director to cover employee engagement would work well.

To ensure that the Board are kept updated on employee development, Chris Ward was nominated the executive director sponsor for our "Leading Self" nine-month leadership programme.

Culture and values: page 36

Effectiveness

In accordance with the Code, all directors are subject to annual re-election, and at least half the Board, excluding the Chairman, are independent non-executive directors.

Independence of directors: page 73

The Board believes that it, and its Committees, have the appropriate combination of skills, experience and knowledge to enable them to carry out their duties effectively. The Nomination Committee keeps under review the tenure of all directors, Board diversity and the effectiveness of individual directors.

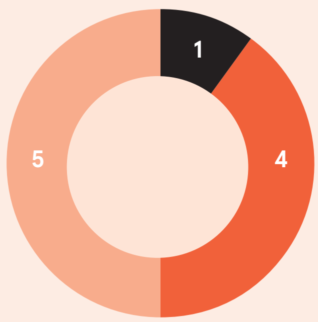
All our non-executive directors are considered to be independent by the Board. Jill Little had reached nine years' service as a non-executive director in February 2019, at which point the Code no longer deems her to be independent. Due to Jill's tenure, the Board reviewed her independence. Based on Jill's external appointments, and contribution to the Board, she was considered to continue to be independent and would remain on the Board for a further year, and retire at the conclusion of the 2020 AGM. However, in line with good governance, she stepped down as Senior Independent Director and from the Board's Committees in February 2019. As reported last year, we consulted with investors on extending Jill's tenure, and no concerns were raised. Jill was re-elected as a director at the 2019 AGM.

All Committees have terms of reference, which are available on our website. These have been updated during the year to ensure that they comply with the 2018 Code.

The Board recognise the importance of all directors being able to dedicate sufficient time to effectively discharge their duties and responsibilities. The commitment expected is considered by the Board on each director appointment. Directors undertake additional external appointments, which are periodically reviewed by the Nomination Committee and the Board. The Board is satisfied that each has sufficient time to carry out their responsibilities.

Independence of directors

Chairman
Executive directors
Independent non-executive directors

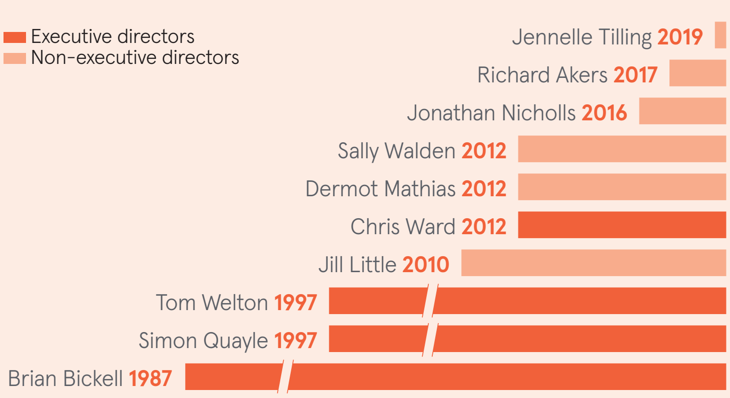


Directors' skills

	Property	Food, beverage, retail	Finance and reporting	Remuneration	Investor engagement	Marketing
Executive directors						
Brian Bickell	⊙	⊙	⊙		⊙	
Simon Quayle	⊙	⊙				
Tom Welton	⊙	⊙				
Chris Ward	⊙	⊙	⊙		⊙	
Non-executive directors						
Jonathan Nicholls	⊙		⊙		⊙	
Jill Little		⊙		⊙		⊙
Sally Walden				⊙	⊙	
Dermot Mathias			⊙			
Richard Akers	⊙	⊙		⊙		
Jennelle Tilling		⊙				⊙

Tenure of directors

Executive directors
Non-executive directors



Board performance evaluation

A full externally-facilitated evaluation last took place in 2017. As a result of that review, non-executive directors now meet without the executives present at every Board meeting. Additionally, we have streamlined the volume and format of the information sent to the Board.

An internal questionnaire-based evaluation, led by the Chairman and supported by the Company Secretary, has been undertaken for the last two years. Each director was invited to comment on the operations and performance of the Board, its Committees and their fellow directors. The results were collated by the Company Secretary and feedback was provided by the Chairman at the September meeting of the Board. The Chairman reviewed the performance of the non-executive directors, with input received from all directors. The Senior Independent Director undertook a review of the Chairman's performance, with contributions from the other directors, and provided feedback on his performance to the Board as a whole.

As part of the 2019 evaluation, the Board considered the objectives from 2018, set out below. Good progress has been made during the year and these objectives remain the Board's focus for the year ahead and in particular, stakeholder engagement feedback.

Area of Focus	Objective	Performance
Director succession	To clarify the succession plans in place for both the executive and non-executive directors.	Director succession planning has been a key focus for the Nomination Committee during the year. In addition, we have worked alongside an external consultant, who has provided guidance for succession planning below the Board. This has included enhancing employee development to better equip our pipeline of talent to grow in the business.
Stakeholder engagement	To further report on the stakeholder engagement and reporting to the Board.	Developing reporting to the Board on stakeholder engagement with the local community, our suppliers and occupiers.

The 2019 evaluation concluded that the Board and its Committees worked well together and that it operates with high levels of transparency and openness.

An externally facilitated board evaluation will be undertaken in 2020.

Significant votes against at our Annual General Meeting

At the 2019 AGM, the nine resolutions set out below received votes against in excess of 20%, which under the Investment Association guidance is a substantial vote against:

- Ordinary resolution – approval of the remuneration policy,
- Ordinary resolution – approval of the annual remuneration report,
- Ordinary resolutions – re-election of Jonathan Nicholls, Brian Bickell and Chris Ward,
- Ordinary resolution – authority to allot shares,
- Special resolutions – authority to allot shares on a non-pre-emptive basis,
- Special resolution – authority to call general meeting on less than 14 days' notice.

The combined holdings controlled by Sam Tak Lee totalling 25.02% at that time (PEL (UK) Limited, Orosi (UK) Limited and Orosi (UK) 2 Limited, subsequently transferred to another company controlled by him, Veloqx (Jersey) Limited), voted against these resolutions. As a result, the special resolutions to disapply the requirement to allot shares on a pre-emptive basis and to enable general meetings to be called on less than 14 days' notice were not passed. Mr Sam Tak Lee did not vote on any other resolution put to shareholders, all of which were passed with in excess of 99% of those voting in favour.

Under the 2018 Code, companies are expected to engage with shareholders who cast large votes against a resolution, to understand the reasons for their voting. The votes against these resolutions followed this shareholder's request to circulate a letter to our shareholders under the authority of Section 314 of the Companies Act 2006.

As referred to in our announcement to the London Stock Exchange on 31 July 2019, since the 2019 AGM, the Board has continued its attempts to engage with Mr Lee, without success.

Shareholder litigation: page 68

The Board considers that the authorities sought by the pre-emption resolutions continue to be in the best interests of the Company, and will be proposing them at the 2020 AGM for consideration by all shareholders.

Relations with shareholders

The Board considers regular contact with all of our shareholders to be an important aspect of corporate governance. All directors are keen to understand the views of our shareholders and potential investors. The Chief Executive takes responsibility for investor relations, alongside the Chairman and the Senior Independent Director.

During the year, the Chief Executive and executive directors held over 200 meetings with UK and overseas institutional investors, comprising both current and potential shareholders as well as equity market analysts. Meetings involved either group or individual presentations and tours of the portfolio. Tours provide an opportunity to see our villages, understand management strategy, and to meet the senior leadership team. Feedback from these meetings is provided to the Board.

All directors were present at the 2019 AGM, which provided shareholders with an opportunity to meet the Board. At our 2020 AGM we will be introducing online voting for all resolutions.

Live video webcasts with replay facilities are available for the annual and half year results presentations to analysts.

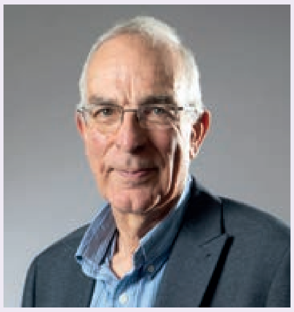
During the year, we have undertaken a number of engagement activities with major shareholders and corporate governance agencies, including:

- consultation on extension of tenure of Jill Little, and
- offered general engagement meetings with the Chairman.

In addition to regular portfolio tours, a timeline of the different investor relations activities undertaken during the year is set out below.

November 2018	Real estate conference Results for the year ended 30 September 2018 Analyst presentation
December 2018	Year end results investor meetings European Public Real Estate conference
February 2019	Annual General Meeting Trading update statement
March 2019	Property sector conference UK Shareholder Association tour
April 2019	Investor roadshow
May 2019	Interim results Analyst presentation Property seminar
June 2019	Interim results investor roadshows Investor conference
July 2019	Investor Roadshow
September 2019	Seven Dials analyst presentation UK Shareholder Association meeting Trading update statement

Nomination committee report



Having the right individuals on our Board, and ensuring there are suitable plans for succession, are key to delivering on our long-term strategic objectives.

Committee members and meeting attendance

	Number of meetings attended (2 held)
Jonathan Nicholls (Chairman)	●●
Richard Akers	●●
Dermot Mathias	●●
Sally Walden	●●
Jill Little[1]	●
Jennelle Tilling[2]	●
Hilary Riva[3]	●

1 Jill Little retired from the Committee on 8 February 2019 and could have attended a maximum of one meeting.
2 Jennelle Tilling joined the Committee on 1 January 2019 and could have attended a maximum of one meeting.
3 Hilary Riva retired from the Board on 8 February 2019 and could have attended a maximum of one meeting.

Key responsibilities

- Ensure that there are sufficient plans in place for the orderly and effective succession of the Board and senior leadership team.
- Monitor the size, structure, composition and diversity of the Board and its Committees.
- Keep under consideration directors' skills, experience, and independence.
- Lead the process for Board appointments.
- Review the time commitment expected from directors, and ensure the Board undertakes an effectiveness review of the Board, its Committees and the individual directors.

I am pleased to present our report for 2019. I chair the Committee, and all other members are independent non-executive directors.

We welcomed Jennelle Tilling to the Board in January 2019 as an independent non-executive director. Jill Little will retire from the Board at the conclusion of our AGM in January 2020, having been on the Board for nine years. Throughout the year the Committee focused on succession planning, both for the Board as well as across the Company. We updated our Diversity Policy which was recommended to the Board for approval.

Non-executive director induction: page 76

Committee activities and focus during 2019

- Recommended the extension of Jill Little's tenure until the 2020 AGM.
- Recommended to the Board the appointment of Jennelle Tilling.
- Recommended to the Board the change of role of Richard Akers to Senior Independent Director.
- Non-executive director succession planning.
- Updated Diversity Policy for approval by the Board.
- Oversight of development plans for employees.
- Updated terms of reference.
- Approved the Nomination Report for inclusion in the 2019 Annual Report.

Key focus for 2020

- Succession of non-executive directors
- Employee development
- Continuing work on culture and embedding into the Company
- External board performance evaluation
- Diversity

Succession planning and talent management

The Committee focuses on orderly succession planning for our Board and talent development to ensure that there is a pipeline of able and experienced people in the business for potential future leadership roles. In the 2019 Board performance evaluation, there was a general consensus that this should continue to be a focus for the Committee and the Board.

The Committee ensures that the evolution of the Board's membership is planned and properly managed, and that, in the event of unforeseen changes, management and oversight of the business and long-term strategy would not be disrupted.

In considering executive director succession, we address continuity in, and development of, the management team below Board level. Current executive directors have a long tenure. Whilst there are no vacancies at Board level, we recognise that it is important to develop our talent below the Board. Our development planning encourages employees to fulfil their potential and grow in their roles.

Further information on our employee development programmes can be found on page 46.

Developing talent for the future: page 46

Our people and culture: pages 36 to 47

Non-executive director succession

As announced in the 2018 Annual Report, on the recommendation of the Committee, Jill Little will retire from the Board at the 2020 AGM.

Jennelle Tilling was appointed to the Board in January 2019. The external search agency, Russell Reynolds, was engaged for the search for a new non-executive director. They are a signatory to the Voluntary Code of Conduct, and have no other connection with the Company or with individual directors.

When we started the process of searching for a new non-executive director, there was a first round interview with Jill Little, the Senior Independent Director at that time, and me, to ensure that candidates would have the relevant skills and experience to bring to the Board. Following this, a shortlist was circulated to the Committee and the candidates met with the Chief Executive. A final recommendation was made to the Board, and Jennelle's appointment was proposed and approved at the 2019 AGM by shareholders.

Whilst we considered Jill to be independent, following the recommendation last year to extend Jill's term of appointment for an additional year, the Committee decided that Jill should step down from all Committees and as Senior Independent Director. The Committee recommended to the Board that Richard Akers be appointed as Senior Independent Director in her place. We decided that the role of the Senior Independent Director would include the position of designated non-executive for employee engagement, to reflect the importance of this area. The Committee felt that due to Richard's external experience, he would be well suited to this position.

Dermot Mathias and Sally Walden have been on the Board more than six years, so the Committee has undertaken a review of their contribution to the Board. The Committee concluded that both Dermot and Sally continue to bring to the Board the appropriate range of skills and expertise to operate effectively and maintain their independence. The Committee recommended to the Board the re-election of all directors, other than Jill Little at the 2020 AGM.

Non-executive director induction

I joined Shaftesbury in January 2019 and received a tailored induction programme from the Chairman and Company Secretary. This induction included meetings with the Chairman, Chief Executive, Finance Director, and the Chairs of all Board Committees. These meetings provided an opportunity to discuss Board strategy, priorities and future plans. I was also taken on tours of the Shaftesbury portfolio with the Property Directors to understand the individual strategies for each village in addition to meeting a wide range of advisers.

Given the size and structure of Shaftesbury, I have met with the employees and gained an understanding of the people and culture that make up this unique business.

I have over 25 years' experience within consumer marketing, digital and innovation, having worked with leading global FMCG and food retail brands across the UK and internationally. I am the Founder and Chief Brand Strategist at Marketing with Insight, a brand consultancy specialising in retail, food and beverage strategy. I feel that my extensive knowledge and experience of marketing will complement the strength and skills currently on the Board.

Jennelle Tilling

Diversity

The Board recognises the importance of diversity, both in its membership, and the Company's employees. It has a clear policy to promote diversity across the business, which is available on our website. The Board feels that a group that is diverse in its nature, in respect of gender, race, religious beliefs, social background and personal and professional experiences is able to provide more scrutiny and challenge, as well as differing perspectives.

The Board considers that quotas are not appropriate in determining its composition and has, therefore, chosen not to set formal targets but keeps diversity under consideration in all aspects of Board composition. The Group is a signatory to the 30% Club which is a campaign to achieve a minimum of 30% women on FTSE 350 boards. It also seeks to develop a diverse talent pool. Our Board has achieved the 30% target of women on the board. 67% of our senior leadership team are female.

Diversity includes but is not limited to gender, and is considered at every level of recruitment. All appointments are made on merit and based on objective criteria.

For the third year running, we were top of the FTSE 250 in the Hampton-Alexander review for the highest female representation on the executive committee and direct reports. The Hampton-Alexander review, which is an independent, business-led initiative supported by the Government, aims to increase the number of women in leadership positions in FTSE 350 companies.

We support initiatives to promote diversity within the real estate sector. Our Chief Executive is a board member of Freehold, a forum for LGBT real estate professionals.

We follow the RICS Inclusive Employer Quality Mark scheme which aims to drive behaviour changes by encouraging businesses in the real estate sector to look carefully at their employment practices and to ensure inclusivity is embedded in their operations. During the year, we have appointed three permanent employees and four interim employees and these principles have been applied in the recruitment process.

We are a member of Real Estate Balance whose objective is to achieve a better gender balance at board and executive management level, in the real estate industry, by supporting the development of a female talent pipeline across the sector.

I would like to thank my fellow Committee members and senior management for their dedication and support throughout the year.

Jonathan Nicholls
Chairman of the Nomination Committee
25 November 2019

Audit committee report

Maintaining oversight of our risks and ensuring the integrity of our business and our financial statements is essential for the Company.

Committee members and meeting attendance

	Number of meetings attended (3 held)
Dermot Mathias (Chairman)	●●●
Richard Akers	●●●
Sally Walden	●●●
Jill Little[1]	●
Jennelle Tilling[2]	●●
Hilary Riva[3]	●

1 Jill Little retired from the Committee on 8 February 2019 and could have attended a maximum of one meeting.

2 Jennelle Tilling joined the Committee on 1 January 2019 and could have attended a maximum of two meetings.

3 Hilary Riva retired from the Board on 8 February 2019 and could have atttended a maximum of one meeting.

Key responsibilities

- Review the work of the external auditor and valuers and any significant financial judgements made by management.
- Monitor the reporting process and financial management.
- Review the integrity of the full and half year financial statements, including consideration of material estimates and areas of judgement exercised in their preparation.
- Advise the Board on various statements made in the Annual Report, including those on viability, going concern, risk and controls and whether, when read as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess performance, business model and strategy.
- Responsible for the relationship with the external auditor and consider the re-appointment of the external auditor, their reports to the Committee, performance, objectivity and independence, and non-audit services.
- Review the risk management framework and ensure that risks are carefully identified and assessed, and that systems of risk management and internal control are in place and effective.
- Consider the need for an internal audit function.
- Review the whistleblowing arrangements.

I am pleased to present to you the Audit Committee Report for 2019.

Our Committee is composed solely of independent non-executive directors, with a good diversity of experience, including property, retail and finance. For the purpose of the Code, I satisfy the requirement of having appropriate recent and relevant financial experience. I am a chartered accountant with many years of senior financial experience.

At my request, all meetings, or parts of meetings, are attended by the external auditor, the Chairman and members of the senior management team.

The Committee meets with the external auditor and the valuers, without management present, to discuss any matters they may wish to raise. The Committee is satisfied that both the external auditor and valuers remain independent and objective in their work.

The Committee receives comprehensive reports for consideration, on a timely basis, in advance of meetings. This facilitates a good quality of discussion and level of challenge by the Committee.

Throughout the year, I meet with executive directors, as appropriate, to obtain a good understanding of key issues affecting the Group which helps me in my oversight of the agenda and discussions at Committee meetings.

Risk, control and assurance

The Risk Committee evaluates the risk and control arrangements affecting the Group, reporting to the Audit Committee.

Whilst we do not have a formal internal audit function, throughout the year we have considered external reviews to provide assurance on certain of the existing risk and control arrangements. Reviews this year, and anticipated work for the coming year, are set out in the following report.

Whistleblowing

Under the 2018 Code, the responsibility for whistleblowing now resides with the Board, and widens the remit from financial to all aspects of the business. The Committee will review the whistleblowing policy on an annual basis, and report to the Board on its conclusions and highlight any concerns, including any whistleblowing incidents. There have been no incidents reported during the course of the year.

I would like to thank the other members of the Committee, management and our external auditors for their support during the year.

Dermot Mathias
Chairman of the Audit Committee

25 November 2019

Financial Reporting

The Committee reviewed the content and tone of the annual and half year financial results. The Finance Director provided a commentary on the draft results, financial position, key estimates and judgements.

The executive directors confirmed to the Committee that they were not aware of any material misstatements in the half year and annual results and the external auditors confirmed that they found no material misstatements in the course of their work.

After reviewing the reports from management and, following discussions with the external auditor and valuers, the Committee was satisfied that:

- the financial statements appropriately addressed the critical judgements and key estimates, both in respect of the amounts reported and the disclosures;
- the processes used for determining the value of the assets and liabilities had been appropriately reviewed, challenged and were sufficiently robust; and
- the Group has adopted appropriate accounting policies.

2019 Annual Report

Valuation of investment properties

The valuations provided by external valuers are significant components of the annual and half year results. External valuations are subjective and require significant estimates to be made including, but not limited to, market yields and ERVs. At 30 September 2019, the valuation of investment properties was £3.78 billion. Additionally, our share of the valuation of investment properties held in the joint venture was £209.0 million. Further information on the approach taken by the valuers in valuing investment properties and a sensitivity analysis on equivalent yields and ERV are set out in note 11 to the financial statements.

In reviewing the valuations, the Committee considered:

- an analysis and commentary by management;
- presentations from Cushman & Wakefield, valuer of the wholly-owned portfolio, and Knight Frank, who value the Longmartin joint venture's investment properties, which included comparable evidence for the key assumptions adopted; and
- an assessment by the external auditor, who used its in-house real estate valuers as part of its audit.

The Committee was satisfied with the assumptions and estimates used in the valuation.

Other estimates

Whilst not material in the context of the Group's assets or net assets, the Committee reviewed estimates made by management in preparing the financial results, including the charge for share-based remuneration, and was satisfied with the assumptions adopted.

The Committee also considered revenue recognition and the use of judgements and estimates in preparing financial information and were satisfied that there were no material transactions which involved a high degree of judgement or estimation.

In addition, the Committee reviewed the shareholder litigation referred to on page 68 and was satisfied that this had been accounted for and disclosed appropriately, in accordance with IFRS.

The above description of significant estimates should be read in conjunction with the Independent Auditor's Report and the significant accounting policies disclosed in the notes to the financial statements, particularly note 3 which describes significant estimates and assumptions.

