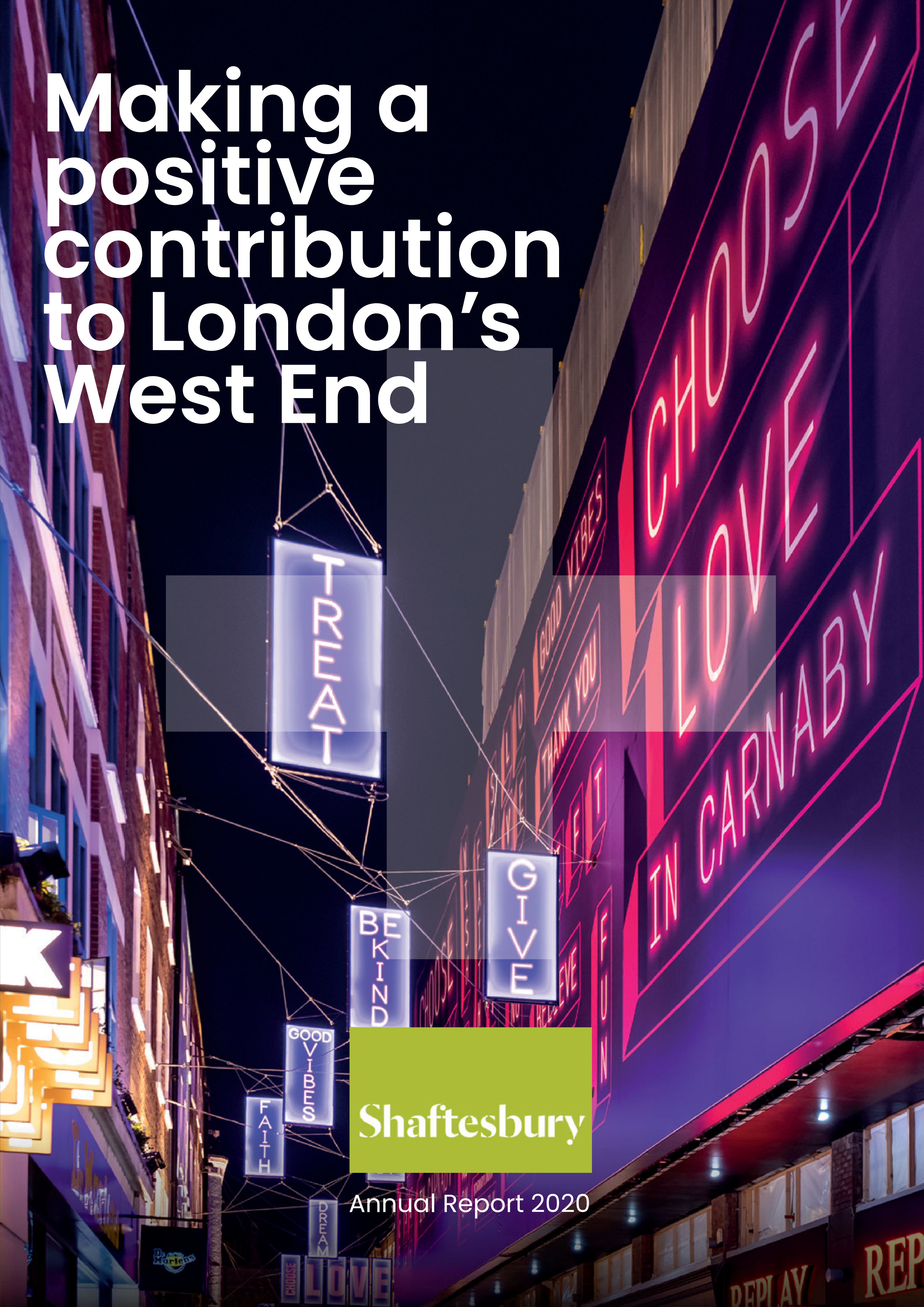
Making a positive contribution to London's West End



Shaftesbury

Annual Report 2020

Shaftesbury is a Real Estate Investment Trust (REIT) which invests exclusively in the heart of London's West End.

Our 16-acre ownership of c.600 buildings 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 is to curate vibrant and thriving villages, making great places even better for the benefit of our stakeholders.

Strategic report

Governance

Financial statements

Other information

Iconic villages

- CARNABY
- COVENT GARDEN
- CHINATOWN
- SOHO
- FITZROVIA

16.0 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
% of wholly-owned portfolio ERV

37%	FOOD, BEVERAGE AND LEISURE	0.7m sq ft
30%	RETAIL	0.4m sq ft
20%	OFFICES	0.4m sq ft
13%	RESIDENTIAL	0.4m sq ft

Talented and experienced team

39 employees

33% male

67% female

9 years average length of service

shaftesbury.co.uk

follow @shaftesburyplc

carnaby.co.uk
sevendials.co.uk
chinatown.co.uk
thisissoho.co.uk
theyardscoventgarden.co.uk

Q+A with the Chief Executive

Brian Bickell answers questions on our performance and activities during this challenging year, the evolution of our business and longer-term challenges and priorities

Q: What are your reflections on the year?

A: Rarely in history has the world seen such widespread disruption to normal patterns of life, which came without warning from the beginning of 2020. In the UK, since 2016 Brexit and its political ramifications dominated the national agenda but the result of the December 2019 general election brought certainty and early signs of a return of business and consumer confidence. However, this was short-lived, as concerns regarding the Covid-19 virus grew rapidly, and governments around the world introduced measures never before seen in peacetime to address the pandemic. Only now are we seeing the first positive signs that the crisis could recede in the year ahead. However, the social and economic consequences of the disruption we have all experienced this year will be important factors in the pace of recovery in the months and years ahead.

Q: How has London's West End been affected by the pandemic?

A: At the heart of one of the world's great cities, the West End's long record of success reflects its domestic and global appeal to businesses, visitors and residents. In normal times, its flourishing commercial and leisure economy draws over 200 million visits annually, which supports its rich and unrivalled offer of cultural and historic attractions, hospitality choices and shopping. The bedrock of this footfall are Londoners, its huge working population, and daily domestic leisure visitors.

Measures to contain the pandemic continue to have a material effect on normally busy city centres around the world. Since March, there has been a material and sustained reduction in the West End's economy as a result of measures imposed to contain the spread of Covid-19 infections as a consequence of:

- Advice to avoid unnecessary travel and use of public transport;
- For office-based workers, recommendation to avoid commuting and work from home wherever possible;
- Closure of non-essential retail and all hospitality from late March until the end of June, and again throughout November with capacity constraints when open to maintain social distancing;
- Continuing closure of theatres, bars and clubs, which has severely curtailed the West End's renowned evening and night-time economy; and
- A collapse in international leisure and business travel due to border control restrictions around the world.

“Although near-term challenges will be with us throughout 2021, I am confident we are well placed, both financially and operationally, to return to long-term prosperity and growth as the current global and local pandemic disruption recedes into history.”

Businesses across the West End which, either directly or indirectly, rely on its usually-predicable, exceptional daily levels of visitors and spending have seen their income and cash flow severely affected by this pandemic-related disruption, resulting in growing levels of vacancy and a significant reduction in demand for space due to uncertainty of the timing of a return to normalised conditions.

A large proportion of our 624 apartments are let to people from overseas, who come to London to work or study. Inevitably, as pandemic uncertainties grew, many chose for personal reasons to vacate and quickly return to their countries of origin.

Q: How has Shaftesbury responded to this unprecedented situation?

A: In our long-term management strategy for our villages, we have always recognised our responsibility to our commercial occupiers to ensure the trading environments we curate, and the support we offer, provide the conditions for their businesses to flourish. We are also conscious of our responsibilities to our residential tenants and a wide range of local stakeholders.

As soon as we saw the early, rapid impact of the pandemic in Chinatown, it became clear that we should offer occupiers across our locations, particularly those reliant on daily footfall, financial and other assistance to enable them to weather a prolonged period of business disruption and through the gradual return to more-normal trading. Similarly, we would support our residential tenants, including those from overseas who wished to return home or were affected by reduction or loss of employment income, as a result of the pandemic.

Extensive engagement with our commercial occupiers has focused on providing financial assistance tailored to their particular circumstances to give them the confidence to resume trading as and when conditions permit. This has principally been through rent waivers or deferrals, drawing on rent deposits and, where appropriate, restructuring and extending leases to provide greater certainty of occupation. We waived residential tenants’ notice periods if they needed to vacate early, or provided rental support where appropriate.

The safety of those who work in, visit or live in our locations has been paramount. Working with our occupiers, we have implemented social distancing protocols across our buildings and public streets and spaces, including provision of outdoor seating, enhanced cleaning, hand sanitiser stations, signage and advice on Covid-safe operating procedures.

Inevitably, our usual programme of events and activities to promote our locations and our occupiers’ businesses has been affected by Government restrictions on public gatherings. We have refocused our marketing activities to use social media channels to maintain public engagement with our areas and occupiers, and provide information and advice on changing Government guidance.

Q: How has this year’s financial performance been affected?

A: The first half of the financial year saw relatively normal operating conditions, with the pattern of rent collection and expenditure largely unaffected. However, there was a noticeable decline in new lettings and enquiries from mid-February as pandemic concerns grew and business confidence declined.

From March onwards, collections of rents and service charges have been materially affected by occupiers’ loss of trading and income. Despite Government financial assistance, and our own continuing initiatives to support occupiers, we are seeing an increase in business failures, and the handing back of space not only in our portfolio, but across the West End.

The uncertain near-term outlook is affecting the prospects of collecting arrears and increasing the risk of tenant insolvency, leading to a high level of charges for expected credit losses and impairment of lease incentive and deferred letting balances totalling £21.9 million at the year end.

As a consequence of the unprecedented operating conditions throughout the second half, net property income fell to £74.3 million, a reduction of £23.7 million compared with last year. After a revaluation deficit of £698.5 million, the loss after tax was £699.5 million (2019: profit: £26.0 million). EPRA earnings, which exclude revaluation gains and losses, declined to £29.4 million compared with £54.6 million in 2019.

Over the year, our portfolio valuation decreased on a like-for-like basis by 18.3% to £3.1 billion. This decline reflects the expected loss of income until operating conditions recover, an increase in vacancy across the West End, particularly of retail and hospitality space, and subdued demand for space, which together are affecting the near-term outlook for rental levels and investor demand. The valuation decreases in both our wholly-owned portfolio and the Longmartin joint venture were the main drivers in net assets declining by £726.6 million to £2,280.6 million. At 30 September 2020, EPRA NAV was £7.43 per share, down 24.3% over the year (2019: £9.82 per share).

Q: What steps have you taken to maintain the financial resilience of the business?

A: The Board has always followed a prudent, forward-looking approach to ensuring the Group maintains a resilient financial structure, with an appropriate mix of equity and debt to minimise risk and support its long-term strategy.

Since April, with much-reduced income collection and growing vacancy, our focus has been to conserve liquidity, reducing non-essential expenditure, placing a moratorium on new schemes and acquisitions, other than by exception. In addition, the Board took the difficult decision to suspend dividends in respect of the current financial year, with the intention of resuming distributions as soon as there is a sustained recovery in rental income to more-normal levels, whilst always complying with our REIT PID obligations. We have continued open and constructive discussions with our banks, term loan providers and bondholders to keep them appraised of operational conditions and the impact of Covid-19 disruption on their security. Where required, we have continued to agree waivers of income-related covenants.

Anticipating the consequences of a protracted period of pandemic-related disruption and recovery, and the potential near-term implications for revenue and property values, in October 2020, the Board announced a fully-underwritten equity issue to raise £297 million before costs, together with an open offer to raise a further £10 million. Completed in November, the issue was well-supported and raised £294.4 million net of costs which has reduced our leverage and refinancing and asset-related covenant risks, as well as providing working capital to fund forecast operating losses and capital expenditure until macro and local conditions stabilise and business confidence returns.

Q: How have you supported your team through the pandemic?

A: An important factor in Shaftesbury's long-term success has been the experience, local knowledge and commitment of our team, and an open culture with a clear set of values which guide behaviours across the business. Covid-19 disruption, and the priority of ensuring the safety of our people, has meant we have been unable to be physically together as a team since late March. Technology has enabled the business to continue to operate, and we have found ways to maintain close contact even while working remotely in this far from ideal situation. In particular, we have addressed well-being and stress issues, which arise in such unprecedented and uncertain times, with valued, spontaneous face-to-face interaction between colleagues being much reduced.

Being away from the office for an extended period has allowed us to rethink our internal structure and procedures and review our people reward arrangements, staff resource requirements and ways to build more flexibility into our working routine, in anticipation of returning to the office.

Q: How have sustainability priorities been addressed over the year?

A: Although Covid-19 issues have dominated our lives this year, we have not lost sight of the importance of advancing our initiatives to further reduce the environmental impacts of our business operations, including action to address the global climate change emergency, and ensuring our support for local communities responds to the particular challenges they have faced this year.

Our approach to the sustainable re-use of existing buildings, through repurposing and improving their environmental performance, is a fundamental aspect of our strategy. We have now set ambitious targets for reducing our own direct carbon emissions and will be announcing Science Based Targets and a net zero carbon target in 2021. Air quality, greening, freight and waste consolidation and working with our occupiers to help address their environmental challenges and opportunities, will continue to be priorities in the year ahead.

During the pandemic, together with neighbouring owners, we have worked with Westminster and Camden councils to support the recovery of local hospitality businesses with the provision of outdoor seating to supplement their trading. This initiative has involved pavement widening and partial road closures, which have been generally well received, and have demonstrated how carefully managed, permanent public realm measures can improve the local environment for both residents and visitors.

Collaborating with our occupiers, neighbours and other stakeholders is integral to our approach. Based in Carnaby, "working above the shop", provides us with first-hand knowledge of local issues and opportunities. The Board was conscious at the outset of the March lockdown that communities around us, especially young people, would face particular challenges. We established a Covid-19 Community Fund, supported by waivers of 20% of Board remuneration from April to July, which has provided financial and in-kind support of over £310,000 to support local groups addressing urgent needs across Westminster and Camden. Together with our other donations, time and in-kind donations of space, our community support this year amounted to £866,000.

Q: How are you positioning the business for recovery?

A: In the years to come, 2020 may be remembered as "The Covid-19 year which changed the world". The extent of disruption the pandemic is having on the institutions of Government, businesses and communities is challenging accepted certainties and norms, with long-term financial and other ramifications which are only now beginning to become apparent. We are already seeing an acceleration of pre-pandemic trends in retail, spending habits, working practices and, perhaps, most importantly, how the priorities and aspirations of the younger generation are changing.

Embracing change and innovation have always been part of Shaftesbury's DNA. Our skills and approach in repurposing our buildings to adapt to trends in occupier demand, curating our locations to meet the ever-changing expectations of businesses and the millions who visit, and collaborating with a wide range of stakeholders, will enable us to navigate a fast-moving operating environment. We are preparing further changes in the year ahead to ensure we have the skill sets, data and agility to deliver the continual evolution of our business model and operational strategy.

In the year ahead, the widespread distribution of effective vaccines will bring a gradual return of confidence and activity across the West End and, a recovery in domestic footfall and spending to our villages. At the present time, it is not possible to predict at what point conditions will improve but it is likely social distancing and other restrictions, with the risk of further lockdowns, will continue into the spring and possibly early summer, putting further financial strain on many of our occupiers. The overhang of unusually high vacancy across the West End will take time to be absorbed, but the particular appeal of our carefully-curated locations, our innovative mid-market offer, modest rents and flexible leasing terms, will be an important advantage for us. Once stability has returned, we will consider strategic acquisitions to our portfolio, and selective disposals of buildings no longer considered core to our long-term strategy.

The direct and immediate impact of restrictions to control the pandemic are being seen in cities across the country and much of the world. However, the economies of London and the West End have a long history of structural resilience, having weathered many episodes of challenges and uncertainties. Their unique features, which come from a culture of constant evolution across a broad-based economy, attracting talent, creativity, innovation and investment from across the world, will hasten their recovery and reinforce their enduring appeal to businesses, visitors and residents alike. The long-term prospects for our portfolio, located in the busiest and liveliest parts of the West End, are underpinned by these valuable qualities, together with the experience, innovation and enthusiasm our team bring to its management.

Although near-term challenges will be with us throughout 2021, I am confident we are well placed, both financially and operationally, to return to long-term prosperity and growth as the current global and local pandemic disruption recedes into history.

Brian Bickell

14 December 2020

Peter Lawrence Levy OBE

The Board of Shaftesbury was saddened to learn the death of Peter Levy, the Company's founder and former Chairman, in November, following a short illness.

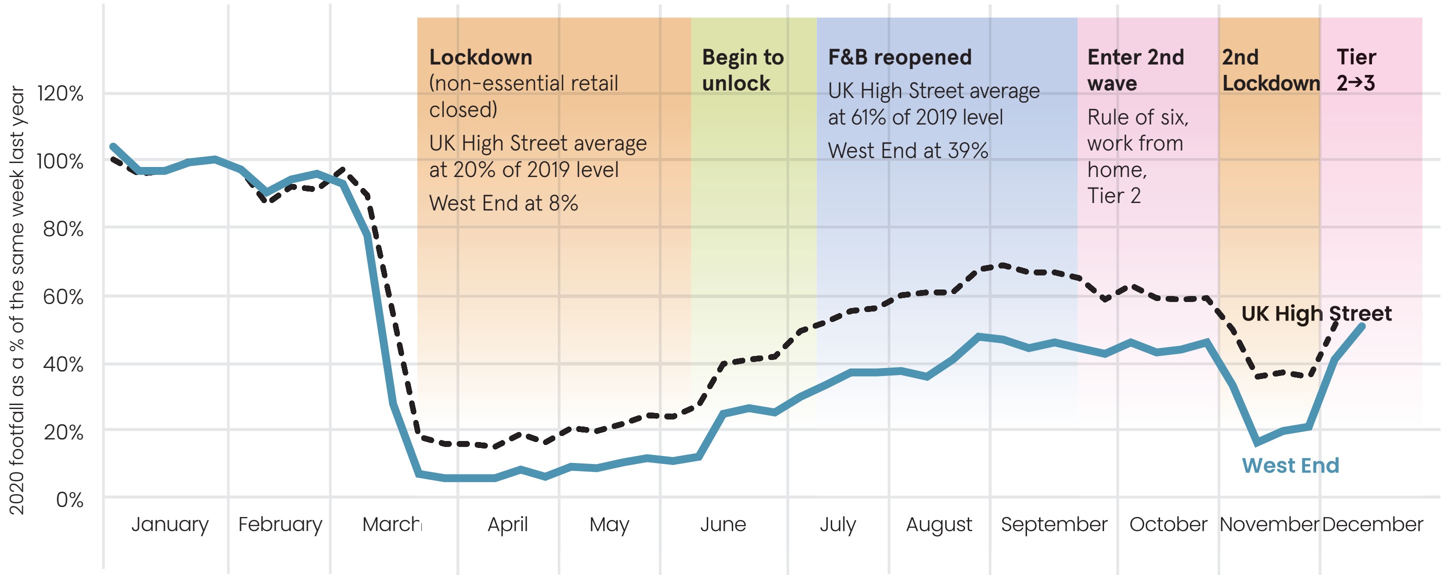
Peter and members of his family founded the Company in 1986, with an initial capital of £10 million. It was floated in October 1987. Peter chaired the Board until his retirement in September 2004.