Independent auditor's report: pages 98 to 101

Committee activities and focus during 2019

Financial Reporting

- Annual Report and Half Year Results
- Viability statement and going concern
- Ensured that the Annual Report was fair, balanced and understandable

Audit

- Independence, objectivity and effectiveness of the external auditor
- Audit fees and non-audit fees
- Audit plan and strategy

Controls and Assurance

- Reviewed risk management, controls, and principal risks and uncertainties
- Assurance over effectiveness of internal controls
- Updated whistleblowing policy
- Considered need for internal audit

Governance

- Updated terms of reference
- Approved the Audit Committee Report for inclusion in the Annual Report

Key focus for 2020

- Review of the effectiveness of our tax controls
- Review the effectiveness of our managing agents procedures
- Review our rent and purchases cycles

Fair, balanced and understandable

On behalf of the Board, the Committee discussed a report from the Finance Director covering the systems and controls around the preparation of the financial statements and whether the Annual Report:

- was open and honest, reporting challenges alongside successes and opportunities;
- provided clear explanations of KPIs and their link to the strategy;
- explained our business model, strategy and accounting policies simply, using clear language;
- included clear signposts to additional information; and
- was in accordance with the information provided to the Board during the year.

The Committee considered whether the Annual Report:

- was a fair, balanced and understandable assessment of the Company's position and prospects;
- provided the necessary information for shareholders to assess the Group's performance, business model and strategy; and
- had been written in straightforward language, without unnecessary repetition, and that the use of Alternative Performance Measures had been adequately explained and reconciled to the financial statements and not given more prominence than a corresponding measure under IFRS.

The Committee reported to the Board that, in its view, the Annual Report was fair, balanced and understandable.

Directors' responsibilities statement: page 97

Viability statement

At the request of the Board, the Committee reviewed the viability statement and the period for which the Board should assess the prospects of the Group. We continue to adopt a five-year assessment period. The Committee discussed the viability assessment, prepared by management, which included, inter alia:

- stress testing in severe but plausible scenarios, particularly in respect of loan covenant compliance; and
- an assessment of investment commitments alongside liquidity and financing capacity.

The Committee was satisfied that the five-year assessment period remained appropriate and recommended the viability statement to the Board.

Viability statement: page 62

Going concern

The Committee reviewed whether it was appropriate to adopt the going concern basis in the preparation of the results. In considering this, it reviewed the Group's five-year forecasts, availability of liquidity and expected headroom under the financial covenants in debt arrangements. Following the review, it recommended to the Board that it was appropriate to adopt the going concern basis.

Going concern: page 95

External valuers

The Committee monitored the objectivity and independence of Cushman & Wakefield and Knight Frank and met without management present. The valuers have confirmed that they are appropriately qualified to carry out the valuations and that fees they receive are not a material part of their overall fee income. Further details in respect of the valuers, including fees for valuation and non-valuation services, are given in note 11 to the financial statements. The Committee remains satisfied that the valuers are objective and independent.

External auditors

The Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

This is the first year that Daniel Saunders has been the lead audit partner from Ernst & Young LLP ("EY"), following the retirement of the previous lead audit partner at the conclusion of the 2018 audit.

EY was appointed as external auditor after the appointment went out to tender in 2014. EY is subject to ongoing monitoring of their effectiveness.

Annually, the Committee assesses the qualifications, expertise, resources, and independence of the Group's external auditors, as well as the effectiveness of the audit process. It does this through discussion with the Finance Director, review of a detailed assessment questionnaire and confirmations from the external auditor. The Chairman of the Committee and the Finance Director met with an independent review partner from EY.

EY has confirmed to the Committee that:

- it has internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditor and to ensure the objectivity of its audit report;
- the total fees paid by the Group during the year do not represent a material part of its firm's fee income; and
- it considers that it has maintained audit independence throughout the year.

The Committee's relationship with the external auditor is one of openness and professionalism. From its discussions during the year, it considers that the auditor provides appropriate professional challenge and reports its findings in a frank and honest manner.

The Committee remains satisfied with the effectiveness of the external audit and the interaction between the auditors and the Committee. Also, it is satisfied as to the auditor's qualifications, expertise and resources and remains confident that its objectivity and independence are not in any way impaired by the provision of non-audit services. This will continue to be reviewed by the Committee on an annual basis.

Audit fees

Fees payable to the auditor for audit and non-audit services are set out in note 7 to the Financial Statements on page 108.

Total fees related to non-audit services represented 16% of the total fees for audit services (2018: 18%).

The auditor was also paid £33,400 (2018: £31,400) for its audit of Longmartin Properties Limited. The Company's 50% share of this was £16,700 (2018: £15,700).

The Committee's policy is that non-audit assignments are not awarded to the external audit firm if there is a risk that audit independence and objectivity could be compromised. Our non-audit work policy was updated this year to ensure that, other than in exceptional circumstances, non-audit fees should not exceed 70% of audit and assurance fees over a rolling three-year period. The award of any non-audit assignment to the auditors in excess of £25,000 is subject to the prior approval of the Committee. Our executive directors have authority to approve non-audit assignments to the auditors under £25,000, however, if this reaches a cumulative amount of £100,000 in a year (including the half year review), the authority for the executive directors falls to £5,000. This was reviewed by the Committee and approved by the Board.

Risk management and internal control

Risks and internal controls are monitored by management on a day-to-day basis. The Risk Committee, chaired by our Finance Director, formally assesses strategic and emerging risks and the effectiveness of key controls, reporting to the Committee.

This year, to supplement the work by management, controls over certain of our processes were reviewed externally. The outcomes of these reviews were reported to the Committee (see internal audit).

The external auditors review procedures and controls as part of their work and comment, where appropriate, to the Committee.

The Committee remains satisfied that there is a robust review of risks and that the controls over the significant risks operate effectively.

Risk management and internal control: pages 58 to 59
Principal risks and uncertainties: pages 60 to 61

Internal audit

The Committee reviews the need for an internal audit function annually. The Committee has advised the Board that it considers that there is no need to establish an internal audit function. This assessment is based on the focused nature of the Group's business, the close involvement of the executive directors in day-to-day decision making, and the relatively simple Group structure.

As referred to above, to provide further assurance the Group engaged external advisors to carry out targeted reviews. These reviews supplemented the existing risk management and internal control arrangements undertaken by management and the Risk Committee. In 2019, the effectiveness of the controls of the following areas were completed:

- portfolio investments;
- refurbishment and reconfiguration scheme management; and
- tax procedures in relation to the prevention of the facilitation of tax evasion.

Process reviews were also undertaken externally over the Senior Accounting Officer tax regime, the General Data Protection Regulation, and the processes of one of our managing agents. The results of these reviews were reported to the Committee for their consideration and input. An external review of the purchasing cycle is currently being carried out and the findings will be reported to the Committee in due course.

The findings from external reviews are made available to EY.

Directors' remuneration report

Our remuneration supports the strategy and long-term success of the business, balancing reward and performance.

Committee members and meeting attendance

	Number of meetings attended (4 held)
Sally Walden (Chairman)	●●●●
Richard Akers	●●●●
Dermot Mathias	●●●●
Jill Little[1]	●●
Jennelle Tilling[2]	●●
Hilary Riva[3]	●●

1 Jill Little resigned from the Committee on 8 February 2019 and could have attended a maximum of two meetings.
2 Jennelle Tilling joined the Committee on 1 January 2019 and could have attended a maximum of two meetings.
3 Hilary Riva retired from the Board on 8 February 2019 and could have attended a maximum of two meetings.

Key responsibilities

- Determine the terms of employment and remuneration for executive directors and senior management.
- Ensure that the executive directors are remunerated fairly and responsibly with the long-term interests of the Company in mind.
- Consider the appropriateness of the directors' remuneration framework against arrangements for other employees.
- Review and approve the performance targets and outcomes for the annual bonus schemes and LTIP.
- Review the remuneration policy every three years.
- Ensure that the remuneration report and disclosure of director remuneration is simple to read and understandable, accurate and complete.

Committee activities and focus during 2019

- Reviewed the 2018 annual bonus outcomes.
- Ratified the 2018 LTIP vesting and approved LTIP grants.
- Put the Remuneration Policy for approval at the AGM.
- Reviewed the 2019 salaries of the executive directors.
- Set 2019 annual bonus and LTIP targets.
- Reviewed the effectiveness of the Committee's advisers and monitored their fees.
- Approved the Committee report for inclusion in the Annual Report.
- Updated terms of reference.

I am pleased to present our 2019 Directors' Remuneration Report.

Our remuneration policy was approved by shareholders at the 2019 AGM and applied from the conclusion of the meeting. The summary on page 85 sets out our approach to the remuneration and reward of executive and non-executive directors. Our aim is to provide a remuneration structure which is fair, with incentives aligned to our strategy and long-term objectives, and which encourages executive continuity and behaviours in line with our culture and values.

The annual remuneration report, summarises the remuneration outcomes in respect of the reporting year and the proposed executive director remuneration for the year ahead. This report will be subject to an advisory shareholder vote at the 2020 AGM.

Annual remuneration report: pages 86 to 94

Pay and performance in 2019

At the beginning of each year, we set financial and operational targets for the annual bonus scheme which align with our long-term strategy. Where projects extend for periods beyond the financial year, annual targets are set to assess progress towards achieving the ultimate objectives. In setting targets, we use the Group's KPIs which drive value through the delivery of long-term rental growth.

In a challenging economic environment, our performance against our annual objectives has been good. However, with lower growth in the valuation of our portfolio together with weaker equity market sentiment, this year we have not met our three-year LTIP objectives. The outcomes for the variable pay elements of executive director remuneration were:

Annual bonus: Performance against our targets was 57.5% of the maximum potential award and is disclosed in more detail on page 89. Each executive director has elected to receive his award solely in the form of deferred shares, and will, therefore, receive an award under the Deferred Annual Share Bonus Scheme of 86.25% of salary in December 2019, which will vest in December 2022.

LTIP: Vesting of awards made in 2016 are measured on a three-year performance period which ended on 30 September 2019. Annualised TSR of -2.3% and growth in NAV of 3.4% were both below the relevant benchmark, resulting in zero vesting.

Post-employment shareholding requirements

As noted in last year's report, during the year the Committee reviewed the operation of our shareholding guidelines in the context of changes to the 2018 Code, which will apply to us from 1 October 2019, and emerging investor expectations in respect to post-employment requirements.

Under our current remuneration policy, executive directors are expected to build up a shareholding of 200% of salary, to be accumulated over five years from appointment, by retaining any shares received under the LTIP and Deferred Annual Share Bonus Scheme until the minimum shareholding level is attained.

With effect from 1 October 2019, executive directors will be expected to retain this minimum level of shareholding (or, if lower, their actual shareholding) for a period of two years from the date of cessation of their employment. The requirement shall apply to shares received from the vesting of company share awards after the effective date of this new policy. Appropriate mechanisms will be put in place to support compliance.

Pension alignment

The Committee supports the 2018 Code principle that executive pensions should be aligned with the wider workforce and, as a result, our new Remuneration Policy, approved earlier this year, reduced the maximum pension contribution (or a cash allowance in lieu) for any new executive director appointment to 17.5% of salary, the rate which matches that received by all employees below Board level.

We believe our policy to reduce the pension provision for newly appointed directors is an effective and proportionate route to achieving alignment in pension provision over time. We will keep this approach under review as expectations and practice continue to evolve.

The year ahead

Salaries of executive directors were reviewed in the context of an average increase for all other employees of 8.1%. The Committee determined increases of circa 3% for the Chief Executive and Property Directors. The Finance Director was awarded an increase of 6.9% recognising his increased seniority and responsibilities associated with the role. All increases are effective from 1 December 2019.

We have set the 2020 annual bonus targets and, in view of the increasing importance of sustainability to our stakeholders, have increased this element from 10% to 20%. The element attributed to property projects has been reduced from 40% to 25% and there is a new element for internal corporate projects representing 5%.

An LTIP award will be made in December 2019 at 125% of salary. Subject to performance against the targets over a three year performance period, awards will vest in December 2022, and be released in December 2024 following a two-year post-vesting holding period.

Last year, we introduced Total Accounting Return (TAR) into our LTIP to sit alongside Net Asset Value growth and Total Shareholder Return, each constituting one third of the award. We will retain this approach for this year's award.

The TAR component is based on performance relative to a peer group of FTSE 350 REITs and, following a review, we will be making a minor amendment to the calibration of the measure. For last year's award, vesting will be based on the ranked position of Shaftesbury's TAR against the peer group. For this year's award, and in future, vesting will be based on Shaftesbury's TAR relative to a market-capitalisation weighted index of the FTSE 350 REITs. The Committee believes that measuring performance in this way provides a fairer, more relevant, and less volatile, performance benchmark and is consistent with the relative TAR measure typically operated by other listed property companies. The Committee is satisfied that 2% outperformance against the index for maximum vesting is appropriately stretching and no less challenging than our previous approach.

I would like to thank my fellow Committee members, senior management and external consultants for their support during the year.

Sally Walden
Chairman of the Remuneration Committee

25 November 2019

Context for our approach to remuneration

We have 34 permanent employees, including four executive directors. The combined holdings of the executive directors is 3.4 million shares (market value at 30 September 2019 of circa £31 million). This equates to individual holdings of between 4 and 28 times their annual salary. These substantial holdings have been built up over a number of years through a combination of:

- taking the annual bonus in shares through the Deferred Annual Share Bonus Scheme;
- retaining shares from the LTIP; and
- acquiring shares for cash.

Our executive directors and key employees all have a close involvement and direct impact on the continuing development and implementation of the Group's strategy. Consequently, the Committee considers it appropriate that, in setting objectives and measuring performance, emphasis is placed on team rather than individual performance.

Average length of service of the executive directors is 26 years and members of the executive committee (excluding executive directors) is 11 years.

Alignment with employees

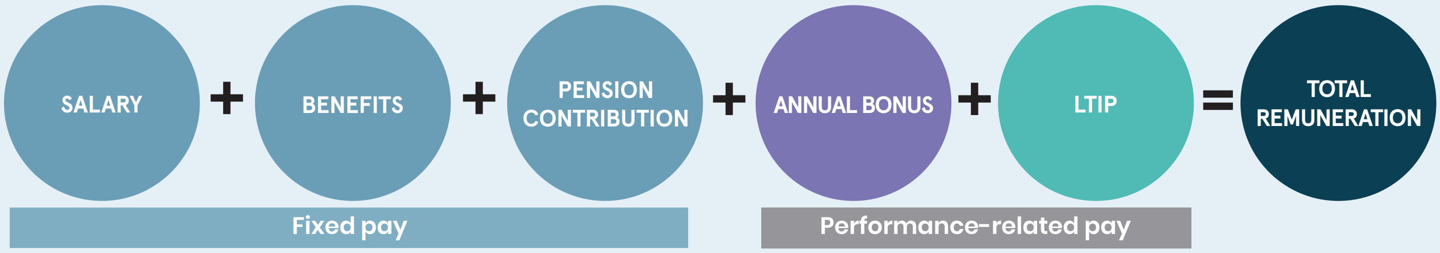
We offer remuneration packages to all employees which are market competitive and align with the same structure as executive directors. All employees:

- participate in the LTIP and the annual bonus scheme;
- have the opportunity to defer their annual bonus into shares;
- are eligible to participate in Sharesave, and receive health and life insurance; and
- receive pension contributions of 17.5% of salary, which is significantly above typical market levels.

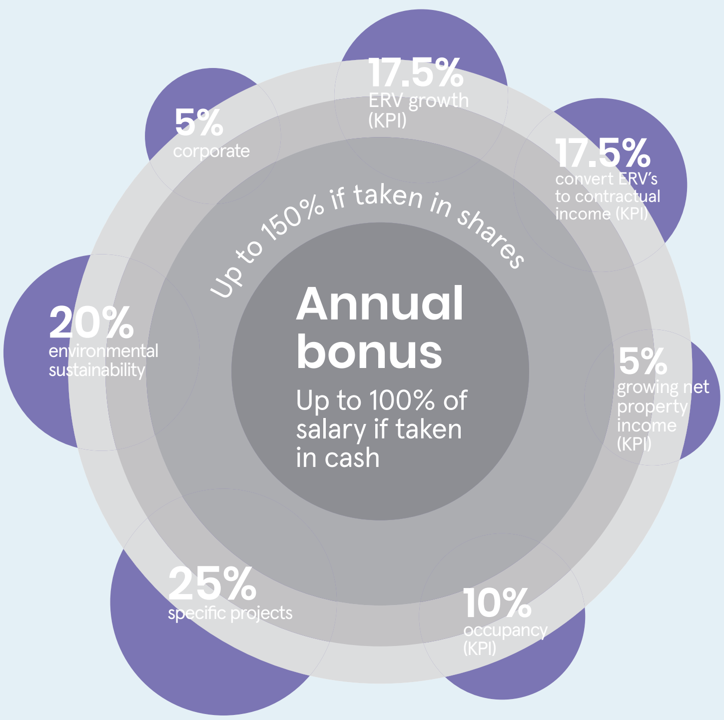
Key focus for 2020

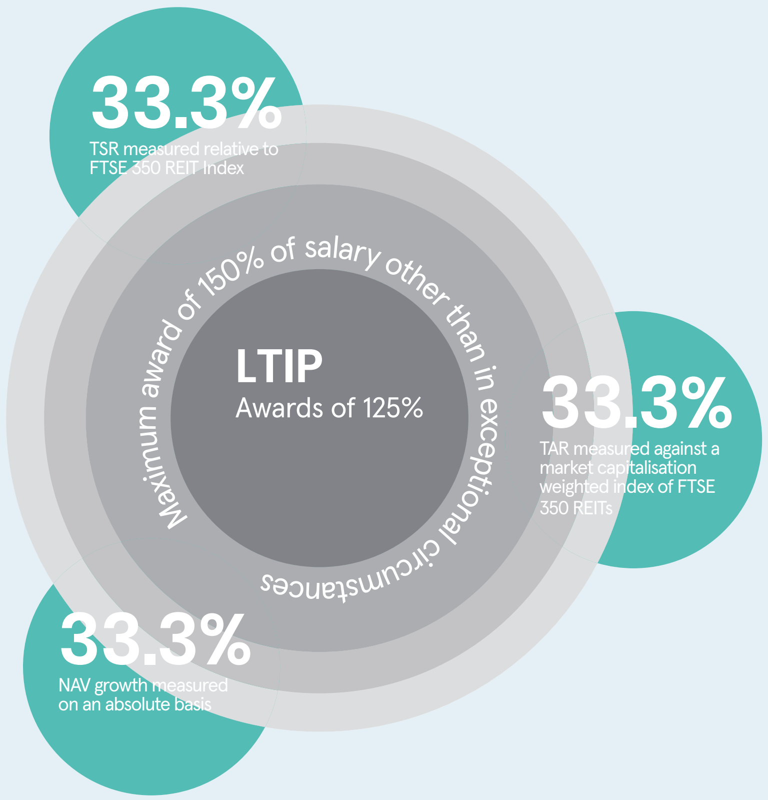
- Continue to monitor the development of best practice in post-employment shareholding guidelines.
- Monitor the impact of the 2018 Code on executive director remuneration.
- Oversight of remuneration policies and procedures throughout the Company and ensure that are aligned with the corporate culture.

Remuneration at a glance



Performance-related pay framework 2020





2019 Group performance

Net property income
£98.0m
+4.5%

EPRA earnings[1]
£54.6m
+5.6%

Portfolio valuation[1,2]
£4.0bn
-0.6%

ERV growth[2]
2.7%

Dividends per share
17.7p
+5.4%

EPRA NAV per share[1]
£9.82
-0.9%

TSR (Shaftesbury)
2.4%
versus FTSE 350 Real Estate Index +6.9%

1 An alternative performance measure (APM). See page 124
2 Like-for-like. See Glossary on page 131

2019 Key remuneration metrics

Annual bonus awards
57.5%

LTIP vesting
0%

Average salary increase for directors
3.8%

Salary increase all employees
8.1%

Percentage of employees granted LTIP options
100%

Remuneration policy

Our remuneration policy was approved by shareholders at the AGM on 8 February 2019.

A summary of the remuneration policy for executive directors is set out below for information purposes only. The full policy was included in the 2018 Annual Report and is reproduced on our website.