Peter was widely-known and well-respected across the real estate sector, particularly as a partner in DE & J Levy, the West End estate agency started by his father and uncle in the 1930s. He had a wide range of charitable interests, including the Cystic Fibrosis Trust, where his fundraising was recognised with the award of an OBE.

"Shaftesbury's reputation, culture and values owe much to Peter's foresight and commitment in the formative years of the business. He will be greatly missed not only by his family but all those who were fortunate to know him and work alongside him."

Brian Bickell

Covid-19: impact and response



Source: New West End Company

Impact on West End footfall and trading

The success and prosperity of the West End is based on its huge, seven-days-a-week footfall comprising its large working population, residents and domestic and international visitors.

Inevitably, the Covid-19 pandemic and Government-imposed social distancing measures have had, and continue to have, a material adverse effect on normal patterns of footfall, activity and business in the West End.

From early February, growing reports regarding the rapid spread of the Covid-19 virus began to impact leasing activity, with a number of negotiations put on hold or terminated. From early March there was a noticeable decline in visitor numbers and spending, both in the West End generally and our locations. The Government formally announced a lockdown on 23 March, although in the West End most activity had already ceased.

Following the first lockdown, footfall began to build over the summer months, reaching around 50% of pre-Covid levels. This was particularly noticeable in the vicinity of Oxford Street and Regent Street, the West End's major shopping streets, and Carnaby, Soho and Leicester Square, its major dining and leisure destinations. In Seven Dials, after a slower start, footfall patterns recovered in line with these locations.

As Government restrictions tightened from mid-September, footfall decreased again and then largely evaporated during the second lockdown in November. Together with restrictions on hours of trade and social distancing, this had a very challenging impact on all consumer-facing, footfall-reliant businesses, which are inevitably cash-flow sensitive. Consequently, this has presented material operational and financial challenges for our occupiers, particularly those in our restaurants, cafés, pubs and shops. Office occupiers, particularly those with direct or indirect exposure to consumer-facing businesses, and residential tenants have also been affected, but to a lesser extent.

Covid-19 timeline

February 2020

- Global Covid-19 concerns grow
- Footfall and spending begin to decline, first in Chinatown, then across the West End
- Reduced leasing activity as global business confidence declines

March 2020

- Government restrictions to halt spread of Covid-19
- Footfall and commercial activity at negligible levels
- Construction activity halted

April –June 2020

- Plans begin to emerge for gradual relaxation of Government restrictions
- Non-essential retail allowed to open from June 15

In turn, these challenges have affected occupiers' ability to meet both rental and other lease obligations or remain solvent. For us, there have been a number of consequential outcomes:

- Rent collections have been significantly below normal levels. For the second half of our financial year, cash collections represented 53% of contracted income.

+ *Portfolio activity report: page 59*

- Reduced net property income as a result of rental income write-offs, impairment charges and additional costs, either due to increased vacancy or tenants' inability to pay for service charge expenditure. Net property income for the year was £74.3 million, down 24.2% year-on-year.

+ *Financial results: page 63*

- The amount of vacant space across the West End, in general, and in our portfolio, has increased significantly. At 30 September 2020, wholly-owned EPRA vacancy was 10.2%, compared with a 10-year pre-Covid average of 2.9%. By 30 November 2020, it had risen to 12.0%.

+ *Portfolio activity report: page 59*

- Occupational demand has slowed, with operators often not prepared to commit to leases until there is better visibility on the timing of the return to more-normal footfall and trading. The rental value of commercial leasing activity in the second half of our financial year was £4.8 million, compared with £16.9 million during the same period last year. Of the total, rent reviews accounted for £2.7 million.

+ *Portfolio activity report: page 59*

- The change in the balance between supply of, and demand for, space has led to pressure on rental levels. Together with general uncertainty, this has resulted in an 18.3% like-for-like decrease in the valuation of our wholly-owned portfolio in the year, most of which occurred since pandemic concerns first materialised.

+ *Portfolio valuation report: page 56*

- With more competition for occupiers, we are now having to incur more capital expenditure on our vacant food, beverage and retail units to maximise their letting prospects.

+ *Portfolio activity report: page 59*

The Government has announced that London and parts of the Home Counties will be moving to Tier 3 restrictions, beginning from 16 December 2020 until further notice. As a result, all hospitality businesses will close other than for takeaway or home delivery services and non-essential travel into or out of the Tier 3 area is discouraged.

Preserving long-term value by supporting tenants and maintaining occupancy

A key aspect of our strategic response has been to help our occupiers through this challenging period by providing financial and other practical support, alongside the Government's various initiatives such as the Coronavirus Business Interruption Loan scheme, business rates relief, furloughing employees, temporary VAT reductions and the "Eat Out to Help Out" scheme. Maintaining occupancy across our portfolio, wherever possible, will position Shaftesbury for sustained recovery over the medium and long-term, as the post-pandemic recovery progresses.

Our financial support predominantly has come through a combination of:

- Part waivers of contracted rents;
- Drawing on rental deposits, which we have not required to be replenished;
- Agreeing payment plans structured over a period which reflects a gradual return to more normal trading; and
- Restructuring and/or extending leases, to provide greater certainty for occupiers.

The eventual recovery of amounts deferred and outstanding will depend on tenants' ability to meet these commitments. The future viability of their businesses will be influenced by pandemic-related factors including further Government measures which could adversely affect trading conditions and the pace at which footfall and spending recovers.

From 1 October 2020, we have offered most commercial occupiers the option to pay rent and service charges monthly rather than quarterly in advance, in order to help align our revenue collection with occupiers' cash flows.

+ *Portfolio activity report: page 59*

July -August 2020

- F&B permitted to reopen on 4 July
- Improvement as local and domestic day visitors return, followed by gradual return of office workers
- F&B trade benefits from "Eat Out to Help Out" scheme
- Footfall approaching 50% of pre-pandemic level

September 2020

- Concerns over a second wave grow with extensive "local lockdowns" in Scotland, Wales and the North
- Government imposes national 10pm F&B curfew, new "rule of six" restricting size of groups and return to work guidance reversed

October 2020

- Government introduces new three-tier alert framework to address regional outbreaks. London was placed in tier two, the "High risk" tier, which means two or more households are not permitted to mix indoors

Food and beverage, leisure and retail

After an extended period of closure, most of our restaurants, cafés, pubs and shops reopened over the summer. They have adapted their operations to ensure effective social distancing measures are in place, and many have adopted revised trading hours to reflect footfall patterns. Food and beverage businesses have benefited from the use of outdoor seating, especially in our permanently pedestrianised streets and courtyards in Carnaby and Chinatown, as well as in streets where Westminster City Council granted temporary road closures and time-limited permissions to use external seating. The temporary closure by Camden Council of streets around Seven Dials outside servicing hours is presenting the opportunity to trial a traffic-reduction scheme. With the second UK lockdown in November 2020, virtually all our food, beverage and retail premises closed, other than for takeaway service, although these are now back open and trading.

Despite the improvement in footfall during the summer, many of the Group's occupiers, particularly retailers, continued to report considerably lower turnover than in normal conditions. The sustained return to the healthy trading volumes across the West End will depend on Government decisions on social distancing measures in light of the future course of the pandemic, a recovery of confidence in the use of public transport and a return to working in offices rather than from home. We have continued our dialogue with occupiers to agree bespoke packages of rental and other measures to support their recovery, including rent payment plans, waivers, deferrals, lease restructuring, service charge reductions and marketing initiatives.

In view of the uncertainty surrounding the timing of the return to more normal footfall and trading conditions in the West End and continuing Government restrictions, we extended our support arrangements to the end of 2020, and, for the period of the second lockdown, we provided further rent waivers. Now that London is to enter Tier 3 restrictions from 16 December 2020, we anticipate that further measures to support our occupiers will be required as trading conditions will be severely impacted during the important period leading up to Christmas and over the New Year, having already been disrupted by the second lockdown. The extent of any continuing measures of support will depend on the duration of these restrictions, as well as the prospects for the first half of 2021 and beyond.