Element	Operation / Performance measures	Maximum potential value
Salary	Salaries are normally reviewed annually with effect from 1 December. Any increases are determined with reference to inflation and the salary increases for other employees, unless there is a change of role or responsibility or a new director is recruited (see recruitment policy) Sector and other relevant market data (eg against constituent companies of the FTSE 350 REIT Index) may be requested from remuneration advisors as required The Committee recognises the importance of setting salaries at levels in the context of market median levels in the real estate sector, but which are not excessive in relation to the Group's particular strategy and features The emphasis in the Group's remuneration policies is to place greater weight on performance-based rewards within the overall remuneration package	The Committee does not specify a maximum salary or maximum salary increase Further details on salary levels and any increases are provided in the Annual Remuneration Report
Annual bonus	Annual performance targets are set by the Committee at the beginning of the year and are linked to the Group's strategy and key business objectives At the end of the financial year, the Committee evaluates performance against these objectives, whilst also taking into account overall financial performance and future prospects. The Committee also satisfies itself that short-term targets have not been met at the expense of long-term goals Performance is assessed against a set of key financial and non-financial annual measures which may vary each year depending on the annual priorities of the business and prevailing market conditions Measures will be weighted in alignment with the Group's strategy for each year. A substantial part of the total bonus will be based on quantitative KPIs. Further details of the measures, weightings and targets applicable are provided in the Annual Remuneration Report following the end of the performance year Within the parameters of the scheme, the Committee has discretion to adjust bonus outcomes (upwards or downwards) as it considers appropriate, to ensure alignment of pay with overall performance and market conditions Minimum performance required for any part of the bonus to be earned is calibrated so as to be appropriately stretching and achievable Where directors take all or part of the bonus as an award of shares (in the form of a conditional award of shares or a nil-cost option), these awards vest after a minimum of three years from grant under the Group's Deferred Annual Share Bonus plan. No further performance conditions apply. Awards may also, at the Committee's discretion, be settled in cash Malus and clawback provisions apply to all elements of the bonus	Directors have the choice to take a bonus in shares or cash, in full or part as follows: Up to 150% of salary if taken entirely in shares; or Up to 100% of salary if taken entirely in cash
LTIP	Awards may be granted in the form of nil cost options, conditional share awards or, at the Committee's discretion, be settled in cash The awards will be subject to performance targets measured over a three-year period. It is intended that these performance measures are aligned to strategic objectives and shareholder value The current performance measures are: • Total accounting return (TAR) measured against a market capitalisation weighted index of FTSE 350 REITs • TSR measured relative to a relevant index of peers; and • Net asset value growth measured relative to RPI Threshold vesting will be no higher than 25% of each performance measure. The detailed targets are set out in the Annual Remuneration Report At the end of the performance period, performance against the targets is calculated, and the percentage of awards that will vest is determined Unless the Committee determines otherwise, vested awards will then be subject to an additional holding period before participants are entitled to receive their shares. A holding period will normally last for two years, unless the Committee determines otherwise Malus and clawback provisions apply to the LTIP	Maximum value 150% of salary at date of grant in normal circumstances Maximum value 200% of salary in exceptional circumstances such as executive recruitment (this has not been used to date)
All employee plans	Executive directors are eligible to participate in other share plans, which are offered on similar terms to all employees, eg sharesave and SIP	The limits are as defined by HMRC from time to time
Pension	Contributions are paid into a personal pension plan or taken as a cash equivalent, reduced for any resultant tax liability borne by the Group	17.5% of salary for any executive director appointed after 8 February 2019 25% of salary for any executive director appointed prior to 8 February 2019
Other benefits	Each executive director currently receives: • a car allowance • private medical cover • life insurance • permanent health insurance Other benefits may be provided if considered reasonable and appropriate by the Committee, including, but not limited to, housing allowance and relocation allowance	There is no maximum value. Benefits are set at a level which the Committee determines is reasonable and appropriate The value may vary depending on service provided, cost and market conditions

Annual remuneration report

Set out below is the annual remuneration report on directors' pay for the year ended 30 September 2019. The report details how we will apply the remuneration policy for the year ahead and how we implemented it during the year.

Statement of implementation of remuneration for year ending 30 September 2020

Executive directors' salaries from 1 December 2019

	1.12.2019 £'000	1.12.2018 £'000	Increase
Brian Bickell	**525**	510	2.9%
Simon Quayle	**370**	360	2.8%
Tom Welton	**370**	360	2.8%
Chris Ward	**385**	360	6.9%

This compares to an average increase across the employee population (excluding executive directors) of 8.1% and inflation (CPIH) of 1.5%.

2020 annual bonus targets

Maximum bonus of up to 150% of salary if taken entirely in shares and 100% of salary if taken in cash.

The Committee considers specific disclosure of annual targets regarding the achievement of rental levels, the speed of completing lettings or delivery of specific projects or transactions would be prejudicial to the interests of shareholders. As a consequence of the geographic concentration of the Group's portfolio, disclosure of such targets could have an adverse impact on the Group's position when negotiating transactions with current or potential tenants or other parties.

Disclosure of annual bonus targets for the year ending 30 September 2020 is therefore deemed to be commercially sensitive. The targets will be disclosed retrospectively next year, provided they are no longer commercially sensitive.

Measure	Percentage weighting
Rental growth (KPI)	
Deliver growth in ERVs	17.5%
Convert ERVs to contractual income (KPI)	17.5%
Commercial lettings/reviews/renewals at or above valuers' ERVs twelve months earlier (measured half yearly)	
Growing net property income (KPI)	5%
Net property income growth to at least track growth in rental income	
Occupancy (KPI)	
Maximise portfolio occupancy	5%
Let vacant property quickly (excluding larger schemes)	5%
Portfolio, sustainability and corporate	
Portfolio projects	25%
Environmental sustainability	20%
Internal corporate projects	5%

LTIP

LTIP awards of 125% of salary will be granted in December 2019. Performance will be measured over a three-year period which commenced on 1 October 2019. A two-year post-vesting holding period will apply to these awards.

The vesting of this award will be subject to three performance measures, equally weighted, as shown in the following tables:

Annualised TSR of the company's shares less annualised TSR of the FTSE 350 REIT index	Vesting schedule (for this component)
Less than 0% pa	0%
0% pa	25%
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 25% and 100%
5.5% pa or more	100%

Annualised net asset value growth less annualised RPI growth	Vesting schedule (for this component)
Less than 3% pa	0%
3% pa	25%
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 25% and 100%
7% pa or more	100%

TAR relative to market cap-weighted index of FTSE 350 REITs[1]	Vesting schedule (for this component)
Below index	0%
Equal to index	25%
Between index and index +2% per annum	Pro-rata on a straight line basis between 25% and 100%
Index +2% per annum or above	100%

1 TAR measures growth in EPRA NAV plus any dividends (or other distributions to shareholders which reduce NAV) paid during the period expressed as a percentage of EPRA NAV at the start of the year.

Non-executive directors' fees from 1 December 2019

Non-executive director fees are reviewed every two years. Following the most recent review, taking into account market data, the following changes were agreed and will take effect from 1 December 2019:

Fees for the Chairman will be increased from £225,000 to £235,000 per annum.

Fees for non-executive directors will be increased from £57,000 to £60,000 per annum.

There is an additional fee of £10,000 where a non-executive director chairs a committee and for the Senior Independent Director (if not already in receipt of a Committee Chairman fee), both of which will be increased to £15,000. The Chairman does not receive an additional fee for chairing the Nomination Committee.

Remuneration for year ending 30 September 2019

Single total figure of remuneration for executive directors (audited)

	Salary		Benefits[1]		Pension benefit[2]		Annual bonus[3]		LTIP[4]		Total	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Brian Bickell	**508**	498	**23**	55	**112**	109	**440**	394	**0**	135	**1,083**	1,191
Simon Quayle	**359**	352	**57**	49	**79**	77	**311**	278	**0**	95	**806**	851
Tom Welton	**359**	352	**45**	40	**79**	77	**311**	278	**0**	95	**794**	842
Chris Ward	**358**	348	**44**	40	**80**	78	**311**	275	**0**	92	**793**	833

1 Benefits comprise car allowance, permanent health insurance, life insurance, health insurance and Sharesave options which have been valued based on the monthly savings amount and the discount on the option price of 20% at grant

2 Pension contribution is 25% of salary and may be taken in cash (in part or entirely). The cash equivalent is reduced by any resultant tax liability borne by the Group

3 Payment for performance in respect of the relevant financial year. For 2019, each executive director could have received a bonus of 86.25% of salary in shares or 57.5% of salary in cash. Each director has elected to take their 2019 bonus entirely in shares, which are deferred for a period of three years. No further performance criteria apply

4 Reflects the vesting of shares in the LTIP in respect of performance for the relevant financial year. The TSR and NAV performance conditions for the three-year performance period to 30.9.2019 were not met and none of the awards vested. The 2018 estimated figure has been restated to reflect actual share price at the date of vesting together with the value of dividends paid during the year on vested shares

Single total figure of remuneration for non-executive directors (audited)

	Fee		Committee chair/ senior independent director[1] fees		Total	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Jonathan Nicholls	**225**	213	**-**	-	**225**	213
Richard Akers	**57**	48	**6**	-	**63**	48
Jill Little	**57**	57	**4**	10	**61**	67
Hilary Riva[2]	**20**	57	**-**	-	**20**	57
Dermot Mathias	**57**	57	**10**	10	**67**	67
Sally Walden	**57**	57	**10**	10	**67**	67
Jennelle Tilling[3]	**43**	-	**-**	-	**43**	-

1 Fee is only payable if the Senior Independent Director is not the chair of any other Committee

2 Retired from the board on 8 February 2019

3 Joined the board on 1 January 2019

Annual bonus outcome for year ended 30 September 2019

Retrospective disclosure of the targets for the 2019 annual bonus scorecard is provided below. Each executive director has elected to receive his award solely in deferred shares under the Deferred Annual Share Bonus Scheme, which will vest in December 2022.

Measure	Weighting	Target range	Achievement against target	Percentage achieved
Rental growth (KPI) Deliver growth in ERVs (includes Longmartin)	17.5%	3% to 7%	2.7%	0%
Convert ERVs to contractual income (KPI) Commercial lettings/reviews/renewals at or above valuers' ERVs: measured as transactions in the first half year against ERV at 31.3.2018 and then in the second half of the year against ERV at 30.9.2018	17.5%	3% to 7%	5.25%	11.4%
Grow net property income (KPI) Percentage increase in property outgoings compared to percentage increase in rental income	5%	+1% to -1%	-2.4%	5%
Occupancy				
Maximise portfolio occupancy measured by average quarterly EPRA vacancy (excluding larger schemes)[1] **(KPI)**	5%	1.5% to 3%	3.1%	0%
Average time to let across uses (months)[1,2] **(KPI)**	5%	1.5 months to 4 months	2.6 months	3.4%
Corporate responsibility performance (KPI)	10%	Company retained its sustainability reporting EPRA Gold award and its GRESB "green star" rating both of which measure the transparency of reporting		10%
Specific projects	40%	This component of the bonus measures specific strategic and operational objectives to be met during the year critical to progressing key long-term projects and larger schemes, to deliver long-term value for shareholders. Some measures relate to projects with a duration of more than one year. It is not always feasible to provide a detailed disclosure of performance for these projects as the identification and achievement of these targets is commercially sensitive. In the opinion of the Committee, public disclosure could compromise ongoing commercial negotiations and ultimately shareholder value. In assessing this year's performance against objectives, the Committee considered key achievements during 2019 which determined the outcome for this component including: • Covent Garden: Thomas Neal's Warehouse - a letting was completed to Kerb, to open Seven Dials Market, • Carnaby: secured planning consent for 72 Broadwick Street scheme and works underway, • Despite significant business uncertainty, identified and executed a number of opportunities for lease restructurings across the portfolio, • Undertook a review of property costs, resulting in identification and initial delivery of cost efficiencies across the portfolio Further detailed discussion of strategic and operational performance during the year is set out on pages 1 to 62 of this annual report		27.6%
Total	100%			57.5%

1 Wholly-owned portfolio
2 Based on weighted averages across uses

Measuring success: pages 26 to 28

Committee's exercise of discretion

The Committee believes that annual bonus awards should fairly reflect overall performance in the context of prevailing general economic and property market conditions and exercises discretion, where appropriate, to take account of overall financial performance and future prospects of the Company.

The Committee has not exercised discretion in the award of bonuses for the year ended 30 September 2019. The table below shows historic exercise of discretion by the Committee.

Year	Actual bonus percentage potential according to achievement table	Bonus percentage after exercise of discretion by remuneration committee
2015	70%	Reduced to 60%
2016	82%	Reduced to 60%
2017	55%	No change at 55%
2018	52.5%	No change at 52.5%
2019	57.5%	No change at 57.5%

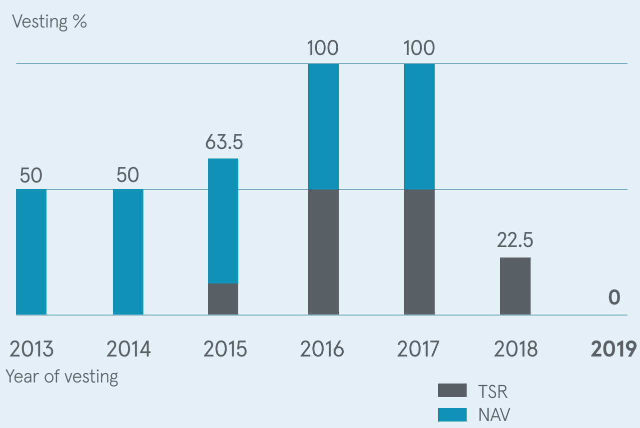
LTIP vesting for the performance period to 30 September 2019

The detailed performance against targets which resulted in zero vesting of the LTIP in 2019 is as follows:

Annualised TSR of the company's shares less annualised TSR of the FTSE 350 REIT index	Award vesting criteria	Performance
Less than 0% pa	0%	Performance in three-year period to 30 September 2019: -2.3% pa. Underperformed benchmark by 5.3% pa Vesting outcome (for this half of the award) is **zero**
0% pa	25%	
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 25% and 100%	
5.5% pa or more	100%	

Annualised NAV growth less annualised RPI growth	Award vesting criteria	Performance
Less than 3% pa	0%	Performance in three year period to 30 September 2019: 3.4%pa RPI growth: 3.3% pa Vesting outcome (for this half of the award) is **zero**
3% pa	25%	
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 25% and 100%	
7% pa or more	100%	

Historic LTIP vesting performance



Share scheme interests awarded during the year (audited)

	Scheme	Face value at date of award £'000
Brian Bickell	Deferred Annual Share Bonus Scheme[1]	394
	LTIP[2]	638
Simon Quayle	Deferred Annual Share Bonus Scheme[1]	278
	LTIP[2]	450
Tom Welton	Deferred Annual Share Bonus Scheme[1]	278
	LTIP[2]	450
Chris Ward	Deferred Annual Share Bonus Scheme[1]	275
	LTIP[2]	450

1 Deferred Annual Share Bonus Scheme: Directors elected to take their annual bonus for the year ended 30.9.2018 in shares which were purchased in the market. The face value is calculated using the price paid per share of of £8.6966. No further performance criteria are applied to share awards under this scheme

2 LTIP: Awards of nil cost options were made by the Committee at 125% of salary. The face value is calculated using the average share price over the five days prior, up to and including 3.12.2018, to determine the number of shares awarded, being £8.89. There is a three-year performance period with a two-year post-vesting holding period

For the 2018 award, vesting of the TAR measure is based on the ranked position of Shaftesbury TAR against the constituents of the FTSE 350 REIT index, with threshold vesting for median ranking and maximum vesting for upper quartile ranking (see page 98 of the 2018 report).

Directors' shareholdings and share scheme interests at 30 September 2019 (audited)

	Shares owned outright	Shareholding requirement met[1]	Value of shares owned outright as a percentage of salary[2]	Deferred shares[3]	Shares under option not vested and subject to performance criteria[3]	Shares vested and subject to two year post-vesting holding period	Sharesave
Executive director							
Brian Bickell	**1,265,800**	Yes	2,255%	134,704	202,670	14,718	4,286
Simon Quayle	**1,102,052**	Yes	2,781%	95,065	143,070	10,379	4,286
Tom Welton	**896,170**	Yes	2,262%	95,065	143,070	10,379	4,286
Chris Ward	**172,090**	Yes	434%	93,216	142,015	10,151	2,519
Non-executive director							
Jonathan Nicholls	**30,000**						
Richard Akers	**9,000**						
Jill Little	**8,364**						
Dermot Mathias	**16,208**						
Sally Walden	**60,000**						
Jennelle Tilling	**-**						
Hilary Riva[4]	**20,068**						

1 Based on share price at 30.9.2019 of £9.085 and salary as at 1.12.2018

2 Under the remuneration policy, executive directors are expected to build up a shareholding of 200% of salary (as at the date of appointment to the Board), to be accumulated over five years from appointment

3 On exercise or vesting, deferred shares and LTIP nil cost options are subject to income tax and national insurance. The number that will actually be transferred will be reduced if directors sell sufficient shares to meet their income tax and employees' national insurance liability

4 Retired from the Board on 8.2.2019 and shareholding stated as at that date

There have been no changes in directors' shareholdings between 30 September 2019 and the date of this report.

Additional details on the share awards summarised in this table are provided below, with further explanation on the operation of the plans set out in the Remuneration Policy table.

1. Deferred Annual Share Bonus Scheme

	Date of grant	Market price on date of grant £	Entitlement to ordinary shares At 1.10.2018	Awarded in year	At 30.9.2019
Brian Bickell	12.12.2016	8.95	48,988	-	**48,988**
	12.12.2017	9.996	40,440	-	**40,440**
	3.12.2018	8.65	-	45,276	**45,276**
			89,428	45,276	**134,704**
Simon Quayle	12.12.2016	8.95	34,544	-	**34,544**
	12.12.2017	9.996	28,556	-	**28,556**
	3.12.2018	8.65	-	31,965	**31,965**
			63,100	31,965	**95,065**
Tom Welton	12.12.2016	8.95	34,544	-	**34,544**
	12.12.2017	9.996	28,556	-	**28,566**
	3.12.2018	8.65	-	31,965	**31,965**
			63,100	31,965	**95,065**
Chris Ward	12.12.2016	8.95	33,387	-	**33,387**
	12.12.2017	9.996	28,226	-	**28,226**
	3.12.2018	8.65	-	31,603	**31,603**
			61,613	31,603	**93,216**

2. LTIP

Nil cost options are granted subject a three year performance period. Any award that vests is then subject to a two year post-vesting holding period.

	Date of grant	Market price of share on grant £	Number of ordinary shares under option At 1.10.2018	Granted during year	At 30.9.2019
Brian Bickell	12.12.2016[1]	8.95	67,850	-	**67,850**
	12.12.2017	9.97	63,110	-	**63,110**
	4.12.2018	8.67	-	71,710	**71,710**
			130,960	71,710	**202,670**
Simon Quayle	12.12.2016[1]	8.95	47,900	-	**47,900**
	12.12.2017	9.97	44,550	-	**44,550**
	4.12.2018	8.67	-	50,620	**50,620**
			92,450	50,620	**143,070**
Tom Welton	12.12.2016[1]	8.95	47,900	-	**47,900**
	12.12.2017	9.97	44,550	-	**44,550**
	4.12.2018	8.67	-	50,620	**50,620**
			92,450	50,620	**143,070**
Chris Ward	12.12.2016[1]	8.95	47,350	-	**47,350**
	12.12.2017	9.97	44,045	-	**44,045**
	4.12.2018	8.67	-	50,620	**50,620**
			91,395	50,620	**142,015**

1 As described on page 90, the TSR and NAV performance conditions over the three years ended 30.9.2019 have not been met. These awards will therefore lapse.

3. Sharesave

Options are granted at a 20% discount to the market price on date of grant up to the maximum monthly savings amount permitted by HMRC over three or five years. Participants have six months from the date of vesting to exercise.

	Date of grant	At 1.10.2018	Granted during year	At 30.9.2019	Option price £	Vesting date
Brian Bickell	1.7.2016	2,024	-	**2,024**	7.41	1.8.2021
	28.6.2019	-	2,262	**2,262**	6.63	1.8.2024
		2,024	2,262	**4,286**		
Simon Quayle	1.7.2016	2,024	-	**2,024**	7.41	1.8.2021
	28.6.2019	-	2,262	**2,262**	6.63	1.8.2024
		2,024	2,262	**4,286**		
Tom Welton	1.7.2016	2,024	-	**2,024**	7.41	1.8.2021
	28.6.2019	-	2,262	**2,262**	6.63	1.8.2024
		2,024	2,262	**4,286**		
Chris Ward	30.6.2017	1,162	-	**1,162**	7.74	1.8.2020
	28.6.2019	-	1,357	**1,357**	6.63	1.8.2022
		1,162	1,357	**2,519**		

Percentage change in Chief Executive remuneration compared to average percentage change in remuneration for all other employees

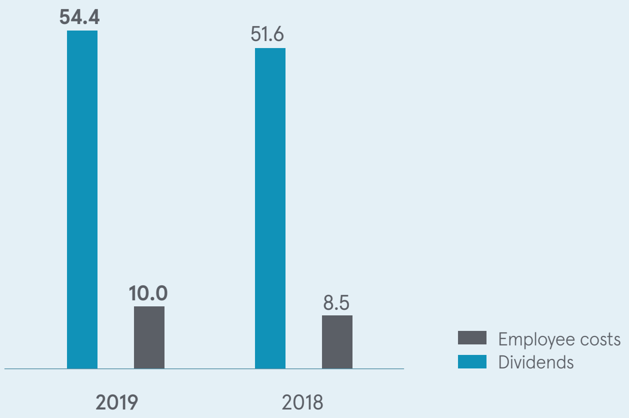
	Chief Executive change	Other employees change
Base salary	2.0%	4.2%
Taxable benefits	1.2%	4.6%
Annual bonus	11.7%	14.2%
Total	**6.2%**	**8.0%**

The analysis for other employees is based on a like-for-like group of employees, i.e. the same individuals appear in the 2018 and 2019 figures and the 2018 comparatives have been restated on that basis.

Annual bonus figures reflect the extent to which individuals choose to take annual bonuses as deferred shares in the Deferred Annual Share Bonus Scheme, which attract a 50% uplift in value.

Note that there is no requirement to disclose a CEO pay ratio as the number of employees (34) falls significantly below the threshold of 250 employees for disclosure under this provision.