Offices

Many of our office occupiers are SMEs operating in the media, creative, fashion and technology sectors, and which often have direct or indirect exposure to businesses which themselves have been affected significantly by the pandemic, such as those in retail, food and beverage, and the performing arts. Despite this, rent collections have been significantly less affected than from our retail, food and beverage tenants and, accordingly, limited concessions have been granted on a case-by-case basis. However, we have experienced an increase in leases not being renewed, leading to growing office vacancy.

+ *Portfolio activity report: page 59*

Residential

Typically, our 624 apartments are occupied by those seeking a base in the West End for either work or study, and are particularly popular with younger people from overseas. As a result of the first lockdown restrictions, many tenants chose to return home, leaving flats unoccupied. With the continuing uncertainty, many chose not to return to the UK for the time being and vacated permanently. In these circumstances, the Group waived any commitments under their tenancy agreements. Where appropriate, the Group is offering support to residential tenants to assist them in meeting their rental commitments.

Longmartin

Similar support has been granted by the Longmartin board to its food, beverage and retail occupiers, on a case-by-case basis.

Addressing financing risk

The adverse operating conditions impacted our financing arrangements with interest cover covenants under pressure, reduced loan-to-value headroom, an expectation that near-term liquidity needs would have to be funded by undrawn revolving facilities, upon which we were reliant on covenant waivers and increased refinancing risk. With financing risk elevated beyond the Board's tolerance, in November 2020, we increased our capital by £294.4 million, net of expenses, through an equity issue to ensure we maintain a strong financial base, are positioned to return to long-term growth as pandemic issues recede and, should conditions improve, have capacity for portfolio investment.

+ *Financing: page 67*

November 2020

- 2nd lockdown

December 2020

- 2nd national lockdown ends
- Stringent social distancing restrictions remain in place
- London back in Tier 2, rising to Tier 3 from 16 December
- Work at home advice

Outlook

- Risk of further/continuing restrictions and protracted recovery
- Vaccine possibility

Working with our other stakeholders

The importance of engaging and working collaboratively with our wide range of stakeholders has been more evident than ever during this challenging period.

We are ensuring appropriate service levels are maintained across our portfolio and have developed a comprehensive strategy to safeguard commercial occupiers, residents and visitors, as activity returns to our locations. This includes supplemental cleaning, hand sanitiser points, street and footfall management and signage. Occupier and visitor communications, as well as engagement with our local authorities are important aspects of this strategy.

Unlike most other city locations, the West End is unusual in its land ownerships. Our 16-acre portfolio is part of a patchwork of long-established privately-owned estates and other corporate owners. In addition, large areas are designated Business Improvement Districts, which bring together individual owners and their tenants. Together with our neighbours, we face common challenges arising from the impact of the pandemic, and are collaborating on initiatives to support the recovery of the West End.

Working with London & Partners, the Mayor of London's promotional organisation, we are part of a group of West End organisations funding the delivery of important marketing plans to encourage local and domestic leisure visitors back to London. While travel restrictions remain in place, London's international marketing is focused on reminding people about what makes London great to encourage them to visit when they are able to do so. Specifically for the West End, we are collaborating with other stakeholders on a campaign, #MyWestEnd, to encourage consumers back.

The pandemic period has presented challenges and opportunities for our team. We have focused on staff well-being, clear and regular communications, investment in technology, regular consultation and how we can return to normal life in the recovery period.

+ *Our people and culture: page 42*

Support for our local communities has continued, including the establishment of a fund to support our community partners and local not-for-profit organisations, and help people affected by Covid-19 within the boroughs of Westminster and Camden, which, to date, has provided financial and in-kind support of over £310,000. Funding for this initiative came from savings made following the Board's decision to waive 20% of executive director base salaries and pension contributions and non-executive director fees for the four months from 1 April 2020.

+ *Remuneration report: page 100*

Looking ahead to recovery

Recovery in footfall and business confidence will be dictated by the course of the pandemic in the short and medium term, and the consequential restrictions imposed by the UK and other governments. The advent of effective vaccines will boost confidence once widely available and hopefully quicken the recovery, although, at this stage, it is too soon to predict the timing of the return of confidence and footfall.

The pace of recovery in our villages will depend on:

- The end of tier 3 restrictions in London and surrounding areas;
- how quickly West End visitor volumes recover;
- the alleviation of social distancing measures;
- a recovery in public transport usage in and out of the West End, in light of the need to maintain social distancing;
- a return to more-normal levels of daily office workers in the West End;
- a resumption and recovery in international business travel and tourism to the West End; and
- the relaxation on restrictions which prevent or discourage leisure visits to the West End's visitor attractions, such as theatres, cinemas, galleries, museums and historical sites.

With continuing operational uncertainty for our occupiers, we expect EPRA vacancy across our portfolio to increase in the short term, which, along with availability of space across the West End, will continue to put near-term pressure on rental levels and valuations. However, as footfall builds and confidence recovers, occupier demand and vacancy will return to more normal levels. We are already seeing enquiries for space in our locations, but reflecting current market conditions, many potential occupiers are currently looking for a higher specification of landlord fit out and greater leasing flexibility.

We firmly believe that our support for tenants, through good times and bad, is a key part of our brand and our values, and will attract occupier demand in our carefully-curated, lively locations.

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

£3.3bn portfolio valuation[1]

TOTTENHAM COURT ROAD

GOODGE STREET

Fitzrovia

0.9 acres

4% of portfolio[2]

1. Combined portfolio including our 50% share of Longmartin
2. % of combined portfolio
3. Wholly-owned portfolio

Covent Garden
5.0 acres
25% of portfolio[2]

Longmartin
1.9 acres
5% of portfolio[2]

Chinatown
3.8 acres
21% of portfolio[2]

Soho
1.5 acres
8% of portfolio[2]

Carnaby
4.8 acres
37% of portfolio[2]

Exceptional portfolio in the heart

Virtually impossible-to-replicate portfolio

Our portfolio has been assembled over 34 years. The buildings we seek to acquire are typically in long-term private, rather than institutional, ownership and existing owners are generally averse to selling assets which have a long history of high occupancy, reliable cash flow and long-term growth prospects. Consequently, it would be virtually impossible now to assemble and replicate a portfolio such as ours in the West End.

Compound benefits of ownership clusters

Establishing and extending ownership clusters in our chosen locations enables us to implement a cohesive, long-term management strategy to unlock rental and capital value potential while compounding the benefits of individual improvements we make, such as increased footfall and spending, and higher rental tones, across our nearby holdings.

Structural imbalance between supply of, and demand for, space across the areas in which we invest

In the West End, listed building and conservation area legislation and local planning policies, together, limit the opportunity for large-scale redevelopment to increase the supply of new accommodation materially, particularly at lower-floor levels. Against a backdrop of constrained supply of space, there is a long history, in the West End, of good occupier demand from a wide variety of national and international occupiers for food, beverage, retail and leisure accommodation, particularly in our carefully-curated, affordable locations. Consequently, our portfolio has historically benefited from high occupancy levels and growing income, which together underpin the long-term prospects for rental growth.

Mixed-use buildings with management flexibility

Our portfolio of mostly smaller, mixed-use buildings provides considerable management flexibility. This includes the ability to improve, reconfigure and repurpose space, enabling us to adapt buildings to meet current demand and anticipate future market trends in occupier requirements.

Evolving the mix of uses is an important factor in the long-term growth in rental income and capital values. Over recent years, we have increased the number of interesting casual dining and leisure concepts in our villages through changes of use, repurposing less valuable retail space, extending existing units or by acquisition. Our 317 restaurants, cafés, pubs and bars are important drivers of footfall, dwell-time and trading in our villages and, at 30 September 2020, accounted for 37% of portfolio ERV, up from 32% at 30 September 2010. Over that same period, the proportion of ERV from retail has fallen from 40% to 30%.

Similarly, in recent years we have repurposed our smallest offices, which no longer meet the needs of modern businesses, to residential accommodation.

Carnaby

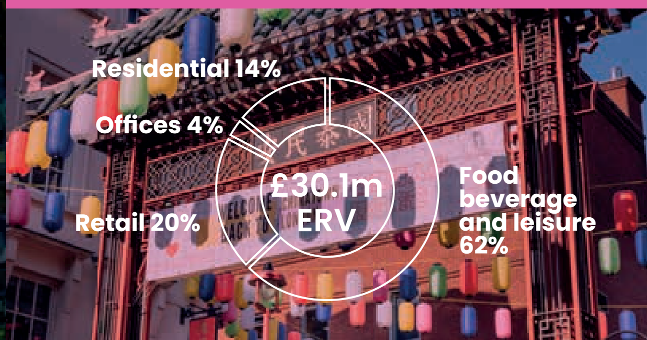
Valuation £1.2bn

Our largest village, 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", it has reinvented itself throughout the decades. Today, its 14 streets, the majority of which are pedestrianised for most of the day, showcase international and British labels, from flagships to independent brands and new concepts. It is also home to a lively cluster of restaurants, cafés and bars, centred on Kingly Court, Kingly Street and Ganton Street.

Chinatown

Valuation £0.7bn

Chinatown is a bustling village with a large far-eastern community at the heart of the West End's 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.



# of London's West End

Covent Garden

Valuation £0.8bn

Our wholly-owned properties in Covent Garden are located in Seven Dials, the Opera Quarter and the Coliseum area. Seven Dials comprises a seventeenth century network of streets, courtyards and warehouse buildings radiating from the sundial monument, which have a mix of shops, restaurants, cafés, bars, theatres and hotels.