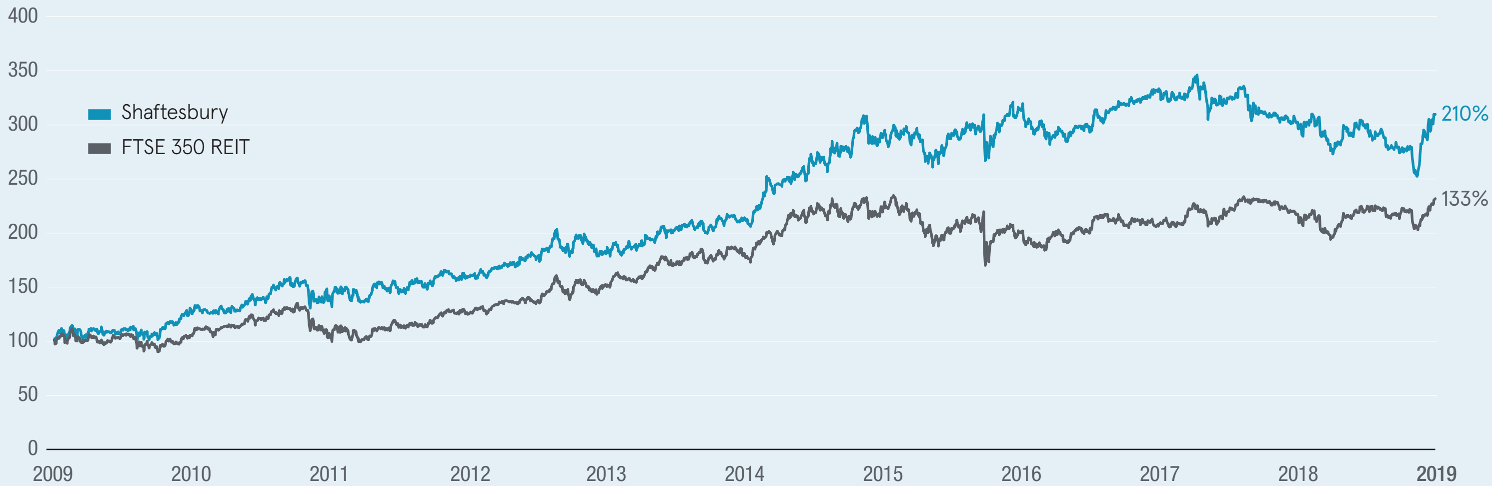
Relative importance of spend on pay (£m)



Review of past performance

The chart below shows the TSR for the Company compared with the FTSE 350 REIT Index, of which the Company is a constituent, over ten years. The Committee uses this index as one measure of performance for awards of shares under the LTIP, as it considers this is an appropriate measure against which the relative performance of the Company should be compared for the purposes of considering executive directors' remuneration.

Ten-year TSR chart to September 2019



Source: Datastream as at 30 September 2019

Ten-year chief executive single total figure of remuneration[1]

	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
Chief Executive single total figure of remuneration (£'000)	1,013	1,650	1,198	1,075	1,455	1,523	1,954	1,830	1,191	**1,083**
Annual bonus payout[2] (% maximum)	50%	90%	40%	40%	75%	60%	60%	55%	52.5%	**57.5%**
Long-term incentive award vesting (% maximum)	50%	76.7%	100%	50%	50%	63.5%	100%	100%	22.5%	**0%**

1 2010-2011: Jonathan Lane, 2012-2019: Brian Bickell
2 Based on award in cash. See page 88 for details of award taken in shares

Shareholder voting

At the 2019 AGM, shareholders voted on the Directors' Remuneration Policy and on the Annual Remuneration Report. Voting by shareholders representing 90.76% of the issued share capital on the resolutions was as follows:

	For	% For	Against	% Against	Total votes	Withheld
Directors' Remuneration Policy	197,412,262	70.76	81,571,987	29.24	278,984,249	712,552
Annual Remuneration Report	197,983,949	70.98	80,930,767	29.02	278,914,716	782,086

The Committee notes that both of these resolutions received significant votes (defined as above 20%) against.

See significant votes against at our AGM: page 74

On behalf of the Board

Sally Walden
Chairman of the Remuneration Committee
25 November 2019

Advisor to the Committee

Deloitte LLP act as independent advisor to the Committee. They are a member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have connections with the Group that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during the financial year were £32,000 (excluding VAT).

Deloitte LLP provided no other services to the Group during the year.

Directors' report

The directors present their report on the affairs of the group and the audited consolidated financial statements for the year ended 30 September 2019.

UK Corporate Governance Code

The Company has applied and complied with the provisions of the Code throughout the Company's financial year. This is the last year that the Company will report against the Code as the 2018 Code came into effect for the Company on 1 October 2019. The 2020 Annual Report will be the first report which will apply and comply with the provisions of the 2018 UK Corporate Governance Code.

Strategic report

The Strategic Report is incorporated into this report by reference.

Strategic report: pages 1 to 62

Corporate governance and diversity statements

The corporate governance and diversity statements are incorporated into this report by reference.

Corporate governance: pages 63 to 101

Results and dividends

The results for the year ended 30 September 2019 are set out in the Group Statement of Comprehensive Income.

Group statement of comprehensive income: page 102

An interim dividend of 8.7 pence per ordinary share was paid on 6 July 2019 (2018: 8.3p).

The directors recommend a final dividend in respect of the year ended 30 September 2019 of 9.0 pence per ordinary share (2018: 8.5p), making a total dividend for the year of 17.7 pence per ordinary share (2018: 16.8p). If authorised at the 2020 AGM, the dividend will be paid on 14 February 2020 to members on the register at the close of business on 17 January 2020. The dividend will be paid partly as a PID (5.25 pence) and partly as an ordinary dividend (3.75 pence). The 2020 AGM will be held on 31 January 2020 at 11:00 am at the Ham Yard Hotel, 1 Ham Yard, London, W1D 7DT.

Share capital

During the year, 110,428 ordinary shares were issued at nil cost on the exercise of LTIP options, and £5.38, £6.94, £7.41 and £7.74 on the exercise of sharesave options. At 30 September 2019, the Company's issued share capital comprised 307,412,615 ordinary shares of 25p each.

The Company has one class of ordinary shares. All shares rank equally and are fully paid. No person holds shares carrying special rights with regard to control of the Company. There are no restrictions on the transfer of shares, on voting rights, or on the size of a holding, which are governed by the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of shares in the Company that may result in restrictions on the transfer of shares or on voting rights.

Directors and directors' shareholdings

Rules governing the appointment and replacement of directors are contained in the Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders which is in line with the Code and the Company's Articles of Association.

Details of the directors who served during the year ended 30 September 2019 and up to the date of the financial statements, their interests in the ordinary share capital of the Company and details of options granted under the Group's share schemes are set out in the Directors' Remuneration Report.

Directors' remuneration report: pages 82 to 94

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year.

The Board manages the business of the Company under the powers set out in the Articles of Association. These powers include the directors' ability to issue or buy back shares.

Going concern

The directors confirm that they have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing these financial statements.

Viability statement

Viability statement: page 62

Purchase of own shares

The Company was granted authority at the 2019 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2020 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 October 2019 to 25 November 2019.

Major shareholders

Information provided to the Company pursuant to the FCA's DTRs is published on a Regulatory Information Service and on the Company's website. As at 25 November 2019, the following information has been received in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital.

Notifiable interests	Ordinary shares	% of capital disclosed[1]	Nature of holding
Veloqx (Jersey) Limited as trustee of the Veloqx settlement (Sam Tak Lee)	**80,888,951**	**26.32**	Indirect
Norges Bank	**77,034,285**	**25.06**	Direct

1 As at date of notification

Directors' indemnities and directors' and officers' liability insurance

The Company's agreement to indemnify each director against any liability incurred in the course of their office to the extent permitted by law remains in force.

The Group maintains Directors' and Officers' Liability Insurance.

Financial instruments

Details in relation to financial instruments are incorporated into this report by reference.

Financial instruments: pages 114 to 116

Change of control

The Longmartin joint venture and a number of debt financing agreements contain clauses which take effect upon a change of control of the Group and may alter or terminate these agreements.

The Company's share schemes contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

Authorisation of directors' conflicts of interests

Directors are required to notify the Company of any conflict or potential conflict of interest and make an annual declaration. The Board confirms that no conflicts have been identified or notified during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Articles of Association.

Employment, human rights and environmental matters

Our people and culture pages 36 to 47

Sustainability and stakeholders: pages 29 to 35

Independent auditors

A resolution for the re-appointment of Ernst & Young LLP as auditors to the Company will be proposed at the 2020 AGM. The Board, on the advice of the Audit Committee, recommends their re-appointment.

2020 annual general meeting

The 2020 AGM will include resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares and authority to call a general meeting on not less than 14 days' notice. The resolutions are set out in the Notice of Meeting in a separate circular to shareholders which accompanies this Annual Report. The Notice of Meeting and Annual Report are available on the Company's website.

Political donations

The Company did not make any political donations during the year (2018: nil).

Events after the balance sheet date

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue on 25 November 2019.

Disclosure of information to auditors

Each director has confirmed that:

a) so far as they are aware, there is no relevant audit information of which the auditors are unaware; and

b) they have taken all reasonable steps to ascertain any relevant audit information and ensure the auditors are aware of such information.

This confirmation is given in accordance with section 418 of the Companies Act 2006.

Greenhouse gas reporting

We report our greenhouse gas emissions (GHG) in accordance with UK legislation. The figures relate to landlord controlled common parts such as staircases. The numbers are therefore minimal.

Overall, energy consumption has remained consistent year on year reflecting fluctuations in tenant numbers and occupancy. A total of 4,382,587 kWh has been consumed in the portfolio (2018: 4,432,716 kWh). Due to the increased use of renewable energy in the national grid, GHG in the portfolio decreased by over 7% from 1,164 tonnes to 1,077 tonnes.

Energy efficiency measures taken by the Company include the installation of light-emitting diode lights, improvements as part of refurbishment and actions to respond to ESOS.

Absolute Scope 1 and 2 GHG emissions[1]

Scope 1	2019	2018	Change
Total tCO_2e	**191**	223	-14.25%

Scope 2	2019	2018	Change
Total tCO_2e	**886**	941	-5.9%

1 For the reporting year we have again followed the UK Government environmental reporting guidance and used the 2017 UK Government's Conversion Factors for Company Reporting. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries in terms of landlord and tenant consumption:

Scope 1 – direct emissions includes whole building gas data. Fugitive emissions from air conditioning are included where it is the landlord's responsibility within the common parts. There are no company vehicles to report within Scope 1.

Scope 2 – indirect energy emissions includes purchased electricity for the head office and landlord controlled common parts areas and a small number of buildings where the occupied areas and common parts are on the same meter. Electricity used in refurbishment projects has also been recorded.

We are reporting on two emission intensities this year: performance against turnover and common parts floor areas. For common parts floor areas this relates to 126 reported properties. The emissions intensity figure was 46.39 CO_2e/m^2 (0.046 tonnes CO_2e/m^2), a small increase from last year's 46.01 $kgCO_2e/m^2$ (0.046 tonnes CO_2e/m^2). Against turnover, the intensity has decreased from 9.5 tonnes per £million of total revenue to 8.5 tonnes per £million of total revenue.

The scope 2 total above differs from 876 tCO_2e reported last year, due to restatements within the portfolio.

Carbon Smart has conducted the verification of Shaftesbury's GHG emissions assertions for the period 1 October 2018 to 30 September 2019 through which it is confirmed that the reported emissions for scope 1, 2 and 3 have received limited verification in accordance with the requirements of the ISO 14064 – part 3 standard. The boundary of the verification included the landlord areas from the properties where Shaftesbury has sole ownership and operational control. The verification engagement assessed the year-on-year performance change, the intensity metric (tCO_2e/annual turnover) compared to financial year 2018 as well as the restatement of emissions (scope 1, 2 and 3) for the 2018 reporting year.

Based on the verification procedures detailed in the full statement, Carbon Smart found no evidence to suggest that Shaftesbury's GHG inventory is not materially correct and prepared in accordance with the internal reporting methodologies and WBCSD & WRI GHG corporate and scope 3 standards.

Full details are available in the Sustainability Data Report on our website.

By Order of the Board

Penny Thomas
Company Secretary

Shaftesbury PLC
Incorporated, registered and domiciled
in England and Wales number 1999238
22 Ganton Street
Carnaby
London W1F 7FD

25 November 2019

Directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have also elected to prepare the Parent Company financial statements in accordance with IFRSs as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs as adopted by the EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance;
- state that the Group and Company has complied with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The directors are 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 Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the financial statements of the Group is placed on the Company's website. The directors are responsible for the maintenance and integrity of the Company's website.

Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on page 65 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report contained on pages 1 to 62 of the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Directors' statement under the Code

Each of the directors confirm that, to the best of their knowledge, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

This directors' responsibilities statement was approved by the Board and signed on its behalf by:

Brian Bickell
Chief Executive
25 November 2019

Chris Ward
Finance Director
25 November 2019

Independent Auditor's Report

To the members of Shaftesbury PLC

Opinion

In our opinion:

- Shaftesbury PLC's Group financial statements and Parent company ('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 30 September 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Shaftesbury PLC which comprise:

	Group	Company
Balance sheet	✓	✓
Statement of comprehensive income	✓	
Cash flow statement	✓	✓
Statement of changes in equity	✓	✓
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	✓	✓

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union. The Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 60 and 61 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 60 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 106 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 62 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• The valuation of investment property (including properties within the Longmartin joint venture) • Revenue recognition including the timing of revenue recognition, and the treatment of rents and incentives • Litigation and claims
Audit scope	• The group operates in London's West End and consists of a single reporting segment across twelve statutory entities. All of the Group's Companies were included in the scope of the audit. The Group audit team performed direct testing of the Longmartin joint venture balances which are included within the group. The Group audit scope is consistent with the prior year.
Materiality	• Overall Group Materiality: £40m which represents 1% of total assets. • Specific Group Materiality: £4.0m which represents 5% of operating profit before investment property valuation movements and net finance costs.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk: The valuation of investment property

£3,765.9m (plus £213.1m being the Group's share in the Longmartin joint venture)

Refer to the Audit Committee Report (page 79); Accounting policies (page 123); and Note 11 of the Consolidated Financial Statements (pages 108 to 109)

The valuation of investment property (including properties held in the Longmartin joint venture) requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the balance sheet and in the statement of comprehensive income.

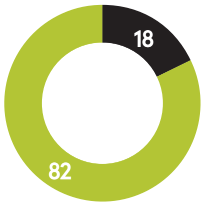
There is also a risk that management may unduly influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets.

Our response to the risk

Our audit procedures around the valuation of investment property included:

- We obtained an understanding of the Group's controls over data used in the valuation of the investment property portfolio, including management's review of the valuations, to ensure the controls were designed and implemented correctly.
- We evaluated the competence of the external valuers which included consideration of their qualifications and expertise, as well as their independence.

- We performed testing over the inputs to the valuations. For a sample of properties, we tested the contracted rent and key lease terms used by the valuers back to lease agreements.



- The Group audit team includes Chartered Surveyors who tested a sample of properties. They challenged the valuation approach and assumptions. The sample size they tested accounted for 82% of the fair value of investment properties (including investment properties held in the Longmartin joint venture). Our Chartered Surveyors compared the equivalent yields applied to each property to an expected range of yields taking into account market data and asset specific considerations. They also considered whether the other assumptions applied by the external valuers, such as the estimated rental values, tenant incentives and development costs to complete were supported by available data such as recent lettings and occupancy levels.
- Together with our Chartered Surveyors, we looked for contra indicators for the estimated rental values and yields adopted.
- We searched the tenant base to confirm there was not a concentration of higher risk of failure tenants.
- In respect of the properties not in the sample tested by our Chartered Surveyors (18% of the fair value), we performed detailed analytical procedures on a property-by-property basis. This involved forming an expectation of the fair value of each property in the portfolio by reference to relevant external market data relating to capital growth rates. We investigated further the valuations of those properties which were not in line with our initial expectations which included further discussions with management and the external valuers and, where appropriate, involvement of our Chartered Surveyors.
- We made enquiries of the external valuers and inspected their terms of reference to confirm that they had not been subject to undue influence or direction from management.
- We utilised our detailed analytical procedures and work of the Chartered Surveyors described above in order to assess for evidence of undue management influence.
- We performed site visits accompanied by our Chartered Surveyors for a sample of properties (focusing primarily on properties under significant refurbishment) which enabled us to assess the stage of completion of, and gain specific insights into, these refurbishments.
- For properties under significant refurbishment, we vouched the costs incurred to date, and agreed the cost to complete estimates to approved budgets and contractual arrangements. We met with property surveyors to discuss the project costs and risks associated with the significant projects.
- Together with our Chartered Surveyors, we met with the external valuers to discuss the findings from our audit work described above and to seek further explanations as required. We also discussed the impact of current market conditions on the property valuations.

Key observations communicated to the Audit Committee
We have audited the inputs, assumptions and reviewed the methodology used by the external valuers. We conclude that the inputs and methodology applied are reasonable and that the external valuations are an appropriate assessment of the fair value of investment properties at 30 September 2019.

We did not identify any exceptions or material errors in the input testing for the sample we tested.

We conclude that the valuation of each of the assets in the sample tested by our Chartered Surveyors are within a reasonable range.

We conclude that management provided an appropriate level of review and challenge over the valuations but we did not identify evidence of undue management influence or bias.

Risk: Revenue recognition, including the timing of revenue recognition, and the treatment of rents and incentives

£117.3m of rents receivable (FY18: £112.8m)

Refer to the Accounting policies (page 122); and Note 5 of the Consolidated Financial Statements (page 107)

Market expectations and profit based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.

In order to distort rental income, management could manipulate the deferred revenue balance or the IFRS rent adjustment for lease incentives.

Our response to the risk
We performed detailed testing for a sample of leases by agreeing the annual rent back to the terms of the lease agreements.

- For a sample of leases, we tested that the lease income, including the treatment of lease incentives, is on a straight-line basis, and in accordance with SIC-15 Operating Leases – Incentives.
- We verified the completeness of the lease incentives recorded. For a sample of leases, we read the terms to identify rent free periods and other incentives. We verified that these incentives in our sample were correctly recorded in the rent free asset and that income was correctly straight-lined.
- We performed substantive analytical procedures and found that the revenue recognised by the Group and each of the operating companies was materially consistent with our expectations developed from rents in the tenancy schedules.
- We performed analytical procedures to confirm the deferred income balance is materially within our expectations. We substantively tested a sample of balances by agreeing the timing of rent recognised to invoices or rent agreements.
- We considered the decline in the UK retail and restaurant sector and assessed the impact on the Group's financial statements. We obtained a list of known Creditors Voluntary Arrangements and other information about retailer health and compared to Shaftesbury's tenant list to identify tenants at risk of non-payment of rental amounts. We obtained the aged debtors listing for the Group and the Longmartin joint venture to identify aged debtors. We tested recoverability of the aged debtors by agreeing to subsequent cash receipts. We enquired with and challenged management regarding the appropriateness of the provision for doubtful debts. We also considered the recoverability of other tenant related balances including lease incentive assets and prepaid letting costs.
- We evaluated whether the revenue recognition policies adopted complied with IFRSs as adopted by the European Union.
- We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing to confirm the processing and timing of journals to record revenue is consistent with our expectations.

Key observations communicated to the Audit Committee
We audited the timing of revenue recognition, treatment of rents and incentives, and assessed the risk of management override.

We have assessed the recoverability of the aged debtors and tenant related balances including lease incentive assets and prepaid letting costs, and concluded that the provision for doubtful debts is reasonable.

Based upon the audit procedures performed, we conclude that revenue has been recognised on an appropriate basis in the year.

The procedures we carried out over revenue recognition apply to all the Group's revenue and the revenue in the Longmartin joint venture.

Risk: Litigation and claims

Refer to Corporate Governance (page 68) and Note 27 of the Consolidated Financial Statements (page 121).

Judgement is required in assessing the recognition of a provision or disclosure of a contingent liability in relation to a claim brought against the Group.

This is a new key audit matter in the year because of a claim brought against the Group which resulted in our audit procedures requiring increased involvement of senior members of the audit team.

Our response to the risk

- We understood the nature of the claim, and judgements made in respect of it, by reading claim documents, and corroborated our understanding through inquiry with management and the Group's external legal counsel.
- We evaluated the judgements made in preparing the financial statements relevant to whether a provision should be recognised or a disclosure should be made of a contingent liability as a result of the claim.
- We verified that appropriate disclosure had been made in the Consolidated Financial Statements to meet the requirements of IFRS.

Key observations reported to the Audit Committee

We conclude that management have accounted for the claim appropriately and have presented a contingent liability disclosure in accordance with IAS 37.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group, effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality	Performance Materiality	Audit Differences
Overall	1% of total assets	£40m	£30m	£2m
Specific Applicable for account balances not related to investment properties, loans and borrowings.	5% of operating profit before investment property valuation movements and net finance costs	£4m	£3m	£0.2m

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that total assets would be the most appropriate basis for determining overall materiality given that key users of the Group's financial statements are primarily focussed on the valuation of the Group's assets; primarily the investment property portfolio. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. For planning purposes this was initially based on the total assets as at 31 March 2019.

We assessed that for account balances not related to investment properties (either wholly owned or within the joint venture), loans and borrowings, a misstatement of less than overall materiality for the financial statements could influence the economic decisions of users. We have determined that specific materiality for these areas should be based on operating profit before investment property valuation movements and net finance costs. We believe that it is appropriate to use a profit-based measure for specific materiality as profit is also a focus of users of the financial statements.

During the course of our audit, we reassessed initial materiality. There has been no change in our overall materiality or in our materiality threshold as at 30 September 2019.

In the prior year audit we adopted an overall materiality of £40m based on 1% of total assets. We also applied a specific materiality of £4m based on 5% of operating profit before investment property valuation movements and net finance costs.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2018: 75%) of the respective materiality. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee any uncorrected audit differences on investment property valuations in excess of £2m, as well as uncorrected audit differences in excess of £0.2m that relate to our specific testing of the other account balances not related to investment properties, loans and borrowings. These are set at 5% of their respective materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report including the Strategic report, Governance and Other information set out on pages 1 to 97 and 124 to 132, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

- In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 80** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 78 to 81** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 68** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 97, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 and 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRSs, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax regulations in the United Kingdom, including the UK REIT regulations.
- We understood how Shaftesbury PLC is complying with those frameworks through enquiry with management, and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by reviewing the Company's risk register and enquiry with management and the Audit Committee during the planning and execution phases of our audit.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:
  - Inquire of members of senior management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements.
  - Reading minutes of meetings of those charged with governance.
  - Obtaining and reading correspondence from legal and regulatory bodies including HMRC.