To the east and west of the Covent Garden Piazza, the Opera Quarter and Coliseum holdings have a high concentration of restaurants, cafés and bars reflecting their close proximity to major theatres, cinemas and hotels.

Longmartin

Joint Venture

Valuation £0.2bn[1]

Longmartin owns a long leasehold interest in a 1.9-acre cluster of mixed-use buildings, centred on St Martin's Courtyard in Covent Garden. This offers a range of food, beverage and retail concepts, alongside 102,000 sq. ft. of office space and 75 apartments.

1 Our 50% share

Soho

Valuation £0.3bn

South of Oxford Street and between Regent Street and Covent Garden, Soho is home to many creative businesses, independent boutiques, iconic restaurants, cafés, bars, and clubs. 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 for visitors and the West End's large working population.

Fitzrovia

Valuation £0.1bn

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 are on, or close to, Charlotte Street and Goodge Street.

Food, beverage and leisure

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 and Neal's Yard. In our experience, a strong food and beverage offering has a halo effect on footfall, attracting visitors, increasing dwell time and driving improved trading in our villages.

Across our villages, we are able to provide a broad range of unit sizes, ensuring we can attract a wide spectrum of food and beverage occupiers. The majority of our restaurants provide casual dining, with a focus on ambience, quality and experience, often with an all-day offer. We favour mid-market and distinctive formats, often supporting new independent concepts or international entrants, rather than formulaic chains.

Restaurant tenants invest considerable sums fitting out their space, sometimes spending the equivalent of three to five 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 can be under-utilised and, where opportunities arise, in recent years, we have sought to negotiate the surrender of these leases to secure vacant possession. This has enabled 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, introduced more flexibility at expiry and included turnover-related rental top-ups, giving us the higher of market rent and a percentage of sales. Before the onset of the Covid-19 pandemic, this had provided a useful contribution to both income and earnings. We believe that these arrangements will continue to deliver value when normal trading conditions return.

+ *Covid-19: impact and response: page 6*

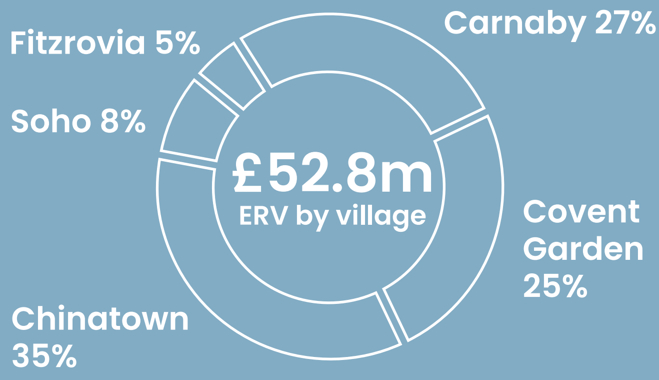
37% of our portfolio[2]

0.7m sq ft

317 restaurants, cafés, bars and pubs

8 years weighted average unexpired lease term[3]

£8.2m lettings/rent reviews[4]



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	Contribution to occupier fit out through rent-free period, and enhanced specification of accommodation, depending on market conditions

1. All data relates to wholly-owned portfolio
2. % of ERV
3. As at 30 September 2020
4. Leasing activity during the year ended 30 September 2020

Retail

A key element of the character of our villages is the wide range of shop sizes across the buildings and streets, from boutiques to larger flagships.

Ensuring we 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 formulaic national chains found in shopping centres and high streets. Many of our retail occupiers are independents, an important factor in making our villages distinctive destinations. There is a current trend away from "fast fashion", with shoppers in our areas preferring experience, wellness, sustainable products and brands with an ethical purpose.

Of our 294 shops, 72% by number are small to medium-sized (ERV < £150,000 p.a.). This allows us to provide a variety of rental levels and retail formats, from start-ups to more established operators, while offering retailers flexibility to expand or introduce new concepts within the villages. Crucially, retail rental tones in our high-footfall and spending locations are competitive compared with nearby streets.

We are seeing a trend 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 team is skilled in the reconfiguration and repurposing of space to alternative uses, which allows us to respond to this changing demand.

Retailers, particularly those exposed to structural changes in shopping habits, nationally and internationally, 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 villages, this provides the opportunity to assess performance and the value they add to our streets. Currently, we are receiving enquiries from occupiers looking to secure space in our locations for the longer term, but require initial concessionary rents and/or turnover-linked elements, gradually rising to market standard terms.

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 respond to these challenges.

➕ *Covid-19: impact and response: page 6*

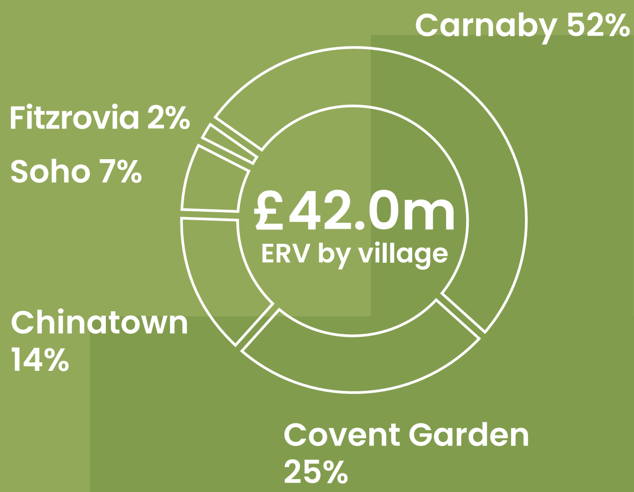
30% of our portfolio[2]

0.4m sq ft

294 shops

3 years weighted average unexpired lease term[3]

£6.9m lettings/rent reviews[4]



Typical lease terms

Smaller shops: 3-5 years

Larger shops: 5-10 years

Contribution to occupier fit out through short rent-free period, and enhanced specification of accommodation, depending on market conditions

1. All data relates to wholly-owned portfolio
2. % of ERV
3. As at 30 September 2020
4. Leasing activity during the year ended 30 September 2020

Offices

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 restaurants, cafés, pubs, bars and shops.

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

Typically, our offices are 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 average letting is 1,460 sq. ft. at £60 per sq. ft. (2019: £59 per sq. ft.) and average ERV is £63 per sq. ft. (2019: £65 per sq. ft.).

The pandemic has accelerated existing trends in the office market, with occupiers increasingly requiring fitted "plug and play" space and flexible lease terms. Furthermore, remote working may change the way offices are used once the pandemic recovery begins which may result in changes to space requirements. We are responding to new requirements by building on our successful trials of a flexible workspace concept which includes simple leases, fitted and cabled space, fixed costs and flexible terms. Our tenants' staff already benefit from privilege cards, offering discounts in our shops, restaurants and cafés and we are now considering how we can introduce more amenities, for example, cycle parking facilities, showers and managed meeting room space.

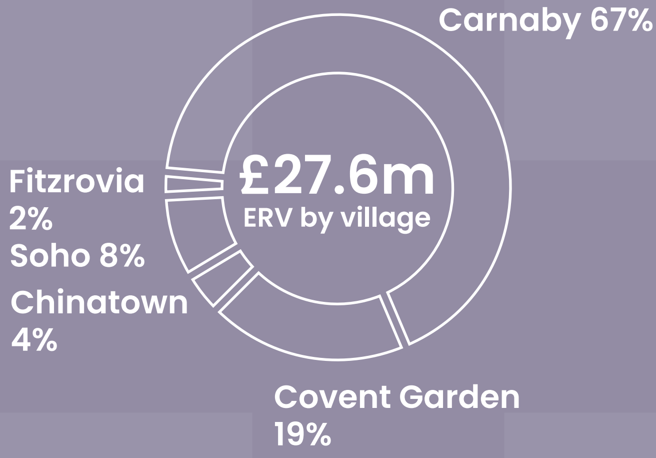
+ *Covid-19: impact and response: page 6*

20% of our portfolio[2]

0.4m sq ft

2 years weighted average unexpired lease term[3]

£2.5m lettings/rent reviews[4]



Typical lease terms

Standard smaller offices: 3-5 years

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

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

1. All data relates to wholly-owned portfolio
2. % of ERV
3. As at 30 September 2020
4. Leasing activity during the year ended 30 September 2020

Residential

Our tenants are typically students or people working in London, often for a few years only, who like the convenience and bustle of the West End and the sense of community of being part of one of our villages.

Our residential portfolio comprises mostly mid-market flats - mainly studios and one or two-bedroom apartments, many of which have been created from the conversion of small offices back to their original residential use.

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. Our experience is that, in normal times, there is a high incidence of leases that renew at the end of the term.

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

We have a rolling programme to upgrade our apartments. This presents opportunities to improve environmental performance, modernise layouts and upgrade their specification to ensure they remain competitive and to maintain high occupancy rates.