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

Other matters we are required to address

- We were appointed by the Company on 15 October 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ended 30 September 2016 to 30 September 2019. Our audit engagement letter was refreshed on 30 October 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee explaining the results of our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Saunders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
25 November 2019

Group statement of comprehensive income

For the year ended 30 September 2019

	Notes	2019 £m	2018 £m
Revenue	5	**126.9**	122.1
Property charges	6	**(28.9)**	(28.3)
Net property income		**98.0**	93.8
Administrative expenses	7	**(15.2)**	(13.7)
Operating profit before investment property disposals and valuation movements		**82.8**	80.1
Profit on disposal of investment properties	8	**2.8**	4.6
Net revaluation (deficit)/surplus on investment properties	11	**(15.3)**	123.1
Operating profit		**70.3**	207.8
Finance income		**1.0**	0.8
Finance costs	9	**(31.5)**	(32.0)
Share of post-tax loss from joint venture	13	**(13.8)**	(1.1)
Profit before tax		**26.0**	175.5
Tax charge for the year	10	**-**	-
Profit and total comprehensive income for the year		**26.0**	175.5
Earnings per share:	25		
Basic		**8.5p**	58.1p
Diluted		**8.5p**	58.0p
EPRA		**17.8p**	17.1p

See page 124 for an explanation of the EPRA measures used in these financial statements.

Balance sheets

As at 30 September 2019

	Notes	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Non-current assets					
Investment properties	11	**3,765.9**	3,714.8	**-**	-
Accrued income	12	**13.1**	9.9	**-**	-
Investment in joint venture	13	**127.6**	143.9	**59.0**	59.0
Property, plant and equipment		**1.4**	1.3	**1.4**	1.3
Other receivables	16	**3.7**	3.7	**-**	-
Investment in subsidiaries	14	**-**	-	**1,238.3**	1,160.9
		3,911.7	3,873.6	**1,298.7**	1,221.2
Current assets					
Trade and other receivables	15	**35.1**	30.3	**47.8**	51.2
Cash and cash equivalents	16	**54.0**	118.5	**36.9**	100.6
Total assets		**4,000.8**	4,022.4	**1,383.4**	1,373.0
Current liabilities					
Trade and other payables	17	**43.8**	40.8	**10.4**	6.6
Non-current liabilities					
Borrowings	18	**949.8**	948.6	**(1.3)**	(1.8)
Total liabilities		**993.6**	989.4	**9.1**	4.8
Net assets		**3,007.2**	3,033.0	**1,374.3**	1,368.2
Equity					
Share capital	20	**76.9**	76.8	**76.9**	76.8
Share premium	21	**378.6**	378.4	**378.6**	378.4
Share-based payments reserve	21	**1.3**	1.2	**1.3**	1.2
Retained earnings	21	**2,550.4**	2,576.6	**917.5**	911.8
Total equity		**3,007.2**	3,033.0	**1,374.3**	1,368.2

The Company made a profit of £57.9 million (2018: £73.5 million) in the year.

On behalf of the Board who approved and authorised for issue the financial statements on pages 102 to 123 on 25 November 2019.

Brian Bickell
Chief Executive

Chris Ward
Finance Director

Cash flow statements

For the year ended 30 September 2019

	Notes	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Operating activities					
Cash generated from operating activities	24	**79.8**	76.5	**(16.4)**	(15.9)
Interest received		**1.0**	0.8	**0.9**	0.7
Interest paid		**(30.2)**	(31.0)	**(1.5)**	(1.8)
Net cash from/(used in) operating activities		**50.6**	46.3	**(17.0)**	(17.0)
Investing activities					
Investment property acquisitions		**(47.2)**	(167.8)	**-**	-
Investment property disposals	8	**14.3**	13.3	**-**	-
Capital expenditure on investment properties		**(28.2)**	(26.6)	**-**	-
Purchase of property, plant and equipment		**(0.5)**	(0.4)	**(0.5)**	(0.4)
Dividends received from joint venture		**2.5**	3.0	**2.5**	3.0
Increase in loans to joint venture		**(3.3)**	(3.0)	**(3.3)**	(3.0)
Amounts received from subsidiaries		**-**	-	**67.4**	73.0
Amounts provided to subsidiaries		**-**	-	**(60.1)**	(188.9)
Net cash (used in)/from investing activities		**(62.4)**	(181.5)	**6.0**	(116.3)
Financing activities					
Proceeds from exercise of share options		**0.2**	0.1	**0.2**	0.1
Proceeds from share placing	20	**-**	265.2	**-**	265.2
Share placing costs	20	**-**	(4.8)	**-**	(4.8)
Proceeds from borrowings		**-**	72.0	**-**	72.0
Repayment of borrowings		**-**	(72.0)	**-**	(72.0)
Loan issue costs		**-**	(1.8)	**-**	(1.8)
Equity dividends paid	23	**(52.9)**	(50.6)	**(52.9)**	(50.6)
Net cash (used in)/from financing activities		**(52.7)**	208.1	**(52.7)**	208.1
Net change in cash and cash equivalents		**(64.5)**	72.9	**(63.7)**	74.8
Cash and cash equivalents at the beginning of the year	16	**118.5**	45.6	**100.6**	25.8
Cash and cash equivalents at the end of the year	16	**54.0**	118.5	**36.9**	100.6

Statements of changes in equity

For the year ended 30 September 2019

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
Group						
At 1 October 2018		76.8	378.4	1.2	2,576.6	3,033.0
Profit and total comprehensive income for the year		-	-	-	26.0	26.0
Dividends paid	23	-	-	-	(52.9)	(52.9)
Exercise of share options	20	0.1	0.2	-	(0.1)	0.2
Share-based payments		-	-	0.9	-	0.9
Release on exercise of share options		-	-	(0.8)	0.8	-
At 30 September 2019		**76.9**	**378.6**	**1.3**	**2,550.4**	**3,007.2**
At 1 October 2017		69.8	124.9	3.0	2,449.2	2,646.9
Profit and total comprehensive income for the year		-	-	-	175.5	175.5
Dividends paid	23	-	-	-	(50.6)	(50.6)
Share placing	20	6.9	253.5	-	-	260.4
Exercise of share options	20	0.1	-	-	(0.1)	-
Share-based payments		-	-	0.8	-	0.8
Release on exercise of share options		-	-	(2.6)	2.6	-
At 30 September 2018		76.8	378.4	1.2	2,576.6	3,033.0
Company						
At 1 October 2018		76.8	378.4	1.2	911.8	1,368.2
Profit and total comprehensive income for the year		-	-	-	57.9	57.9
Dividends paid	23	-	-	-	(52.9)	(52.9)
Exercise of share options	20	0.1	0.2	-	(0.1)	0.2
Share-based payments		-	-	0.9	-	0.9
Release on exercise of share options		-	-	(0.8)	0.8	-
At 30 September 2019		**76.9**	**378.6**	**1.3**	**917.5**	**1,374.3**
At 1 October 2017		69.8	124.9	3.0	886.4	1,084.1
Profit and total comprehensive income for the year		-	-	-	73.5	73.5
Dividends paid	23	-	-	-	(50.6)	(50.6)
Share placing	20	6.9	253.5	-	-	260.4
Exercise of share options	20	0.1	-	-	(0.1)	-
Share-based payments		-	-	0.8	-	0.8
Release on exercise of share options		-	-	(2.6)	2.6	-
At 30 September 2018		76.8	378.4	1.2	911.8	1,368.2

The Company's distributable reserves are disclosed in note 21 to the financial statements.

Notes to the financial statements

For the year ended 30 September 2019

1 Basis of preparation

Shaftesbury PLC ("the Company") is a public company limited by shares, incorporated, registered and domiciled in England and Wales. It is listed on the London Stock Exchange. The address of the registered office and its registered number are given on page 96.

The financial statements of the Company, and the consolidated financial statements of the Company and its subsidiaries, (collectively, "the Group") have been prepared in accordance with IFRS as adopted by the European Union, IFRS Interpretations Committee (IFRIC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in Pounds Sterling and under the historical cost convention as modified by the revaluation of investment properties.

The Company is the ultimate parent company of the Group. The Company has not presented its own Statement of Comprehensive Income, as permitted by Section 408 of the Companies Act 2006. The Company made a profit of £57.9 million (2018: £73.5 million) in the year.

Going concern

The Group's business activities, together with the factors affecting performance, financial position and future development are set out in the Strategic Report on pages 1 to 62. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 56 to 57. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date these financial statements were approved. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

2 Changes in accounting policies

The Group's significant accounting policies are disclosed in note 29. The accounting policies and methods of computation used are consistent with those of the previous financial year, with the exception of new standards and amendments to standards which became effective in the financial year.

New standards adopted during the year

The following standards and amendments to existing standards were relevant to the Group, adopted from 1 October 2018, and did not have a material impact on the financial statements.

Annual Improvements 2014-2016
IFRS 2 (amendment) – Classification of share-based payment transactions
IAS 40 (amendment) – Transfers of investment property

IFRS 9 – Financial Instruments
This standard deals with, amongst other things, the classification and measurement of financial instruments. The main area applicable to the Group is the method for assessing any impairment provisions, given the requirement to use a forward-looking expected credit loss model. The material financial assets subject to the new expected credit loss model include cash and cash equivalents, trade receivables, amounts due from joint venture and amounts due from subsidiaries (Company only). Following adoption of the standard, the accounting policies and disclosures have been updated in line with the new IFRS 9 requirements. There was no material impact to the amounts recognised in the financial statements. The standard was adopted retrospectively, without restating the comparative balances for classification, measurement and impairment.

IFRS 15 – Revenue from contracts with customers
This standard is based on the principle that revenue is recognised when control passes to a customer. For the Group it is applicable to service charge income and proceeds from the disposal of investment properties. It does not include rental income, which falls within the scope of IAS 17 – Leases (IFRS 16 – Leases from 1 October 2019). Following the Group's assessment of the standard, its adoption did not have a material impact to the amounts recognised in the financial statements. The accounting policies and disclosures have been updated in line with the new IFRS 15 requirements. The standard was adopted on a modified retrospective basis, therefore comparative balances have not been restated.

Standards relevant to the Group but not yet effective

The following standard and amendments to existing standards were in issue at the Balance Sheet date, are not yet effective, and have not been adopted early. They are not expected to have a significant impact on the Group's financial statements.

IFRS 9 (amendment) – Prepayment features with negative compensation
IAS 28 (amendment) – Long-term interest in associates and joint ventures
Annual Improvements 2015-2017

IFRS 16 – Leases (effective from 1 October 2019)
For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method. Lessor accounting is substantially unchanged from current accounting. Therefore, since the Group is primarily a lessor, this standard does not significantly impact the Group's financial statements. However, for the Company, it will result in the recognition of a right-to-use asset and corresponding lease liability for its head office, which we estimate at approximately £4.5 million, in the year when the standard becomes effective.

3 Significant judgements, assumptions and key estimates

The preparation of the financial statements in accordance with IFRS requires the directors to make judgements and estimates about the carrying amounts of assets and liabilities, in applying the Group's accounting policies. The judgements and estimates are based on historical experience and other relevant factors, including expectations of future events, and are reviewed on a continual basis. Although the estimates are made using the directors' best knowledge of the amount, event or actions, actual results may differ from the original estimates.

Significant area of estimation uncertainty

The investment property portfolio is valued by independent third party valuers. Cushman & Wakefield value the properties owned by the Group, and Knight Frank LLP value the properties owned by the Longmartin joint venture.

Values are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. Cushman & Wakefield and Knight Frank LLP make a number of assumptions in forming their opinion on the valuation of our investment properties, which are detailed in the Basis of Valuation on pages 126 to 127. These assumptions are in accordance with the RICS Valuation - Global Standards. However, if any assumptions made by the external valuers prove to be incorrect, this may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. See note 11 for further information.

Area of judgement

The directors considered the contingent liability arising from litigation from a shareholder and whether a provision should be recognised. The contingent liability is disclosed in note 27. Otherwise, the directors did not make any significant judgements in the preparation of these financial statements.

4 Segmental information

IFRS 8 requires operating segments to be reported in a manner consistent with the internal financial reporting reviewed by the chief operating decision maker. The chief operating decision maker of the Group is the Board. The Board is responsible for reviewing the Group's internal reporting in order to assess performance.

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see page 124 for an explanation on the EPRA measures used in these financial statements).

The Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with restaurants, leisure and retail on the lower floors and small offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no segmental information is presented.

5 Revenue

	2019 £m	2018 £m
Rental income	117.3	112.8
Service charge income	9.6	9.3
	126.9	122.1

Rental income includes a net increase of £2.3 million from tenant lease incentives (2018: £0.5 million net increase). Included within service charge income is £2.1 million (2018: £1.8 million) of amounts that were deferred at the previous year end. Amounts deferred at the end of the year relate to service charges invoiced in advance for the period 29 September to 24 December.

6 Property charges

	2019 £m	2018 £m
Property operating costs	7.3	7.6
Vacant property costs	2.0	1.4
Fees payable to managing agents	2.7	2.6
Letting, rent review, and lease renewal costs	3.4	3.6
Marketing and events expenditure	3.9	3.8
Property outgoings	19.3	19.0
Service charge expenses	9.6	9.3
	28.9	28.3

7 Administrative expenses

Group and Company	2019 £m	2018 £m
Employee costs	10.0	8.5
Depreciation	0.4	0.4
Other head office costs	4.9	4.9
	15.3	13.8
Less: administrative fees received from the joint venture	(0.1)	(0.1)
	15.2	13.7

Employee costs (including the directors)	2019 £m	2018 £m
Wages and salaries	7.2	6.6
Social security costs	0.9	0.8
Other pension costs	0.4	0.3
Equity-settled remuneration	1.5	0.8
	10.0	8.5

Included within equity-settled remuneration is a charge of £1.2 million (2018: £0.6 million) for the LTIP and SAYE schemes. Note 22 includes a summary of the principal assumptions made at the last grant dates for these schemes. Details of the employee costs for the Group's key management personnel are set out in note 28.

Average monthly number of employees	2019 number	2018 number
Executive directors	4	4
Head office and property management	27	25
Estate management	1	1
	32	30

7 Administrative expenses continued

Auditor remuneration	2019 £000	2018 £000
Audit of the Company	71	61
Audit of the Group	128	116
Total fees for audit services	199	177
Audit related assurance services - half year review	26	22
Other assurance services	5	10
Total fees for non-audit services	31	32
Total fees	230	209

The auditor provided no taxation services to the Group in 2019 (2018: nil). Total fees for non-audit services represented 16% (2018: 18%) of the total fees for audit services.

8 Profit on disposal of investment properties

	2019 £m	2018 £m
Net sale proceeds	14.3	13.3
Book value at date of sale	(11.5)	(8.7)
	2.8	4.6

9 Finance costs

	2019 £m	2018 £m
Mortgage bond interest	13.9	13.9
Bank and other interest	16.4	16.5
Issue cost amortisation	1.2	1.6
	31.5	32.0

10 Tax charge for the year

The Group's wholly-owned business is subject to taxation as a REIT. Under the REIT regime, income from its rental business (calculated by reference to tax rather than accounting rules) and chargeable gains from the sale of its investment properties are exempt from corporation tax.

11 Investment properties

	2019 £m	2018 £m
At 1 October	3,714.8	3,407.3
Acquisitions	47.0	167.8
Disposals	(11.5)	(8.7)
Refurbishment and other capital expenditure	30.9	25.3
Net revaluation (deficit)/surplus on investment properties	(15.3)	123.1
Book value at 30 September	3,765.9	3,714.8
Fair value at 30 September:		
Core properties valued by Cushman & Wakefield	3,784.2	3,724.6
Non-core properties valued by Cushman & Wakefield	-	2.4
Lease incentives and costs included in receivables	(18.3)	(12.2)
Book value at 30 September	3,765.9	3,714.8

The investment properties valuation comprises:

	2019 £m	2018 £m
Freehold properties	3,531.2	3,495.3
Leasehold properties	253.0	231.7
	3,784.2	3,727.0

11 Investment properties continued

Investment properties were valued at 30 September 2019 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

All properties were valued on the basis of fair value and highest and best use, in accordance with IFRS 13 and the RICS Valuation - Global Standards, which incorporate the International Valuation Standards and the RICS UK Valuation Standards edition current at the valuation date. When considering a property's highest and best use, the valuer considers 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 considers the use a market participant would have in mind when formulating the price it would bid and reflects the cost and likelihood of achieving that use.

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out in the Basis of Valuation on pages 126 to 127. Equivalent yields are based on current market prices, depending on, inter alia, the location and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and occupancy levels. Whilst there is market evidence for these inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made by the valuers to market observable data, these significant inputs are deemed unobservable.

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year (2018: none).

The major inputs to the external valuation are reviewed by the senior management team. In addition, the valuer meets with the external auditor and the Audit Committee. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Audit Committee Report on pages 78 to 80.

A summary of the Cushman & Wakefield report can be found on pages 128 to 129.

Fees were agreed at fixed amounts in advance of the valuations being carried out. During the year, Cushman & Wakefield acted as letting agents for Shaftesbury Covent Garden Limited and Shaftesbury CL Limited, rent review surveyors for Shaftesbury CL Limited and provided other advice to Shaftesbury PLC. Non valuation fees represented 36% of total fees for the valuation of the Group's investment properties. Fees payable by the Group to Cushman & Wakefield do not constitute a significant part of their fee income.

Sensitivity analysis

As noted in the significant judgements, assumptions and key estimates section on page 106, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The Group's properties are all located in London's West End and are virtually all multi-use buildings, usually configured with commercial uses on the lower floors and office and/or residential uses on the upper floors. Cushman & Wakefield value properties in their entirety and not by use. Consequently, the sensitivity analysis below has been performed on the Group's portfolio as a whole.

	Change in ERV				Change in equivalent yields			
	-5.0% £m	-2.5% £m	+2.5% £m	+5.0% £m	-0.5% £m	-0.25% £m	+0.5% £m	+1.0% £m
Increase/(decrease) in the fair value of investment properties	(171.0)	(85.8)	89.4	178.8	684.5	313.0	(500.1)	(883.3)

These key unobservable inputs are inter-dependent. All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of a property, and an increase in the ERV would increase the capital value, and vice versa.

At 30 September 2019, the Group had capital commitments of £82.4 million (2018: £58.7 million). This included £39.0 million (2018: £39.0 million) relating to the forward purchase of a long leasehold interest and £43.4 million (2018: £19.7 million) relating to future capital expenditure for the enhancement of the Group's investment properties. See pages 51 to 53 for a discussion of the Group's property activity during the year.

Details of the restrictions on the Group's investment properties are set out in note 18.

12 Accrued income

	2019 £m	2018 £m
Accrued income in respect of lease incentives	**16.1**	12.2
Less: included in trade and other receivables (note 15)	**(3.0)**	(2.3)
	13.1	9.9

13 Investment in joint venture

	2019 £m	2018 £m
Group		
At 1 October	**143.9**	148.0
Share of losses	**(13.8)**	(1.1)
Dividends received	**(2.5)**	(3.0)
Book value at 30 September	**127.6**	143.9

	2019 £m	2018 £m
Company		
Shares at cost		
At 1 October and 30 September	**59.0**	59.0

The Company owns 7,782,100 B ordinary £1 shares in Longmartin Properties Limited, representing 50% of that company's issued share capital. The company is incorporated in Great Britain and registered in England and Wales and is engaged in property investment in London. Longmartin Properties Limited's principal place of business and registered office is the same as the Group, as set out on page 96. Control of Longmartin Properties Limited is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

At 30 September 2019, the joint venture had capital commitments of £5.2 million (2018: £10.4 million) relating to future capital expenditure for the enhancement of its investment properties, of which, 50% relates to the Group.

The summarised Statement of Comprehensive Income and Balance Sheet used for consolidation purposes are presented below:

	2019 £m	2018 £m
Statement of Comprehensive Income		
Rental income	**15.0**	16.1
Service charge income	**1.8**	1.5
Revenue from properties	**16.8**	17.6
Property outgoings	**(2.2)**	(1.8)
Service charge expenses	**(1.8)**	(1.5)
Property charges	**(4.0)**	(3.3)
Net property income	**12.8**	14.3
Administrative expenses	**(0.2)**	(0.4)
Operating profit before investment property valuation movements	**12.6**	13.9
Net revaluation deficit on investment properties	**(38.5)**	(10.0)
Operating (loss)/profit	**(25.9)**	3.9
Finance costs	**(6.8)**	(6.8)
Loss before tax	**(32.7)**	(2.9)
Current tax	**(1.2)**	(1.5)
Deferred tax	**6.3**	2.3
Tax credit for the year	**5.1**	0.8
Loss and total comprehensive loss for the year	**(27.6)**	(2.1)
Loss attributable to the Group	**(13.8)**	(1.1)

	2019 £m	2018 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**426.3**	457.4
Accrued income	**1.7**	2.1
Other receivables	**1.3**	1.3
	429.3	460.8
Cash and cash equivalents	**1.2**	2.6
Other current assets	**4.1**	3.9
Total assets	**434.6**	467.3
Current liabilities	**21.7**	15.5
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**37.7**	43.9
Total liabilities	**179.4**	179.4
Net assets	**255.2**	287.9
Net assets attributable to the Group	**127.6**	143.9

14 Investment in subsidiaries

	2019 £m	2018 £m
Shares in Group undertakings		
At 1 October	**1,160.9**	619.6
Additional share capital issued by subsidiaries	**77.4**	554.7
Impairment of shares in subsidiary	**-**	(13.4)
At 30 September	**1,238.3**	1,160.9

A number of subsidiaries issued share capital to the Company in both 2019 and 2018. All transactions were settled through intercompany indebtedness.

In 2018, Shaftesbury Charlotte Street Limited distributed £13.4 million to the Company following a capital reduction. Following this, the Company impaired its investment in this subsidiary.

The full list of the Company's subsidiary undertakings is presented below. Except where indicated otherwise, the Company owns, directly, all of the ordinary issued share capital:

Active subsidiaries:

Shaftesbury Carnaby PLC
Shaftesbury Covent Garden Limited
Shaftesbury Chinatown PLC
Shaftesbury Soho Limited
Shaftesbury AV Investment Limited
Shaftesbury AV Limited[1]
Shaftesbury CL Investment Limited
Shaftesbury CL Limited[1]
Helcon Limited[2]
Shaftesbury West End Limited

Dormant subsidiaries:

Carnaby Estate Holdings Limited
Carnaby Investments Limited
Carnaby Property Investments Limited[1]
Chinatown Estate Holdings Limited
Chinatown Property Investments Limited[1]
Covent Garden Estate Holdings Limited
Shaftesbury Covent Garden Property Investments Limited[1]
Shaftesbury Charlotte Street Limited
Charlotte Street Estate Holdings Limited
Chinatown London Limited
Shaftesbury Investments 1 Limited
Shaftesbury Investments 2 Limited
Shaftesbury Investments 4 Limited
Shaftesbury Investments 5 Limited
Shaftesbury Investments 6 Limited
Shaftesbury Investments 7 Limited
Shaftesbury Investments 8 Limited
Shaftesbury Investments 9 Limited
Shaftesbury Investments 10 Limited

1. 100% of the share capital of these subsidiaries is held by other Group companies.
2. This subsidiary is in the process of being voluntarily wound up in order to simplify the Group structure.

All of the companies are either engaged in property investment or dormant. They are incorporated in Great Britain and are registered in England and Wales. The registered office of the subsidiaries is the same as the Group, as set out on page 96.

15 Trade and other receivables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade receivables	**18.3**	16.2	**-**	-
Provision for expected credit losses	**(1.5)**	(1.2)	**-**	-
	16.8	15.0	**-**	-
Accrued income in respect of lease incentives (note 12)	**3.0**	2.3	**-**	-
Amounts due from subsidiaries	**-**	-	**37.5**	46.6
Amounts due from joint venture	**7.2**	3.9	**7.2**	3.9
Other taxation and social security	**-**	-	**2.0**	-
Prepayments	**7.6**	9.0	**0.6**	0.7
Other receivables	**0.5**	0.1	**0.5**	-
	35.1	30.3	**47.8**	51.2

Trade receivables represent amounts due from tenants. Within this balance is £3.4 million (2018: £2.6 million) owed for service charges.

Provisions against tenant receivables are calculated using a forward-looking expected credit loss model. In determining the provision, the Group considers both recent payment history and future expectations of possible default in order to recognise a lifetime expected credit loss allowance. At 30 September 2019, amounts due from tenants which were more than 90 days overdue totalled £2.7 million (2018: £2.6 million). Provisions against these overdue amounts totalled £1.5 million (2018: £1.0 million). The remaining balance is not considered to be impaired.

Cash deposits totalling £20.7 million (2018: £20.6 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents and are not included within the Group Balance Sheet.

16 Cash and cash equivalents

Cash and cash equivalents at 30 September 2019, comprising cash at bank, were £54.0 million (2018: £118.5 million) for the Group and £36.9 million (2018: £100.6 million) for the Company.

Non-current other receivables include £3.7 million at 30 September 2019 (2018: £3.7 million) which relate to cash held on deposit as security for certain secured term loans, and where there are certain conditions restricting their use.

17 Trade and other payables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Deferred rental income	23.0	22.2	-	-
Accruals and deferred service charge income	5.1	3.0	-	-
	28.1	25.2	-	-
Trade payables and accruals in respect of capital expenditure	3.5	2.7	-	-
Amounts due to subsidiaries	-	-	5.5	2.8
Other taxation and social security	2.9	5.1	1.2	1.3
Other payables and accruals	9.3	7.8	3.7	2.5
	43.8	40.8	10.4	6.6

Following the adoption of IFRS 15, the amounts included in the table above for deferred rental income and accruals and deferred service charge income have been disaggregated and disclosed separately. The 2018 figures have been restated accordingly. This had no impact on the net assets nor profit after tax reported for that year.

18 Borrowings

Group

	2019			2018		
	Nominal value £m	Unamortised issue costs £m	Book value £m	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	575.0	(4.9)	570.1	575.0	(5.3)	569.7
Secured bank facilities	-	(1.3)	(1.3)	-	(1.8)	(1.8)
Secured term loans	384.8	(3.8)	381.0	384.8	(4.1)	380.7
Total Group borrowings	959.8	(10.0)	949.8	959.8	(11.2)	948.6

Details of the Group's current financial position are discussed on page 57.

At 30 September 2019, there were no drawings against the Group's secured bank facilities (2018: none). The Group is still able to benefit from these committed revolving facilities, and as such, unamortised issue costs of £1.3 million (2018: £1.8 million) continue to be carried in the Balance Sheet.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £3,088.9 million (2018: £3,151.4 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

		Cash flows			
	1.10.2018 £m	Inflows £m	Outflows £m	Non-cash items £m	30.9.2019 £m
Non-current borrowings					
Mortgage bonds	575.0	-	-	-	575.0
Secured term loans	384.8	-	-	-	384.8
Loan issue costs	(11.2)	-	-	1.2	(10.0)
	948.6	-	-	1.2	949.8
Loan issue costs[1]	11.2	-	-	(1.2)	10.0
Cash & cash equivalents (note 16)	(118.5)	(97.8)	162.3	-	(54.0)
Net debt at 30 September 2019	841.3	(97.8)	162.3	-	905.8
Net debt at 30 September 2018	914.2	(286.9)	214.0	-	841.3

1. Loan issue costs are eliminated in the calculation of net debt.

18 Borrowings continued

Availability and maturity of borrowings

	2019			2018		
	Committed £m	Drawn £m	Undrawn £m	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	225.0	-	225.0	225.0	-	225.0
Repayable between 5 and 10 years	424.8	424.8	-	290.0	290.0	-
Repayable after 10 years	535.0	535.0	-	669.8	669.8	-
	1,184.8	959.8	225.0	1,184.8	959.8	225.0

Interest rate profile of interest bearing borrowings

	2019		2018	
	Debt £m	Interest rate	Debt £m	Interest rate
Fixed rate borrowings				
Secured term loans	384.8	3.85%	384.8	3.85%
Mortgage bonds 2027	290.0	2.35%	290.0	2.35%
Mortgage bonds 2031	285.0	2.49%	285.0	2.49%
Weighted average cost of drawn borrowings		2.99%		2.99%

The Group and Company also incur non-utilisation fees on undrawn facilities. At 30 September 2019, the weighted average charge on the undrawn facilities of £225.0 million (2018: £225.0 million) for the Group and Company was 0.66% (2018: 0.66%).

The weighted average credit margin on the Group and Company's secured bank facilities was 1.46% (2018: 1.46%).

Company

	2019			2018		
	Nominal value £m	Unamortised issue costs £m	Book value £m	Nominal value £m	Unamortised issue costs £m	Book value £m
Secured bank facilities	-	(1.3)	(1.3)	-	(1.8)	(1.8)
Total Company borrowings	-	(1.3)	(1.3)	-	(1.8)	(1.8)

At 30 September 2019, there were no drawings against the Company's secured bank facilities (2018: £Nil). The Company is still able to benefit from these committed revolving credit facilities, and as such, unamortised issue costs of £1.3 million (2018: £1.8 million) continue to be carried in the Balance Sheet.

Net debt reconciliation

		Cash flows			
	1.10.2018 £m	Inflows £m	Outflows £m	Non-cash items £m	30.9.2019 £m
Non-current borrowings					
Secured bank facilities	-	-	-	-	-
Loan issue costs	(1.8)	-	-	0.5	(1.3)
	(1.8)	-	-	0.5	(1.3)
Loan issue costs[1]	1.8	-	-	(0.5)	1.3
Cash & cash equivalents (note 16)	(100.6)	(71.0)	134.7	-	(36.9)
Net debt at 30 September 2019	(100.6)	(71.0)	134.7	-	(36.9)
Net debt at 30 September 2018	(25.8)	(342.0)	267.2	-	(100.6)

1. Loan issue costs are eliminated in the calculation of net debt.

Availability and maturity of borrowings

	2019			2018		
	Committed £m	Drawn £m	Undrawn £m	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	225.0	-	225.0	225.0	-	225.0

19 Financial instruments

Categories of financial instruments (book value)	2019 £m	2018 £m
Group		
Financial assets		
Trade and other receivables (note 15)	**16.8**	15.0
Amounts due from the joint venture (note 15)	**7.2**	3.9
Other receivables (note 16)	**3.7**	3.7
Cash and cash equivalents (note 16)	**54.0**	118.5
Current other receivables (note 15)	**0.5**	-
	82.2	141.1
Financial liabilities		
Trade and other payables - due within one year (note 17)	**(12.8)**	(10.5)
Interest bearing borrowings (note 18)	**(949.8)**	(948.6)
	(962.6)	(959.1)
Net financial instruments	**(880.4)**	(818.0)
Company		
Financial assets		
Amounts due from subsidiaries (note 15)	**37.5**	46.6
Amounts due from the joint venture (note 15)	**7.2**	3.9
Cash and cash equivalents (note 16)	**36.9**	100.6
Current other receivables (note 15)	**0.5**	-
	82.1	151.1
Financial liabilities		
Trade and other payables - due within one year (note 17)	**(3.7)**	(2.5)
Amounts due to subsidiaries (note 17)	**(5.5)**	(2.8)
Interest bearing borrowings (note 18)	**1.3**	1.8
	(7.9)	(3.5)
Net financial instruments	**74.2**	147.6

Other receivables relate to cash held on deposit, which have certain conditions restricting their use which are due between 2029 and 2035.

Other financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. The fair value of these financial instruments is £1,042.9 million (2018: £955.2 million). The difference between the fair value and the book value is not recognised in the reported results for the year. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy in IFRS 13.

The fair values of the Group's and Company's cash and cash equivalents, and those financial instruments included within trade and other receivables, interest bearing borrowings (excluding the mortgage bonds and the secured term loans), and trade and other payables are not materially different from the values at which they are carried in the financial statements.

19 Financial instruments continued

Contractual cash flows

The tables below summarise the undiscounted contractual cash flows arising on interest bearing financial liabilities based on conditions existing at the Balance Sheet date. The Group has no obligation to repay its mortgage bonds or secured term loans in advance of their maturities between 2027 and 2035.

Group

30 September 2019	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 18)	949.8	959.8	-	-	-	424.8	535.0
Interest	3.0	314.1	28.7	28.7	86.2	127.4	43.1
Total	952.8	1,273.9	28.7	28.7	86.2	552.2	578.1

30 September 2018	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 18)	948.6	959.8	-	-	-	290.0	669.8
Interest	3.0	342.9	28.7	28.7	86.2	136.8	62.5
Total	951.6	1,302.7	28.7	28.7	86.2	426.8	732.3

Company

30 September 2019	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 18)	(1.3)	-	-	-	-	-	-
Interest	0.1	0.1	0.1	-	-	-	-
Total	(1.2)	0.1	0.1	-	-	-	-

30 September 2018	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 18)	(1.8)	-	-	-	-	-	-
Interest	0.1	-	-	-	-	-	-
Total	(1.7)	-	-	-	-	-	-

Interest of £0.1 million at 30 September 2018 for the Company was paid within one year of that date.

Management of financial risks (Group and Company)

An overview of the Group's risk management policies and the principal risks and uncertainties is set out on pages 58 to 61. The disclosure below provides further detail regarding financial risk management.

Credit risk
Credit risk refers to the risk that a counterparty will default on their contractual obligations resulting in financial loss to the Group.

The Group reviews the creditworthiness of potential tenants prior to entering into contractual arrangements. The Group has a large and diverse tenant base so that tenant credit risk is widely spread. Where appropriate, tenants are required to provide cash deposits to mitigate the potential loss in the event of default. Tenant deposits are referred to in note 15.

Provision is made in full where recovery of financial assets is, in the opinion of the directors, uncertain. The carrying amount of financial assets, net of provisions for impairment, represents the Group's maximum exposure to credit risk. Financial assets that are neither past due nor impaired are expected to be fully recoverable. Details of the provisions for impairment for the Group's trade receivables are included in note 15.

Where cash is deposited with banks or financial institutions, the Group considers the counterparty credit rating and places amounts with different banks or financial institutions to spread counterparty credit risk. Deposits and liquidity requirements are reviewed on a weekly basis.

19 Financial instruments continued

Liquidity risk
The Board keeps under review the Group's funding requirements, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing commitments and to extend its portfolio through investment and acquisition of additional properties. The Group's capital structure and a summary of its funding strategy is set out in the Strategic Report on page 57.

Market risk
Interest rate risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs. The Group's policy is to minimise interest rate risk through long-term fixed rate debt. At 30 September 2019, the Group's drawn borrowings consisted entirely of fixed rate debt. Given this, the Group's exposure to changes in long-term interest rates and the potential impact on the Group's results and financial position is considered to be insignificant. The Board keeps under review the Group's interest rate risk, particularly in light of expectations of future interest rate movements.

Capital risk management
The capital structure of the Group consists of equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings is set out in note 18 and the Group's equity structure is set out in the Statement of Changes in Equity. The Group regularly reviews its loan covenant compliance.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The Group's capital structure such as levels of gearing and loan-to-value ratio are discussed in the Strategic Report on page 57.

20 Share capital

	2019 number million	2018 number million	**2019 £m**	2018 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**307.3**	279.0	**76.8**	69.8
Exercise of share options	**0.1**	0.4	**0.1**	0.1
Share placing	**-**	27.9	**-**	6.9
At 30 September	**307.4**	307.3	**76.9**	76.8

In 2018, 27,855,508 ordinary 25p shares were issued at £9.52 per share, raising £265.2 million. Transaction costs in connection with the issue, which amounted to £4.8 million, have been charged against share premium in accordance with the Companies Act 2006.

In respect of the equity issue, Invesco Asset Management Limited and Orosi (UK) Limited were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity placing in respect of 1,050,000 and 6,864,368 placing shares respectively, for a total consideration of approximately £9.996 million and £65.349 million respectively. These transactions were disclosed via the Regulatory News Service on 6 December 2017, in accordance with LR11.1.10R, and Shaftesbury PLC received written confirmation from its sponsor that the terms of the transactions were fair and reasonable as far as Shaftesbury PLC's shareholders were concerned.

21 Reserves

The Statement of Changes in Equity is set out on page 105.

The following describes the nature and purpose of each of the reserves within equity:

Reserve	Description and purpose
Share premium	Amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share-based payments reserve	Reserve used to recognise the value of equity-settled remuneration provided to employees.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income, net of dividends and adjustments for equity-settled remuneration.

The Company's retained earnings at 30 September 2019 include amounts distributable of £228.4 million (2018: £222.2 million).

22 Share-based remuneration

The Group operates a long-term incentive plan (LTIP), sharesave scheme (SAYE) and a deferred annual share bonus scheme (DASBS). A summary of the rules of the schemes is set out in the Remuneration Report on page 85.

LTIP and SAYE schemes

The following share options granted to executive directors and employees were outstanding at 30 September 2019:

Date of grant	At 1.10.2018	Awarded	Exercised	Lapsed	At 30.9.2019	Exercisable 30.9.2019	Option exercise price	Weighted average price at exercise	Exercise period
SAYE									
02.07.2014	23,419	-	(23,419)	-	-	-	£5.38	£7.84	2019
03.07.2015	6,050	-	(1,260)	(36)	4,754	-	£6.94	£9.07	2018-2020
01.07.2016	20,640	-	(8,496)	-	12,144	-	£7.41	£7.69	2019-2021
30.06.2017	14,953	-	(355)	(2,201)	12,397	-	£7.74	£9.07	2020-2022
29.06.2018	12,831	-	-	(2,376)	10,455	-	£7.57	-	2021-2023
28.06.2019	-	26,998	-	-	26,998	-	£6.63	-	2022-2024
LTIP 2016 scheme									
02.12.2015	138,800	-	(43,977)	(90,546)	4,277	4,277	Nil	£8.78	2018-2019
08.02.2016	224,225	-	(4,826)	(173,772)	45,627	-	Nil	£8.65	2020-2021
12.12.2016*	406,621	-	(14,550)	(471)	391,600	-	Nil	£9.07	2019-2022
12.12.2017	400,195	-	(13,545)	(7,624)	379,026	-	Nil	£9.07	2020-2023
LTIP 2018 scheme									
04.12.2018	-	456,470	-	(18,280)	438,190	-	Nil	-	2021-2024
	1,247,734	**483,468**	**(110,428)**	**(295,306)**	**1,325,468**	**4,277**			

* 391,600 share options will lapse at the vesting date in December 2019.

	At 1.10.2018	Awarded	Exercised	Lapsed	At 30.9.2019
Weighted average exercise price	£0.43	£0.37	£1.82	£0.12	£0.36
Weighted average remaining contractual life	2.6 years				2.7 years

The fair value of option grants is measured by Lane Clark & Peacock LLP, Actuaries & Consultants. For the grants made during the year, the main inputs and assumptions, and the resulting fair values, are as follows:

	SAYE 3 Year	SAYE 5 Year	LTIP
Grant date	28.6.19	28.6.19	4.12.18
Share price at date of grant	£8.03	£8.03	£8.65
Exercise price	£6.63	£6.63	Nil
Expected life of award (years)	3	5	3 or 5
Share return volatility (per annum)	14%	15%	16%
Risk free discount rate (per annum)	0.6%	0.6%	0.8%
Index return volatility (FTSE 350 REIT Index)	-	-	18%
Correlation between the Company's shares and those in the FTSE 350 REIT Index	-	-	81%
Dividend yield	2.1%	2.1%	-

	SAYE 3 Year	SAYE 5 Year	LTIP (TSR)	LTIP (NAV)	LTIP (TAR)
Fair values:					
SAYE	£1.36	£1.45	-	-	-
No holding period	-	-	£4.61	£8.65	£8.65
Contingent holding period	-	-	£4.52	£8.48	£8.48
Two year holding period	-	-	£4.38	£8.22	£8.22

The assumed volatility was determined taking into account factors including the historical volatility of the Company share price. Actual future volatility may differ, potentially significantly, from historic volatility.

The vesting conditions relating to options granted under the 2016 LTIP are described in the Annual Remuneration Report on page 90.

22 Share-based remuneration continued

Deferred annual share bonus scheme

	2019 Shares	2018 Shares
At 1 October	**598,868**	597,351
Awarded	**205,640**	208,914
Exercised	**(188,466)**	(207,397)
At 30 September	**616,042**	598,868

23 Dividends

	Pence per share			
	PID	Ordinary	2019 £m	2018 £m
Final dividend for:				
Year ended 30 September 2018	-	8.5p	**26.2**	-
Year ended 30 September 2017	-	8.1p	**-**	25.1
Interim dividend for:				
Year ended 30 September 2019	8.7p	-	**26.7**	-
Year ended 30 September 2018	8.3p	-	**-**	25.5
Dividends paid in the year			**52.9**	50.6

A final dividend of 9.0p per share was recommended by the Board on 25 November 2019. Subject to approval by shareholders at the 2020 AGM, the final dividend will be paid on 14 February 2020 to shareholders on the register at 17 January 2020. 5.25p of the dividend will be paid as a PID and 3.75p will be paid as an ordinary dividend. The dividend totalling £27.7 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2020. See page 55 of the Strategic Report for commentary on dividends.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 616,042 (2018: 598,868) ordinary shares during the year.

24 Cash flows from operating activities

	Group		Company	
Operating activities	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Profit before tax	**26.0**	175.5	**57.9**	73.5
Adjusted for:				
Lease incentives recognised (note 5)	**(2.3)**	(0.5)	**-**	-
Share-based payments	**0.9**	0.8	**0.9**	0.8
Depreciation (note 7)	**0.4**	0.4	**0.4**	0.4
Net revaluation deficit/(surplus) on investment properties (note 11)	**15.3**	(123.1)	**-**	-
Profit on disposal of investment properties (note 8)	**(2.8)**	(4.6)	**-**	-
Net finance costs	**30.5**	31.2	**0.9**	1.7
Administrative charges, finance charges, and dividends received from subsidiaries settled through intercompany indebtedness	**-**	-	**(71.9)**	(100.0)
Impairment of subsidiary (note 14)	**-**	-	**-**	13.4
Dividends received from joint venture (note 13)	**-**	-	**(2.5)**	(3.0)
Share of post-tax loss from joint venture (note 13)	**13.8**	1.1	**-**	-
Cash flows from operations before changes in working capital	**81.8**	80.8	**(14.3)**	(13.2)
Changes in working capital:				
Change in trade and other receivables	**(4.1)**	(5.1)	**(2.3)**	0.1
Change in trade and other payables	**2.1**	0.8	**0.2**	(2.8)
Cash generated from operating activities	**79.8**	76.5	**(16.4)**	(15.9)

See note 18 for the cash flow movement in net debt.