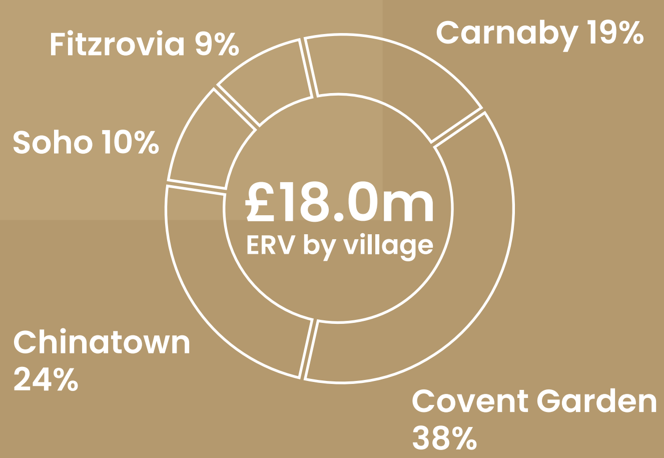
+ *Covid-19: impact and response: page 6*

13% of our portfolio[2]

0.4m sq ft

624 apartments

£6.0m lettings/rent reviews[3]



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. All data relates to wholly-owned portfolio
2. % of ERV
3. Leasing activity during the year ended 30 September 2020

Making a positive contribution +

Why London's West End?

London's pre-eminent position amongst the world's leading cities continues to underpin the long-term prospects for our portfolio, which is located in the heart of the West End, a vibrant and popular global destination.

London

9.3 million

London's population[1]

c. 23%

contribution to UK GVA[2]

315 million

domestic and international visits[3] in 2019

21.7 million

international tourist visits to London[4] in 2019

West End[5]

>200 million

annual visits to the West End[6]

c.754,000

working population in the City of Westminster[7]

Largest

evening & night time economy in the UK[7]

>200 million

passengers use the six Underground stations closest to our villages[8]

Global appeal brings prosperity a broad and resilient economic base

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. In 2019, it attracted an estimated 315 million domestic and international visits and its economy generates 23% of UK Gross Value Added (GVA).

The city's population is currently around 9.3 million, with growth to 10 million[1] by 2030. Additionally, there is a similar, and growing, population in southern England within easy commuting or visiting distance.

The huge numbers of people choosing to spend their time in London for work, rest and play brings prosperity and gives it a broad and resilient economic base which is not reliant solely on the fortunes of the wider UK economy.

Seven-days-a-week economy with access to an affluent, diverse customer base

The West End provides visitors with an all-round experience, from its unrivalled concentration of entertainment and cultural attractions, historic buildings and public spaces, to a world-class variety of shopping and some of London's best and most innovative restaurants, cafés, bars and clubs. It is also a location for a wide range of global, national and local businesses, and a popular place to live. This enduring appeal to a local, national and global audience has always been the cornerstone of its economy.

1 World population review 2020
2 Office for National Statistics; data for 2018
3 London & Partners
4 Statista
5 Data in normal times, pre Covid-19
6 New West End Company
7 City of Westminster
8 Transport for London

In normal times, it is estimated the West End attracts in excess of 200 million visits annually, comprising Londoners, a large working population of over 750,000 across a wide range of sectors, and exceptional numbers of domestic and international tourists. Together, they provide a dynamic and prosperous seven-days-a-week economy with access to an affluent, diverse customer base, and an economy, which is not solely reliant on national conditions and prospects. In turn, this drives sustained occupier demand in a market of constrained supply of commercial space which is fundamental to our portfolio's long-term prospects.

Close to high profile locations and at the heart of the transport network

Our villages are all close to high profile locations (such as Regent Street, Oxford Street and Leicester Square) and are at the heart of the capital's underground and bus network. The six underground stations closest to our villages handle over 200 million passengers annually. Over the longer term, our portfolio is well-placed to benefit from increased visits, spending and changing footfall patterns expected once the Elizabeth Line is fully operational. Whilst this has been delayed further, with the central section expected to be operational in 2022, when it is fully open, it will bring an additional 1.5 million people within 45 minutes of the West End.

Expectation of return to prosperity in the post-pandemic recovery

The broad-based economies of London and the West End have a long history of structural resilience, having weathered many episodes of challenges and uncertainties. In the post-pandemic recovery, we believe that these economic characteristics will underpin the return to prosperity and sustained long-term growth.

The Shaftesbury proposition
Making great places even better

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

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

✚ *Our people and culture: page 42*

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

- **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.**

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

✚ *Exceptional portfolio: page 10*

Experienced and innovative management team

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

✚ *Our people and culture: pages 53 to 55*

Long-term estate management strategy

- Focus on sustained income growth
- Adaptable portfolio with a mix of uses
- Modest capital expenditure model

✚ *Business model and strategy: page 22*

Long-term growth prospects

- Benefit from London's global city status, scale and economic outlook
- Exceptional locations bring long-term resilience

✚ *Why London's West End?: page 20*

Responsible

- Sustainable reuse of buildings
- Good relationships with occupiers, local authorities and communities
- Open and inclusive culture
- Effective governance and risk management

✚ *Environment: page 29; Stakeholder engagement: page 35; Our people and culture: page 42; Risk management: page 71; Governance: page 81*

Low risk

- Target stable long-term in-come and capital returns
- Prudent financial and risk management
- Tax-efficient REIT structure

✚ *Financing: page 67; Tax: page 64*

Business model and strategy

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

Resources

Exceptional portfolio

See pages 10 to 13

Experienced, innovative team

See pages 53 to 55

Financial resources

See pages 67 to 69

Strategy

Through the holistic, long-term curation of our villages we provide distinctive, welcoming environments for visitors, commercial occupiers and residents. The combination of high-footfall, ever-evolving curation and competitively-priced space which meets the needs of occupiers provides our restaurants, cafés, pubs and shops with the ingredients to trade prosperously. While the Covid-19 pandemic has disrupted this performance over recent months, we believe the fundamentals remain intact to return to growth once the effects of the pandemic have in all significant respects receded.

Underpinned by:

Effective governance and risk management

See pages 71 to 77, 80 to 117

Culture and values

See pages 42 to 44 , 84

Stakeholder relationships

See pages 40 to 41

Investment strategy

Invest exclusively in the heart of London's West End

- Concentrating on iconic, high-footfall locations close to its major employment locations, transport hubs and visitor attractions

Establish ownership clusters

- Compounding benefits of individual improvements across our nearby holdings

Mixed-use buildings, focused on food, beverage, retail and leisure

- Long history of occupier demand exceeding availability of space
- Offices and residential on upper floors
- Ecosystem of visitors, workers and residents provides footfall and life to our areas

+ *See pages 10 to 17*

Management strategy

Occupier selection

- Preference for mid-market, innovative formats, rather than formulaic national chains
- Favour new concepts, independent operators and international brands making their UK debut

+ *See pages 14 to 15*

Modern, flexible approach to leasing

- Offer occupiers greater flexibility and less onerous lease commitments
- Trial concepts on short leases

+ *See pages 14 to 16*

Improve, reconfigure and repurpose space

- Provide accommodation which meets current requirements and anticipates market trends
- Sustainable reuse of buildings and materials

+ *See pages 29-30, 61 to 62*

Promoting villages to a wide audience

- Targeted, multi-channel marketing
- Increased reach through collaboration with occupiers

+ *See pages 8 to 9, 35-37*

Improving the public realm

- Create safe and welcoming environments

+ *See page 62*

Engagement with local community and stakeholders

- Understand local expectations
- Good relationships with tenants, local authorities and local communities

+ *See pages 35 to 37*

Creating value through

- **Ensuring our areas remain distinctive, lively and popular**
- **Providing visitors with an interesting and enjoyable experience**
- **Attracting growing footfall and spending**
- **Sustained occupier demand**
- **High occupancy**
- **Adapting to ever-changing consumer trends and occupier requirements**
- **Unlocking latent value and enhancing long-term income prospects**
- **Extending buildings' useful economic lives**
- **Improving energy performance**

Our long-term strategic objectives

Our long-term strategic objectives, delivered through the combination of our resources and investment and management strategies, are:

- **Long-term growth in rents and portfolio value**
- **Grow recurring earnings and cash flow**
- **Minimise the environmental impact of our operations**
- **Attract, develop and retain talented people**
- **Deliver sustainable, long-term benefits for our stakeholders**

Together, our aim is to make a positive, long-lasting contribution to London's West End.

Near-term strategic priorities are designed with our long-term objectives in mind, rather than for short-term gain. Value creation and success against our strategic priorities and objectives are measured using KPIs, which are reflected in remuneration.

+ *See pages 24 to 26*

Measuring our performance

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. Performance in the current year, inevitably, has been dominated by the effects of the Covid-19 pandemic.

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 stakeholders

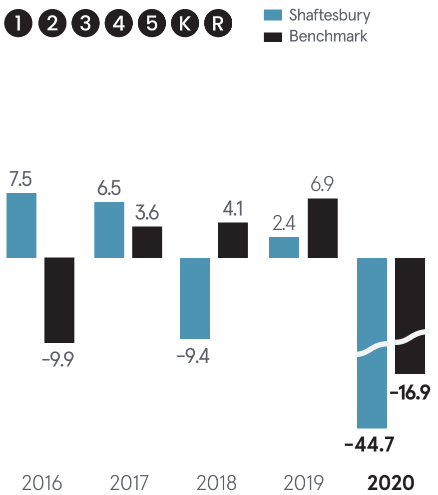
K KPI

R Remuneration

Business model and strategy: pages 22 to 23

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.