25 Performance measures

Earnings per share

	2019 Profit after tax £m	2019 Number of shares[1] million	2019 Earnings per share pence	2018 Profit after tax £m	2018 Number of shares[1] million	2018 Earnings per share pence
Basic	**26.0**	**307.4**	**8.5**	175.5	302.1	58.1
Dilutive effect of share options	**-**	**0.2**	**-**	-	0.3	(0.1)
Diluted	**26.0**	**307.6**	**8.5**	175.5	302.4	58.0

1. Weighted average

EPRA earnings per share

The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2019 Profit after tax £m	2019 Number of shares[1] million	2019 Earnings per share pence	2018 Profit after tax £m	2018 Number of shares[1] million	2018 Earnings per share pence
Basic	**26.0**	**307.4**	**8.5**	175.5	302.1	58.1
EPRA adjustments:						
Net revaluation deficit/(surplus) on investment properties (note 11)	**15.3**		**5.0**	(123.1)		(40.7)
Profit on disposal of investment properties (note 8)	**(2.8)**		**(0.9)**	(4.6)		(1.5)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**19.2**		**6.2**	5.0		1.6
Deferred tax	**(3.1)**		**(1.0)**	(1.1)		(0.4)
EPRA earnings	**54.6**	**307.4**	**17.8**	51.7	302.1	17.1

1. Weighted average

Adjusted earnings per share

	2019 Profit after tax £m	2019 Number of shares[1] million	2019 Earnings per share pence	2018 Profit after tax £m	2018 Number of shares[1] million	2018 Earnings per share pence
EPRA earnings	**54.6**	**307.4**	**17.8**	51.7	302.1	17.1
Charge for share options (note 7)	**1.2**		**0.4**	0.6		0.2
Adjusted earnings	**55.8**	**307.4**	**18.2**	52.3	302.1	17.3

1. Weighted average

Net asset value per share

The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2019 Net assets £m	2019 Number of ordinary shares million	2019 Net asset value per share £	2018 Net assets £m	2018 Number of ordinary shares million	2018 Net asset value per share £
Basic	**3,007.2**	**307.4**	**9.78**	3,033.0	307.3	9.87
Dilutive effect of share options	**0.5**	**0.3**		0.5	0.4	
Diluted	**3,007.7**	**307.7**	**9.77**	3,033.5	307.7	9.86
Deferred tax[1]	**13.6**		**0.05**	16.7		0.05
EPRA NAV	**3,021.3**	**307.7**	**9.82**	3,050.2	307.7	9.91
Deferred tax[1]	**(13.6)**		**(0.05)**	(16.7)		(0.05)
Difference between fair value and carrying value of debt:						
Secured term loans[1]	**(75.8)**		**(0.24)**	(34.5)		(0.11)
Mortgage bonds	**(17.9)**		**(0.06)**	32.0		0.10
EPRA NNNAV	**2,914.0**	**307.7**	**9.47**	3,031.0	307.7	9.85

1. Includes our 50% share of deferred tax and fair value of secured term loans in the joint venture.

The calculations of diluted net asset value per share show the potentially dilutive effect of share options outstanding at the Balance Sheet date and include the increase in shareholders' equity which would arise on the exercise of those options.

25 Performance measures continued

Total accounting return (TAR)

	2019 pence	2018 pence
Opening EPRA NAV (A)	**991.0**	952.0
Closing EPRA NAV	**982.0**	991.0
(Decrease)/increase in the year	**(9.0)**	39.0
Dividends paid in the year	**17.2**	16.4
TAR (B)	**8.2**	55.4
TAR % (B/A)	**0.8%**	5.8%

Combined portfolio

	2019 £m	2018 £m
Combined portfolio valuation		
Wholly-owned portfolio valuation (note 11)	**3,784.2**	3,727.0
Joint venture valuation	**209.0**	224.6
	3,993.2	3,951.6
Combined portfolio revaluation (deficits)/surplus and profits on disposal		
Wholly-owned portfolio revaluation (deficit)/surplus (note 11)	**(15.3)**	123.1
Joint venture revaluation deficit (note 13)	**(19.2)**	(5.0)
	(34.5)	118.1
Profit on disposal of investment properties (note 8)	**2.8**	4.6
	(31.7)	122.7

Financing ratios

	2019			2018		
	Wholly-owned business £m	Share of joint venture £m	Total £m	Wholly-owned business £m	Share of joint venture £m	Total £m
Loan-to-value and gearing						
Nominal value of debt	**959.8**	**60.0**	**1,019.8**	959.8	60.0	1,019.8
Cash and cash equivalents	**(54.0)**	**(0.6)**	**(54.6)**	(118.5)	(1.3)	(119.8)
Net debt (A)	**905.8**	**59.4**	**965.2**	841.3	58.7	900.0
Fair value of investment properties (B)	**3,784.2**	**209.0**	**3,993.2**	3,727.0	224.6	3,951.6
Loan-to-value (A/B)	**23.9%**	**28.4%**	**24.2%**	22.6%	26.1%	22.8%
EPRA net assets (C)			**3,021.2**			3,050.2
Gearing (A/C)			**31.9%**			29.5%
Interest cover						
Operating profit before investment property disposals and valuation movements (A)	**82.8**	**6.3**	**89.1**	80.1	7.0	87.1
Finance costs	**31.5**	**3.0**	**34.5**	32.0	2.8	34.8
Finance income	**(1.0)**	**-**	**(1.0)**	(0.8)	-	(0.8)
Net finance costs (B)	**30.5**	**3.0**	**33.5**	31.2	2.8	34.0
Interest cover (A/B)	**2.7x**	**2.1x**	**2.7x**	2.6x	2.5x	2.6x

For the wholly-owned group, the blended cost of debt is 3.2% (2018: 3.2%). This is calculated using the cost of drawn borrowings of 3.0% (2018: 3.0%) plus the cost of commitment fees on undrawn bank facilities of 0.7% (2018: 0.7%). At 30 September 2019, the undrawn bank facilities totalled £225.0 million (2018: £225.0 million).

For total debt, the blended cost of debt is 3.2% (2018: 3.2%) and includes the impact of our share of debt in our joint venture of £60 million (2018: £60 million), upon which interest is charged at 4.4% (2018: 4.4%).

See pages 54 and 56 in the Strategic Report for explanations of why we use these performance measures.

26 Operating leases

The Group as a lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases based on contracted rental income at the year end:

	2019 £m	2018 £m
Not later than one year	**110.2**	104.8
Later than one year but not later than five years	**274.6**	262.7
Later than five years but not later than ten years	**163.7**	155.9
Later than ten years	**166.1**	145.1
	714.6	668.5

The Group has over 1,250 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Typical lease terms are set out in the Strategic Report on pages 19 to 23.

The Company as a lessee

Future aggregate minimum payments in respect of a non-cancellable operating lease based on annual amounts payable at the year end:

	2019 £m	2018 £m
Not later than one year	**0.6**	0.4
Later than one year but not later than five years	**2.3**	1.6
Later than five years but not later than ten years	**2.6**	2.0
Later than ten years	**-**	0.2
	5.5	4.2

The Company leases its head office accommodation from a wholly-owned subsidiary.

27 Contingent liability

As announced on 11 June 2019, the Company has been served with legal proceedings issued by companies controlled by Mr Samuel Tak Lee. The proceedings concern allegations and claims relating to the equity placing conducted by the Company in December 2017. Mr Lee currently has an interest in approximately 26.32% of the Company's share capital. The claimants are seeking damages for their alleged losses in the region of £10.4 million.

The Board considers the claims to have no merit and intends to defend the allegations robustly. The legal process is expected to take place over the next 18 months.

28 Related party transactions

During the year, the Company received administrative fees, dividends and interest from its subsidiaries. The Company leases its office accommodation from a subsidiary and paid interest on amounts due to subsidiaries. The Company also received interest on a loan and administrative fees from the joint venture. These transactions are summarised below:

	2019 £m	2018 £m
Transactions with subsidiaries:		
Administrative fees receivable	**11.8**	10.5
Dividends receivable	**58.0**	83.8
Interest receivable	**2.1**	6.3
Interest payable	**0.1**	0.6
Rents payable	**0.4**	0.4
Amounts due from subsidiaries	**37.6**	46.6
Amounts due to subsidiaries	**(5.5)**	(2.8)
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Dividends receivable	**2.5**	3.0
Interest receivable	**0.3**	0.1
Amounts due from joint venture	**7.2**	3.9

All amounts are unsecured, repayable on demand and bear a market rate of interest. Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Annual Remuneration Report on pages 86 to 94, and below, there were no other transactions with directors.

See note 20 for disclosure of related party transactions regarding the share placing in the prior year.

28 Related party transactions continued

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below. Further information regarding the remuneration of individual directors is given in the Annual Remuneration Report on pages 86 to 94.

Directors' emoluments	2019 £m	2018 £m
Short-term employee benefits	**3.0**	2.9
Other long-term benefits	**0.9**	0.8
Share-based payments	**0.9**	0.4
	4.8	4.1

29 Significant accounting policies

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries.

Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to variable returns and has the ability to affect those returns through its power over the entity. All intercompany transactions and balances are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

In the Company's Balance Sheet, investments in subsidiaries are included at cost less any provision in respect of impairment loss.

Net property income

Rental income arises from operating leases granted to tenants. It is recognised on a straight-line basis over the term of the lease. Rental income uplifts arising as a result of rent reviews are recognised when agreement of terms is reasonably certain.

The cost of lease incentives offered to tenants to enter into a lease, typically initial rent-free periods, is recognised on a straight-line basis over the non-cancellable period of the lease, being the earlier of its expiry date or the date of the first break option.

Payments received from tenants to surrender their lease obligations are recognised immediately in the Group Statement of Comprehensive Income.

The Group's revenue from contracts with customers, as defined in IFRS 15, includes service charge income. Service charge income is recognised as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual services provided each reporting period are determined using costs incurred as the input method. As the Group acts as a principal, service charge income is shown gross in the financial statements.

Irrecoverable property costs, including vacant costs and other property expenditure, are expensed to the Statement of Comprehensive Income in the year to which they relate. Initial direct costs incurred in arranging an operating lease are added to the carrying value of investment properties, and are subsequently recognised as an expense over the lease term on the same basis as the lease income.

Employee benefits

Share option schemes
The Company administers a long-term incentive plan (LTIP) and a sharesave scheme (SAYE). The cost of granting share options to employees under these schemes is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant. The expense is recognised on a straight-line basis over the vesting period based on the number of options that are expected to vest.

The fair value of the long-term incentive plan is calculated using the modified binomial pricing model and the Monte Carlo simulation pricing model for the non-market based and market based conditions respectively. At each reporting period, the non-market based condition is reassessed and the impact, if any, of a revision to original estimates is recognised in the Statement of Comprehensive Income.

The fair value of the sharesave scheme is calculated using a modified binomial pricing model.

Deferred annual share bonus scheme
Under the Company's annual bonus scheme, employees have the option to take their annual bonus in either cash, or shares. Where employees opt to take the bonus in cash, it is expensed to the Statement of Comprehensive Income in the year in which it relates.

Where employees opt to take all, or part, of their bonus in shares, the Company offers a matching award of up to 50%, subject to continued employment throughout the performance period. The cost of the matching award is recognised on a straight-line basis over the performance period. The remaining expense is recognised in the year to which it relates. Leaver provisions during the performance period are set out in the Remuneration Policy which is available on the Company's website.

Pension contributions
Payments to defined contribution plans are charged as an expense to the Statement of Comprehensive Income as they fall due.

29 Significant accounting policies continued

Investment properties

Investment properties are initially recognised on acquisition at cost, including related acquisition costs, when the Group assumes control of the property. Investment properties are revalued annually to reflect fair value. Fair value is determined either by external professional valuers or by the directors in the case of properties sold shortly after the period end. The fair value, as determined by the valuers, is adjusted for unamortised lease incentive and letting cost balances.

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income. Depreciation is not provided in respect of investment properties.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in future economic benefits which are expected to accrue to the Group. All other property expenditure is written-off in the Statement of Comprehensive Income as incurred.

Premiums payable to tenants in connection with the surrender of their lease obligations are capitalised if they arise in connection with a value-enhancing project, otherwise they are recognised immediately in the Statement of Comprehensive Income.

Amounts received by way of compensation for dilapidations from tenants vacating properties are credited against the cost of reinstatement works. Where the Group has no intention of carrying out such works, the amounts received are credited to the Statement of Comprehensive Income.

Disposals of investment properties are recognised in the period when control of the property transfers to the buyer. Typically, disposal will either occur on unconditional exchange of contracts or completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange of contracts, control will not usually transfer until completion. Any gain or loss on disposal, being the difference between the net disposal proceeds and the carrying value of the property, is included in the Statement of Comprehensive Income in the period in which the property is derecognised.

All of the Group's leases to its tenants are operating leases except where the Group grants long leasehold interests to tenants, in which case, as substantially all the risks and rewards of ownership are transferred to the tenant, the property is not recognised as an investment property.

Acquisitions

Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Joint ventures

Joint ventures are those entities over which the Group has joint control, established by contractual agreement. The Group has one joint venture, the investment in which is accounted for using the equity method. On initial recognition the investment was recognised at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of, and dividends from, the joint venture. The Group's investment in the joint venture is presented separately on the Balance Sheet and the Group's share of the joint venture's post-tax profit or loss for the year is also presented separately in the Statement of Comprehensive Income.

Where there is an indication that the Group's investment in its joint venture may be impaired, the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the Statement of Comprehensive Income.

If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

In the Company's Balance Sheet, the investment in its joint venture is stated at cost less any provision for impairment loss.

Trade receivables and payables

Trade receivables and trade payables are recognised at fair value and subsequently held at amortised cost, less any provision for impairment in respect of trade receivables. The Group assesses expected credit losses for trade receivables on a forward-looking basis.

Tenant lease incentives are included in current trade and other receivables when the amounts to be charged against rental income fall within one year of the Balance Sheet date. Amounts which will be charged against rental income in more than one year are included in non-current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand bank deposits.

Cash held on deposit which has certain conditions restricting its use and is not available on demand, liquid or readily convertible, is classified within other receivables.

Borrowings and costs of raising finance

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently held at amortised cost. Issue costs and premiums are written-off to the Statement of Comprehensive Income using an effective interest rate method.

Alternative Performance Measures (APMs)

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

Set out below is a summary of APMs used in this Annual Report – some of which are EPRA performance measures, which are a set of standard disclosures for the property industry, as defined by EPRA in its Best Practice Recommendations.

APM	Nearest IFRS measure	Explanation and reconciliation
EPRA earnings and earnings per share	Profit and total comprehensive income for the year Basic earnings per share	Note 25 and Strategic Report (page 54)
Adjusted earnings per share	Basic earnings per share	Note 25 and Strategic Report (page 56)
Net asset value per share	Net assets attributable to shareholders	Note 25
Diluted net asset value per share	Net assets attributable to shareholders	Note 25
EPRA net assets and NAV	Net assets	Note 25 and Strategic Report (page 56)
EPRA triple net assets	Net assets	Below and note 25
EPRA triple NAV (NNNAV)	Net assets	Below and note 25
Total Accounting Return	N/A	Note 25 and Strategic Report (page 56)
Combined portfolio	Investment properties	Note 25 and Strategic Report (page 48)
Combined portfolio revaluation	Net surplus/deficit on revaluation of investment properties	Note 25 and Strategic Report (page 48)
Valuation growth/decline/decrease	Net surplus/deficit on revaluation of investment properties	Strategic Report (pages 48 and 50)
Net debt	Borrowings less cash and cash equivalents	Note 25 and Strategic Report (pages 54 and 57)
Loan-to-value (LTV)	N/A	Note 25 and Strategic Report (pages 54 and 57)
Gearing	N/A	Note 25 and Strategic Report (pages 54 and 57)
Blended cost of debt	N/A	Note 25 and Strategic Report (pages 54 and 57)
Interest cover	N/A	Note 25 and Strategic Report (pages 54 and 57)

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

EPRA Measures

The following is a summary of the EPRA performance measures included in this Annual Report. The measures are defined in the Glossary.

Measure	Definition	Page	2019	2018
Earnings	Earnings from operational activities, excluding fair value movements in respect of properties, profits on disposal of investment properties and deferred tax arising in our joint venture	119	**£54.6m**	£51.7m
Earnings per share	EPRA earnings per weighted average number of ordinary shares	119	**17.8p**	17.1p
Net assets	Net assets adjusted to remove deferred tax arising in our joint venture	119	**£3,021.3m**	£3,050.2m
NAV per share	Diluted EPRA net assets per share	119	**£9.82**	£9.91
Triple net assets	EPRA net assets adjusted to include the fair value of debt	119	**£2,914.0m**	£3,031.0m
Triple NAV (NNNAV)	Diluted triple net assets per share	119	**£9.47**	£9.85
Net Initial Yield (NIY)	Current annualised rental income less non-recoverable property costs as a % of property valuation plus assumed purchasers' costs	127	**2.70%**	2.68%
Topped-up NIY	NIY adjusted to reflect expiry of rent-free periods and stepped rents	127	**2.89%**	2.84%
Vacancy	ERV of vacant space as a % of ERV of all properties	51	**3.7%**	4.6%
Cost ratio	Total costs as a % of gross rental income - including direct vacancy cost Total costs as a % of gross rental income - excluding direct vacancy cost	125 125	**28.6%** **26.8%**	28.0% 26.6%

As disclosed in note 4 to the financial statements, the Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with restaurants, leisure and retail on the lower floors and small offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. Like-for-like calculations of growth in values and rents are therefore stated on an aggregated basis.

EPRA cost ratio

	Note	2019 £m	2018 £m
Gross rental income			
Revenue	5	**126.9**	122.1
Less: service charge income	5	**(9.6)**	(9.3)
Share of joint venture rental income	13	**7.5**	8.1
		124.8	120.9
Cost			
Property charges	6	**28.9**	28.3
Less: service charge expenses	6	**(9.6)**	(9.3)
Share of joint venture property expenses	13	**1.1**	0.9
Administrative expenses		**15.2**	13.7
Share of joint venture administrative expenses	13	**0.1**	0.2
Total costs		**35.7**	33.8
Vacant property costs	6	**(2.0)**	(1.4)
Share of joint venture vacant property costs		**(0.3)**	(0.3)
Total costs excluding vacant property costs		**33.4**	32.1
EPRA cost ratio (including vacant property costs)		**28.6%**	28.0%
EPRA cost ratio (excluding vacant property costs)		**26.8%**	26.6%

Note: We do not capitalise property nor administrative expenses.

Investment properties

Whilst our portfolio is geographically concentrated in London's West End, it is granular in nature, with c. 600, generally small buildings, often clustered in contiguous blocks. It is not practical to provide detailed property-by-property information recommended by EPRA's BPR. However, an analysis of our portfolio, split by destination and occupier use, is set out on pages 126 to 127.

We own 100% of our properties, except for property held by our Longmartin joint venture, in which we have a 50% interest. The breakdown of our wholly-owned portfolio between freehold and long leasehold ownership is set out on page 108.

At 30 September 2019, we had 843 commercial and 555 residential leases, with no individual tenant representing a material amount of our current annualised income. The ten largest commercial tenants represented just 9.8% of current annualised income. As our tenant base is so granular, we do not believe listing the top ten tenants, nor a detailed analysis of tenant business sector is useful. However, the analysis on pages 126 to 127 sets out details of income and rental values by destination and occupier use.

EPRA vacancy by occupier use is set out on page 51.

Like-for-like growth in annualised current income and ERV is set out on pages 49 and 50. Like-for-like growth in rental income is set out on page 55.

Development disclosures

Our wholly-owned portfolio is all within Conservation Areas and around 20% of our buildings are listed. We do not carry out material speculative developments. Our capital expenditure commitments are low, representing an average of around 1.0% of portfolio value p.a.. Included in this are numerous small schemes, and no one scheme is material.

At 30 September 2019, we had one larger scheme, details of which are set out on page 52. An overview of assets held for, or undergoing, refurbishment is set out on pages 52 to 53.

EPRA capital expenditure

	2019 £m	2018 £m
Group		
Acquisitions	**47.0**	167.8
Investment property capital expenditure		
- On acquisitions during the year	**-**	1.3
- On like-for-like portfolio	**30.9**	24.0
Joint venture (our 50% share)		
Investment property capital expenditure	**3.7**	2.4
	81.6	195.5

Details of acquisitions and capital expenditure in the year are set out on pages 52 to 53.