In 2020, our TSR was -44.7%, 27.8% below the benchmark, reflecting the decrease in our share price during the year, which was largely fuelled by the impacts of the Covid pandemic on the West End.

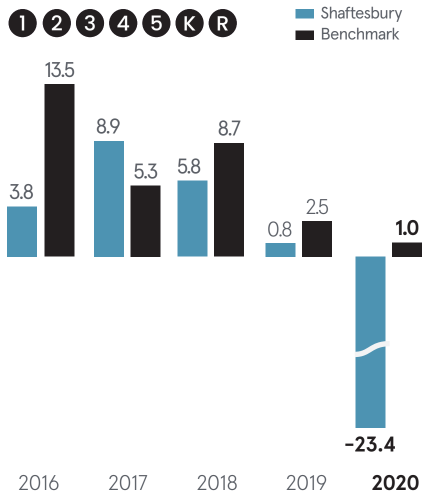
Covid-19: impact and response: page 6

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

Remuneration report: page 107

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 use a market capital-weighted index of FTSE 350 REITs.

In 2020, TAR was -23.4%, largely due to the decline in our property valuations, driven by the impact of the pandemic. The final dividend in respect of 2019 (9.0p per share) forms part of the return.

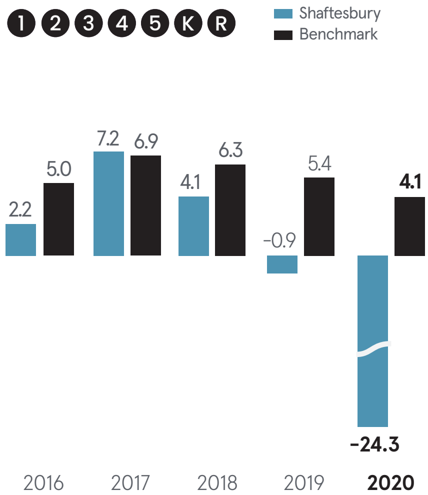
Portfolio valuation report: page 56

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

Remuneration report: page 107

EPRA NAV[1] growth (%)

1 2 3 4 5 K R



Traditional real estate measure of valuation creation. For our LTIP, we benchmark three-year growth in EPRA NAV on an absolute basis against RPi+3%.

Remuneration report: page 107

Following valuation declines, EPRA NAV decreased by 24.3% this year, underperforming the benchmark (+4.1%).

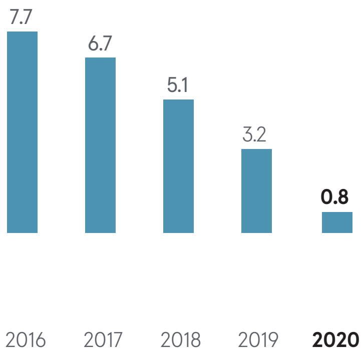
For 2021, we will adopt the new EPRA NTA metric rather than EPRA NAV. In 2020, EPRA NTA and EPRA NAV were the same.

Financial results: page 63
Portfolio valuation report: page 56

Rental growth

Commercial leasing vs ERV[2] (%)

1 2 K R



Our strategy has delivered 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.

While leasing activity was considerably lower than normal during the year, commercial leasing transactions were concluded 0.8% above ERV at September 2019.

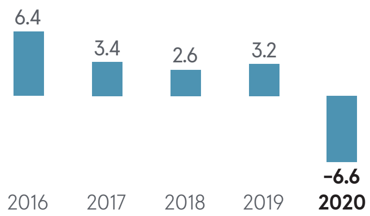
+ *Portfolio activity report: page 59*

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

+ *Remuneration report: page 108*

Like-for-like ERV growth[2] (%)

1 2 K R



Measures growth in the rental potential of our wholly-owned portfolio. In previous years, we included our 50% share of Longmartin in these figures on a proportionally consolidated basis. This year, we have presented the information for the wholly-owned portfolio only, in line with our reporting on valuations and our remuneration metrics. The comparatives have been restated accordingly.

+ *Portfolio valuation report: page 56*

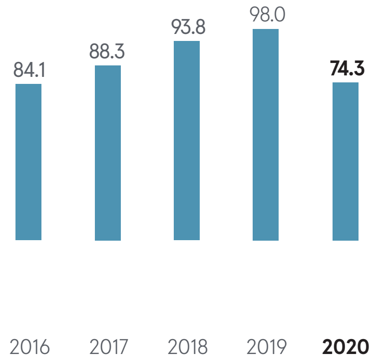
Like-for-like ERV growth is an annual bonus metric. In 2020, it was -6.6% with the impact of Covid-19 increasing vacant space across the West End and reducing near-term occupier demand, putting pressure on rental values.

+ *Remuneration report: page 108*

Income

Net property income (£m)

1 2 K R

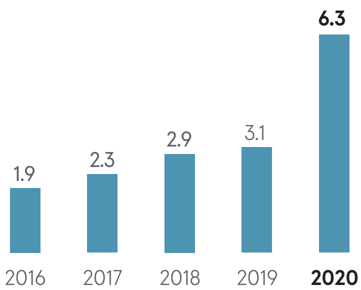


Growth in net property income is a key driver of earnings and dividends. This year, it decreased by 24.2% to £74.3 million largely due to rent waivers and Covid-19 related charges for expected credit losses and impairment. The relative increases in rental income and associated property outgoings are assessed as a bonus metric. In 2020, the ratio of property outgoings to rental income (before the charges noted above) decreased from 16.5% to 15.9%.

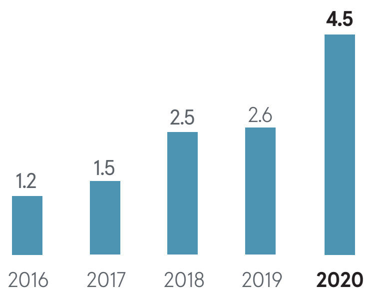
+ *Financial results: page 63*
+ *Remuneration report: page 108*

Occupancy

Quarterly average underlying EPRA vacancy[2] (%) 1 2 K R



Weighted average vacant period[2] (months) 1 2 K R



High occupancy and letting property quickly are key factors in sustaining good cash flows from our portfolio. In 2020, EPRA vacancy increased from 3.2% to 10.2%, due to the impact of the Covid-19 pandemic, including a reduction in leasing activity, space handed back by commercial tenants and an increase in vacant apartments. Consequently, quarterly average underlying EPRA vacancy - a measure for the annual bonus - was up from 3.1% to 6.3%.

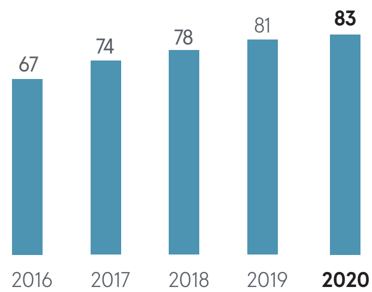
The average time that space has been available-to-let during the year, weighted by the ERV of that space, also is a measure for the annual bonus. This year, it was up by 1.9 months to 4.5 months, with the Covid-19 pandemic adversely impacting occupier demand.

+ *Portfolio activity report: page 59*
+ *Remuneration report: page 108*

Energy performance

% of demises 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 two percentage points to 83%.

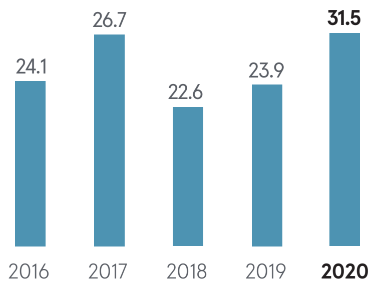
+ *See page 29*

1 Alternative performance measure
2 Wholly-owned portfolio
3 Excluding exceptional larger schemes

Financial management

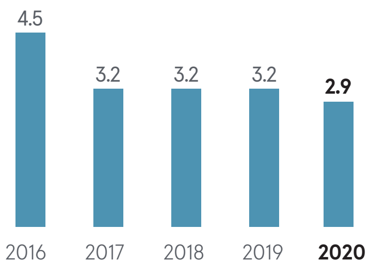
Loan-to-value[1,3] (%)

5



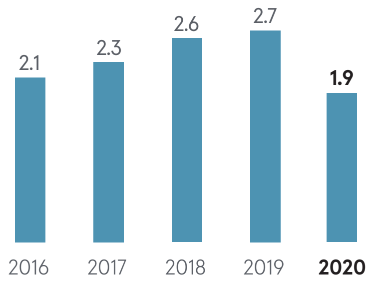
Blended cost of debt[2,3] (%)

2 5



Interest cover[3] (x)

2 5



We operate with conservative leverage levels with long-term fixed interest arrangements forming the core of our debt finance. In 2020, our loan-to-value ratio increased to 31.5%, predominantly due to an 18.3% like-for-like decrease in the portfolio valuation. Since 30 September 2020, we increased our financial resources by £294.4 million through an issue of equity. On a pro forma basis, our loan-to-value ratio decreased to 22.1%.

The blended cost of debt reduced from 3.2% to 2.9% during the year, following drawings made on our revolving credit facilities, which had a lower marginal cost than our existing long-term borrowings. However, with net property income decreasing due to the impact of the Covid pandemic growing, operating profit before investment property disposals and valuation movements decreased from £82.8 million to £59.9 million, leading to a decrease in interest cover to 1.9 times.