Portfolio analysis

At 30 September 2019		Note	Carnaby	Covent Garden	Chinatown	Soho
Portfolio	Fair value (£m)	1	1,437.7	1,036.5	843.9	314.1
	% of total fair value		36%	26%	21%	8%
	Current income (£m)	2	44.4	30.3	26.8	10.7
	ERV (£m)	3	60.8	39.0	31.8	12.1
Food, beverage and leisure	Number		68	98	92	33
	Area – sq. ft.		167,000	203,000	213,000	63,000
	% of current income	4	23%	40%	66%	40%
	% of ERV	4	23%	37%	63%	38%
	Average unexpired lease length – years	5	9	8	10	9
Shops	Number		101	98	49	35
	Area – sq. ft.		178,000	130,000	79,000	43,000
	% of current income	4	43%	28%	17%	27%
	% of ERV	4	40%	31%	20%	29%
	Average unexpired lease length – years	5	3	4	4	3
Offices	Area – sq. ft.		271,000	88,000	26,000	40,000
	% of current income	4	28%	11%	3%	16%
	% of ERV	4	31%	14%	3%	18%
	Average unexpired lease length – years	5	3	4	3	2
Residential	Number		113	219	154	68
	Area – sq. ft.		69,000	135,000	100,000	37,000
	% of current passing rent	4	6%	21%	14%	17%
	% of ERV	4	6%	18%	14%	15%

1 Shaftesbury Group's 50% share

Basis of valuation

At 30 September 2019	Note	Carnaby	Covent Garden	Chinatown	Soho
Overall initial yield	7	2.72%	2.55%	2.78%	2.85%
Topped-up initial yield	8	2.98%	2.75%	2.89%	2.97%
Overall equivalent yield	9	3.67%	3.28%	3.35%	3.45%
Tone of restaurant equivalent yields	10	3.40%-3.85%	3.35%-3.90%	3.40%-3.75%	3.40%-3.75%
Tone of restaurant ERVs - £ per sq. ft.	10	£120-£155	£60-£200	£270-£428 (ZA)	£120-£145
Tone of retail equivalent yields	10	3.35%-3.75%	3.00%-3.90%	3.40%-4.25%	3.50%-4.25%
Tone of retail ERVs - ITZA £ per sq. ft.	10	£125-£540	£110-£480	£150-£375	£165-£305
Tone of office equivalent yields	10	4.00%-4.50%	4.00%-4.25%	4.25%-4.50%	4.25%-4.50%
Tone of office ERVs - £ per sq. ft.	10	£58-£90	£50-£70	£43-£65	£53-£73
Average residential ERVs - £ per sq. ft. per annum	10	£53	£51	£44	£49

Fitzrovia	Wholly-owned portfolio	Longmartin[1]
152.0	3,784.2	209.0
4%	95%	5%
4.9	117.1	7.5
6.0	149.7	10.0
24	315	9
51,000	697,000	42,000
49%	40%	13%
50%	38%	15%
7	9	13
10	293	21
16,000	446,000	69,000
16%	30%	34%
16%	31%	35%
4	3	3
10,000	435,000	102,000
7%	16%	36%
8%	19%	36%
1	3	4
56	610	75
27,000	368,000	55,000
28%	14%	17%
26%	12%	14%

Fitzrovia	Wholly-owned portfolio	Longmartin
2.73%	2.70%	2.96%
2.73%	2.89%	3.17%
3.40%	3.47%	3.94%
3.35%-3.65%		4.00%-4.25%
£90-£125		£115-£145
3.40%-4.35%		3.75%-4.25%
£100-£215		£94-£600
4.00%-4.35%		4.00%-4.50%
£48-£60		£63-£80
£57		£51

Notes

1. The fair values at 30 September 2019 (the "valuation date") shown in respect of the individual villages are, in each case, the aggregate of the fair values of several different property interests located within close proximity which, for the purpose of this analysis, are combined to create each village. The different interests within each village were not valued as a single lot.
2. Current income includes total annualised actual and 'estimated income' reserved by leases. No rent is attributed to leases which were subject to rent-free periods at the valuation date. Current income does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. 'Estimated income' refers to gross estimated rental values in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.
3. ERV is the respective valuers' opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, reflecting the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Where appropriate, ERV assumes completion of developments which are reflected in the valuations. ERV does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings.
4. The percentage of current income and the percentage of ERV in each of the use sectors are expressed as a percentage of total income and total ERV for each village.
5. Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases and, where relevant, by reference to tenants' options to determine leases in advance of expiry through effluxion of time.
6. Where mixed uses occur within single leases, for the purpose of this analysis, the majority use by rental value has been adopted.
7. The initial yield is the net initial income at the valuation date expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at the valuation date.
8. The topped-up initial yield, ignoring contractual rent-free periods, has been calculated as if the contracted rent is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.
9. Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income discounted at this rate equals the capital outlay at values current as of the valuation date. The equivalent yield shown for each village has been calculated by merging together the cash flows and fair values of each of the different interests within each village and represents the average equivalent yield attributable to each village from this approach.
10. The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.
11. All commercial floor areas are net lettable. All residential floor areas are gross internal.
12. For presentation purposes some percentages have been rounded to the nearest integer.
13. The analysis includes accommodation which is awaiting, or undergoing, refurbishment or development and is not available for occupation at the date of valuation.

Summary report by the valuers

To the directors of Shaftesbury PLC

In accordance with your instructions, which were confirmed in our letter dated 9th April 2019 (the "Engagement") we have undertaken a valuation of the various commercial and residential freehold and long leasehold property interests as at 30th September 2019 (the "Valuation Date") held by Shaftesbury Carnaby PLC, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown PLC, Shaftesbury Soho Limited, Shaftesbury AV Limited, Shaftesbury CL Limited and Shaftesbury West End Limited, which are subsidiary companies (collectively referred to as the "Subsidiary Companies") of Shaftesbury PLC (the "Company"), as referred to in our Valuation Reports dated 22 November 2019 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between February and October 2019 and a number were subject to internal inspections.

We confirm that the valuations and Reports have been prepared in accordance with the RICS Valuation – Global Standards which incorporate the international Valuation Standards ("IVS") and the RICS Valuation UK National Supplement (the "RICS Red Book") edition current at the Valuation Date. It follows that the valuations are compliant with IVS. We confirm that all valuers who have contributed to the valuations have complied with the requirements of PS 1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuations competently. We confirm that Charles Smith has overall responsibility for the valuations and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuations. Finally, we confirm that we have undertaken the valuations acting as an External Valuer as defined in the RICS Red Book.

In accordance with PS 2.5 and UK VPS 3, we are required to make certain disclosures in connection with this valuation instruction and our relationship with the Company and the Subsidiary Companies. Charles Smith has been the signatory of valuation reports addressed to the Company and the Subsidiary Companies since 2013. Cushman & Wakefield Debenham Tie Leung Limited ("C&W") has been carrying out this valuation instruction for the Company, and now the Subsidiary Companies, for a continuous period since 1996. As well as preparing our Reports, we also undertake valuations of certain of the properties referred to in our Reports for other purposes, such as secured lending and for inclusion in shareholders' circulars.

On 1st September 2015, DTZ acquired Cushman & Wakefield and the combined group now trades under the Cushman & Wakefield brand. Cushman & Wakefield's financial year end is 31st December. The proportion of fees payable by the Company to the Cushman & Wakefield group in the financial year to 31st December 2018 was less than 5%. We anticipate that the proportion of fees payable by the Company to the Cushman & Wakefield group in the financial year to 31st December 2019 will remain at less than 5%.

Prior to 1st September 2015, there had been no fee-earning instructions between DTZ and the Company or the Subsidiary Companies, other than valuation instructions, for in excess of four years. Prior to 1st September 2015, Cushman & Wakefield were appointed as retail agents by Shaftesbury Soho Limited and Shaftesbury Carnaby PLC; this instruction ceased in 2017. In 2018, Cushman & Wakefield acted as letting agents on behalf of Shaftesbury Chinatown PLC in respect of restaurant accommodation in the property known as Central Cross. Cushman & Wakefield are currently retained by Shaftesbury Covent Garden Limited and Shaftesbury CL Limited to provide retail letting and professional advice.

In accordance with the provisions of VPS1 item 3 d) and VPGA 9 of the RICS Red Book edition current at the Valuation Date, in undertaking our valuations we have lotted together certain individual properties to form a separate property (each referred to as a "Property", collectively as the "Properties") in the manner we consider to be most likely to be adopted in the case of an actual sale. We consider that lotting the properties together on the basis reflected in our valuations would allow a purchaser to capitalise on the estate management advantages and opportunities available from such comprehensive ownership.

A high proportion of the total value of the Subsidiary Companies' properties and Properties is accounted for by properties and Properties situated in adjacent and/or adjoining locations in four specific areas of the West End of London: Carnaby Street and its environs, Chinatown and the adjoining area immediately west of Wardour Street (south of its junction with Shaftesbury Avenue), and the areas around Seven Dials in the western part of Covent Garden and a block of properties to the east of the Central Covent Garden Piazza with its main frontage to Wellington Street. These areas are all dominated by retail and restaurant uses. In our opinion, at the Valuation Date, this particular unusual confluence of ownership and use characteristics may cause some prospective purchasers to regard parts of the portfolio when combined as having a greater value than the aggregate of the individual values of the combined properties and Properties which make up those parts.

As required by the provisions of the RICS Red Book, in undertaking our valuations, we have valued each property or Property separately, rather than valuing the portfolio as a whole or in combinations of parts. The "total" valuation figure below is the aggregated value of the separate properties or Properties within the various categories of tenure referred to below.

All valuations were on the basis of Fair Value. We have assessed Fair Value in accordance with VPS4 item 7 of the RICS Red Book. Under these provisions, the term "Fair Value" means the definition adopted by the International Accounting Standards Board ("IASB") in IFRS 13, namely "The price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Under IFRS 13, The Fair Value Hierarchy, the properties we have valued are designated as Level 3 inputs. Level 3 inputs have been designated as unobservable inputs. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available. [IFRS 13:87-89].

Our opinion of the Fair Value of each of the properties and Properties has been primarily derived using comparable recent market transactions on arm's length terms.

We have not made any allowance for vendor's sale costs nor for any tax liabilities which may arise upon the disposal of any of the properties or Properties. We have made deductions to reflect purchasers' normal acquisition costs.

A full explanation of the Assumptions made in our valuations and details of the sources of information are contained within our Reports.

The Company, its managing agents or professional advisers have provided us with the floor areas of the properties or parts of properties.

We have read some of the leases and related documents provided to us in respect of the commercial properties. Where we have not read leases, we have relied on tenancy information provided by the Company, its managing agents or professional advisers.

Certain properties were subject to works of repair or refurbishment at 30th September 2019, or were subject to outstanding retentions and fees in respect of projects already completed at that date. In these instances, the Company advised us of the amount of the outstanding costs. The costs will be borne by the Company as they are not recoverable from tenants. We have reflected these costs in our valuations. The total amount of such costs is £43,511,000 and details of the individual sums are included in our Reports.

As referred to above, we have lotted together certain individual properties to form a number of separate Properties. In the case of five Properties which comprise a number of individual properties, the majority of such properties are held freehold but certain of them are held on long leases. In order to divide our valuation of these Properties between the categories of freehold and long leasehold, we have undertaken notional apportionments of value between the freehold elements and the long leasehold elements which together comprise the relevant Properties. The amounts arising from these notional apportionments of value have been included in the figures representing the freehold and long leasehold categories below. The amounts arising from the notional apportionments do not themselves represent the Fair Value of the two elements.

The Subsidiary Companies own a number of properties on a freehold basis where they also hold long leasehold interests within the freehold and have not merged the interests. For the purposes of the freehold/long leasehold split below, we have included such properties within the freehold category.

Having regard to the foregoing, we are of the opinion that the aggregates of the Fair Values, as at 30th September 2019, of the freehold and long leasehold property interests owned by the Company and the Subsidiary Companies, subject to the Assumptions and comments in our Reports dated 22 November 2019, were as follows:

Freehold Properties	£3,531,180,000 (Three billion, five hundred and thirty-one million, one hundred and eighty thousand pounds)
Long leasehold Properties	£253,035,000 (Two hundred and fifty-three million, thirty-five thousand pounds)
Total	£3,784,215,000 (Three billion, seven hundred and eighty-four million, two hundred and fifteen thousand pounds)

A long lease is one with an unexpired term in excess of 50 years.

The contents of our Reports, including this summary report, are confidential to Shaftesbury PLC, Shaftesbury Covent Garden Limited, Shaftesbury Carnaby PLC, Shaftesbury Chinatown PLC, Shaftesbury Soho Limited, Shaftesbury AV Limited, Shaftesbury CL Limited and Shaftesbury West End Limited, for their sole use only and for the Purpose of Valuation as stated in our Reports ("Purpose of Valuation").

You must not disclose the contents of our Reports to a third party in any way, including where we are not referred to by name or if our Reports or this summary report are to be combined with other reports, documents or information, without first obtaining our written approval to the form and context of the proposed disclosure in accordance with the terms of the Engagement. We will not approve any disclosure that does not refer adequately to the terms of the Engagement.

Our Reports or this summary report or any part of it may not be modified, altered (including altering the context in which the summary report is displayed) or reproduced without our prior written consent. Any person who breaches this provision shall indemnify us against all claims, costs, losses and expenses that we may suffer as a result of such breach.

We hereby exclude all liability arising from use of and/or reliance on our Reports or this summary report by any person or persons except as otherwise set out in the terms of the Engagement.

Our Reports and this summary report may be relied upon only in connection with the Purpose of Valuation stated and only by you.

Yours faithfully

Charles Smith MRICS
International Partner
RICS Registered Valuer

For and on behalf of
Cushman & Wakefield Debenham Tie Leung Limited

Non-financial information statement

We are not required to comply with the new non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. However the table below, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters. This builds on existing reporting that we already do under the following frameworks: Carbon Disclosure Project, Disclosure and Transparency Rules, Guidance on the Strategic Report (UK Financial Reporting Council), UN Global Compact, UN Sustainable Development Goals and UN Guiding Principles.

Reporting requirement	Related sustainability goal	Policies and standards which govern our approach[1, 2]	Further information
Environmental matters	The environmentally sustainable re-use and management of existing buildings	Sustainability policy	Sustainability, pages 29 to 35 Environment, pages 32 to 33 Greenhouse gas reporting, page 96
Employees	A fair and ethical framework for employees and our supply chain	Anti-bullying and harassment policy Disability policy Equal opportunities policy Health and safety policy	Our people, pages 36 to 47 Diversity and inclusion, pages 47 and 77 Health and safety, page 33 Nomination Committee report, pages 75 to 77
Human rights	A fair and ethical framework for employees and our supply chain	Modern Slavery and Human Trafficking Statement Statement of data protection principles Sustainability policy	Modern slavery and human rights, page 29 Sustainability and stakeholders, pages 29 to 35
Social matters	Invest in our local community A fair and ethical framework for employees and our supply chain	Community Investment Committee Terms of Reference Sustainability policy Supplier Code of Conduct	Social, pages 34 to 35 Sustainability, pages 29 to 35
Anti-corruption and anti-bribery	A fair and ethical framework for employees and our supply chain	Bribery and anti-corruption policy Whistleblowing policy Money laundering policy	Audit Committee report, pages 78 to 81 Modern slavery and human rights, page 29

1 Certain group policies and internal guidelines are not published externally
2 Further information is available on our website, including our Supplier Code of Conduct and our Sustainability Policy

Shareholder information

Corporate Timetable

Financial Calendar

Annual General Meeting and AGM statement	31 January 2020
2020 half year results	May 2020

Dividends and bond interest

Proposed 2019 final dividend:	
Ex-dividend	16 January 2020
Record date	17 January 2020
Payment date	14 February 2020
2020 interim dividend to be paid	July 2020
Bond interest	31 March and 30 September 2020

Effect of REIT status on payment of dividends

As a REIT, we do not pay UK corporation tax in respect of rental profits and chargeable gains relating to our property rental business. However, we are required to distribute at least 90% of the qualifying income (broadly calculated using the UK tax rules) as a PID.

Certain categories of shareholder may be able to receive the PID element of their dividends gross, without deduction of withholding tax. Categories which may claim this exemption include: UK companies, charities, local authorities, UK pension schemes and managers of PEPs, ISAs and Child Trust Funds.

Further information and the forms for completion to apply for PIDs to be paid gross are available on our website or from the registrar.

Where we pay an ordinary dividend this will be treated in the same way as dividends from non-REIT companies. The 2019 final dividend will be paid 5.25 pence as a PID and 3.75 pence as an ordinary dividend.

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Telephone 0371 384 2294 (International +44 121 415 7047). Lines open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

Shareholder accounts may be accessed online through www.shareview.co.uk. This gives secure access to account information instructions. There is also a Shareview dealing service which is a simple and convenient way to buy or sell shares in the Company.

Secretary and registered office

Penny Thomas LLB (Hons), FCIS
22 Ganton Street
Carnaby
London W1F 7FD

Glossary of terms

2018 Code
The FRC's UK Corporate Governance Code 2018, which will apply to the Company from 1 October 2019.

Alternative Performance Measure (APM)
A financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Annualised current income
Total annualised actual and 'estimated income' reserved by leases at a valuation date. No rent is attributed to leases which were subject to rent-free periods at that date. It does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. 'Estimated income' refers to gross ERVs in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.

Like-for-like growth in annualised current income is the change during a period, adjusted to remove the impact of acquisitions and disposals, expressed as a percentage of annualised current income at the start of the period.

Annual General Meeting (AGM)
Our AGM will be held on 31 January 2020 at Ham Yard Hotel, 1 Ham Yard, London, W1D 7DT.

BAME
Black, Asian, and minority ethnic.

Best Practices Recommendations (BPR)
Standards set out by EPRA to provide comparable reporting between investment property companies.

Blended cost of debt
Weighted average cost of drawn borrowings, plus non-utilisation fees on undrawn borrowings.

Building Research Establishment Environmental Assessment Method (BREEAM)
An environmental impact assessment method for commercial buildings. Performance is measured across a series of ratings: Pass, Very Good, Excellent and Outstanding.

Code
The FRC's UK Corporate Governance Code 2016.

Combined portfolio
The combination of our wholly-owned Investment properties and our 50% of Investment properties held In the Longmartin joint venture.

Compound Annual Growth Rate (CAGR)
The year-on-year growth rate of an investment over a specified period of time.

Conservation Area
A protected area of special architectural interest, the character or appearance of which is desirable to preserve or enhance.

CPI
Consumer Price Index.

Diluted net asset value per share
Net asset value per share taking into account the dilutive effect of potential vesting of share options.

DTR
The Financial Conduct Authority's Disclosure and Transparency Rules.

Energy Performance Certificate (EPC)
An asset rating setting out how energy efficient a building is, rated by its carbon dioxide emission on a scale of A to G, with A being the most energy efficient.

EPRA
European Public Real Estate Association.

EPRA adjustments
Standard adjustments to calculate EPRA measures, in accordance with its BPR.

EPRA cost ratio
Total costs as a percentage of gross rental income.

EPRA earnings
The level of recurring income arising from core operational activities. It excludes all items which are not relevant to the underlying and recurring portfolio performance.

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

EPRA net assets
Net assets adjusted for items that are not expected to crystallise in normal circumstances, such as the fair value of derivative financial instruments and deferred tax on property valuation surpluses. It includes additional equity if all vested share options were exercised.

EPRA NAV
EPRA net assets per share, including the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA triple net assets
EPRA net assets amended to include the fair value of financial instruments and debt.

EPRA NNNAV
EPRA NAV amended to include the fair value of financial instruments and debt.

EPRA vacancy
The rental value of available to let vacant property (excluding property which is held for, or undergoing, refurbishment), expressed as a percentage of ERV of the total portfolio.

Equivalent yield
Equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and non-recoverable expenditure but disregarding potential changes in market rents.

ESG
Environment, Social and Governance.

Estimated rental value (ERV)
ERV is the market rental value of properties owned by the group, estimated by the Group's valuers.

Like-for-like ERV growth is the change in ERV during a period, adjusted to remove the impact of acquisitions and disposals, expressed as a percentage of ERV at the start of the period.

ESOS
Energy Savings Opportunity Scheme.

Fair value
The amount at which an asset or liability could be exchanged between two knowledgeable, willing and unconnected parties in an arm's length transaction at the valuation date.

FCA
Financial Conduct Authority.

FRC
Financial Reporting Council.

GHG
Greenhouse gas emissions.

Gearing
Nominal value of group borrowings expressed as a percentage of EPRA net assets.

Global Real Estate Sustainability Benchmark (GRESB)
An organisation which measures and provides an Environmental, Social and Governance (ESG) benchmark for real estate and infrastructure investments across the world.

Gross Value Added (GVA)
An economic productivity metric measuring economic contribution to a sector or area.

IFRS
International Financial Reporting Standards.

Interest cover
Operating profit before investment property disposals and valuation movements, divided by finance costs net of finance income, excluding finance lease interest in the joint venture (where relevant).

Key Performance Indicator (KPI)
Activities aligned to business objectives against which the performance of the Group is assessed.

Like-for-like growth in rents receivable
The increase in rents receivable during an accounting period, adjusted to remove the impact of acquisitions, disposals and changes as a result of larger refurbishment schemes, expressed as a percentage of rents receivable in the corresponding previous accounting period.

Listed building
A building officially recognised as having special historical or architectural interest and therefore protected from demolition or alteration without prior approval.

Loan-to-value (LTV)
Nominal value of borrowings expressed as a percentage of the fair value of property assets.

London Benchmarking Group (LBG)
Global standard in measuring and managing corporate community investment.

London Inter-Bank Offered Rate (LIBOR)
Average rate of interest used in lending between banks on the London interbank market, which is used as a reference for setting interest rates on other loans.

Long Term Incentive Plan (LTIP)
An arrangement under which an employee is awarded options in the Company at nil cost, subject to a period of continued employment and the attainment of performance targets over a three-year vesting period.

Minimum Energy Efficiency Standards (MEES)
Applies to private rented residential and non-domestic property to encourage the improvement of the buildings' energy efficiency.

Net asset value (NAV)
Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date.

Net initial yield
Net initial income at the date of valuation expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents, rent charges and estimated irrecoverable outgoings.

Net Investment
Acquisitions and capital expenditure less disposals.

Property Income Distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Real Estate Investment Trust (REIT)
A REIT is a tax designation for an entity or group investing in real estate that reduces or eliminates corporation tax on rental profits and chargeable gains relating to the rental business, providing certain criteria obligations set out in tax legislation are met.

Reversionary potential
The amount by which ERV exceeds annualised current income, measured at a valuation date.

RPI
Retail Price Index.

SDG
UN Sustainable Development Goals.

Topped-up net initial yield
Net initial yield adjusted to assume rent-free periods or other unexpired lease incentives, such as discounted rent periods and stepped rents, have expired.

Total Accounting Return (TAR)
The change in EPRA NAV per ordinary share plus dividends paid per ordinary share during the period of calculation, expressed as a percentage of the EPRA NAV per share at the beginning of the period.

Total Shareholder Return (TSR)
The change in the market price of an ordinary share plus dividends reinvested expressed as a percentage of the share price at the beginning of the period.

Underlying EPRA vacancy
EPRA vacancy excluding completed exceptional larger refurbishment schemes.

Valuation growth/decline
The valuation movement and realised surpluses or deficits arising from the group's investment property portfolio expressed as a percentage return on the valuation at the beginning of the period adjusted, on a time weighted basis, for acquisitions, disposals and capital expenditure. When measured on a like-for-like basis, the calculation excludes those properties acquired or sold during the period.

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