+ *Financing: page 67; Financial results: page 63*

Other operational measures

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

Portfolio management	2020	2019
Growth in annualised current income 1 + *See page 57*	**(6.4)%**	2.4%
Reversionary potential 1 + *See page 57*	**27.7%**	27.8%
ERV of space undergoing refurbishment 1 5 + *See page 61*	**10.1%**	10.4%

Our people	2020	2019
Staff retention 3 + *See page 43*	**92%**	97%

Financial	2020	2019
EPRA earnings per share[3] 2 + *See page 63*	**9.6p**	17.8p

Sustainability and stakeholders	2020	2019
GRESB rating 4 R K + *See page 28*	**64%**	75%
EPRA Sustainability BPR rating 4 R K + *See page 28*	**Gold**	Gold
London Benchmarking Group contribution as a % of EPRA earnings 5 + *See page 4*	**2.9%**	**1.5%**

1 Based on net debt
2 Including non-utilisation fees on undrawn bank facilities
3 Alternative performance measure

Sustainability

We are committed to being a responsible business. For us, that means investing for the long term, continuing to support our local communities and operating in an environmentally sustainable manner.

At the heart of our sustainability strategy is the long held policy of reducing the environmental impact of our operations by extending the useful economic lives of our buildings, through refurbishment, change of use and reconfiguration. This enables us to protect the unique heritage of the West End whilst improving the energy efficiency of our buildings and minimising the carbon emissions and waste that inevitably come with new construction.

Our corporate values recognise the importance of being 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 local charities and not-for-profit organisations to help them address these challenges. By partnering with grassroots operations, we can rely on their expertise to maximise the value of our support.

As a society, we're at a crossroads for sustainability. The impact of climate change, biodiversity loss and social inequality is being felt across the world. In response, governments, communities and businesses are taking action.

As a responsible business, we are committed to making a positive impact. This is the right thing to do for our planet, our stakeholders and our business.

We utilise the full reach of our operations, our influence over partner organisations and the unique profile of our villages to achieve meaningful environmental and social outcomes. We believe that small actions add up and through our relationships we can have more impact than acting alone.

With much achieved to date, in 2021, we will take our sustainability aspirations to the next level. We will commit our business to long-term targets on carbon emissions and to continue working with our partners to make progress against the UN Sustainable Development Goals (SDGs).

As the demand for ethical consumption grows, we want to be the destination of choice for sustainable businesses in the West End. The pandemic has had a serious impact on our business, but our commitment to sustainability remains as strong as ever.

UN Sustainable Development Goals and Global Compact

WE SUPPORT

We support the ten principles of the UN Global Compact on human rights, labour, environment and anti-corruption. We became a signatory in February 2015 and have since annually reviewed and updated our Sustainability Policy to reflect our commitment. We have identified the Sustainable Development Goals that are most relevant to our business, integrating them into our sustainability policies and targets. Our Sustainability Data Report, which is available on our website, contains our UN Global Compact Communication on Progress.

Embedding sustainability in our business

Sustainability is embedded into our business and considered in major strategic and operational decisions. To continually improve environmental performance across our operations, we set annual targets and communicate our sustainability policies to our wide range of advisors, suppliers, occupiers and stakeholders. We believe that good governance also includes transparency and our Sustainability Policy is available on our website. This policy details our minimum expectations, our reporting requirements, and sets out annual performance including energy, carbon, water, waste and material use.

This year, we recruited a Head of Sustainability, who is responsible for setting and coordinating our strategy. We have a Sustainability Committee, chaired by our CEO, at which staff from across the business consider all aspects of sustainability and review our policies. Our external sustainability advisor attends committee meetings to provide independent review and analysis.

Community engagement activities are coordinated by the Community Investment Committee, ensuring that we have a fair and consistent approach to the allocation of funds and in-kind support.

Our sustainability strategy, policies, action plan and overall performance are reviewed and considered annually by the Board. Progress against the strategy and material changes to sustainability related risks, including climate change, are considered by the Risk Committee and the Board.

+ *Community activities: pages 36 and 37*
+ *Environmental activities: page 29*

Sustainability Data Report

A full update of progress against our sustainability targets and associated data for the year ended 30 September 2020 can be found in our Sustainability Data Report which is available on our website.

Industry recognition and awards

We participate in a range of benchmarks to help guide our sustainability strategy and provide independent verification of our progress.

We have increased our scores with FTSE4Good (95th percentile) and maintained our EPRA Gold status for a 3rd year and CDP score (B). We are also pleased that our sustainability performance has been recognised by our inclusion on the European Dow Jones Sustainability Index in 2020, one of only five companies in the UK Real Estate sector.

We have seen an overall reduction in our GRESB score. This is due mainly to changes in GRESB scoring methodology and the challenge of submitting asset level data now required across our portfolio of 600 buildings.

Industry collaboration

We continue to actively participate in a range of industry groups, to share experiences and promote the adoption of best practice for sustainable real estate.

Principal industry memberships include the Better Buildings Partnership, London Benchmarking Group and the Westminster Property Association. We also continue to be an active member of the Wild West End initiative, a partnership with neighbouring estates and business groups to improve biodiversity across the West End.

We continue to build partnerships with our occupiers, including initiatives like the Blue Turtle scheme, through which more than 35 of our Carnaby restaurants and bars pledged to reduce single use plastic and their impact on ocean health.

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. We have signed up to the Living Wage Foundation and require that workers in our supply chain are paid at least a London Living Wage. Our Modern Slavery Statement, updated in January 2020, is available on our website.

Health and Safety

Our 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 (2019: zero) and there were no health and safety prosecutions, enforcement actions or fatalities.

Our material issues

Our approach to sustainability is based on a clear understanding of the issues that are most relevant to our stakeholders and an appreciation of the environmental and social impacts of our operations.

During 2020, we undertook a further review of our sustainability priorities. This initial exercise comprised staff interviews, desktop analysis and conversations with our contractors and managing agents. The research highlighted several key priorities:

- Continue with our community engagement, focusing on young people and our local communities in Westminster and Camden through grassroots organisations.
- Continue our policy of protecting and re-using buildings to maintain the heritage of our villages whilst minimising carbon emissions.
- Set ambitious targets to reduce our carbon emissions (operational and embodied) and continue to improve the energy efficiency of our portfolio.
- Clarify and clearly communicate our exposure to climate risks.
- Continue to increase the area of green space across our portfolio and work with peers through the Wild West End.
- Engage with our occupiers and supply chain and use the public profile of our villages to promote sustainability.

In 2021 we will continue to develop our materiality analysis, ensuring that our sustainability strategy is aligned with the needs of our business and expectations of our stakeholders.

Environment

Our most significant impacts on the environment are primarily from the day-to-day operation of our buildings but also from our refurbishment projects.

Our environmental strategy is built on the principle of extending the useful lives of our heritage buildings. Re-using and enhancing existing buildings, rather than demolition and redevelopment, is fundamentally the most sustainable approach; increasing energy efficiency whilst avoiding carbon emissions and use of materials associated with new construction. Our recent refurbishment project at 50 Marshall Street, described on page 30, exemplifies this approach.

Through our programme of low carbon refurbishments, we preserve our buildings, protect the character of our areas and increase biodiverse green space.

Performance update

We have continued to make good progress against our environmental targets in a year that has inevitably been significantly impacted by the Covid-19 pandemic. A comprehensive report on our sustainability performance can be found in our Sustainability Data Report on our website.

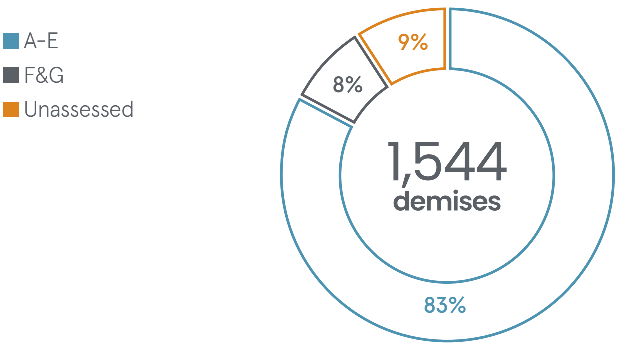
BREEAM

In order to meet environmental standards for good building design and operation, we follow BREEAM (Building Research Establishment Environmental Assessment Method) principles when refurbishing a building. For all refurbishment projects with a value over £1 million, we aim to achieve a minimum BREEAM certification of Very Good. Since we introduced this requirement, we have had 20 schemes certified, extending to approximately 10% of the portfolio.

EPCs

All buildings, other than listed buildings, are required to have an Energy Performance Certificate (EPC) to demonstrate their efficiency. Under the Minimum Energy Efficiency Standards (MEES) regulations, all demised areas are required to have an EPC of grade E or above.

As at 30 September 2020, 83% of properties were A to E grade (c. 1,278 demises), an increase from 81% last year. All our residential properties now satisfy the MEES regulations. A small number of properties are exempted either because the buildings are listed or the costs of doing the works are prohibitive and would be too disruptive to occupiers. 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 or we will work with tenants to meet the requirements of the regulations.



Energy, water and greenhouse gases

Our direct energy consumption is relatively small as it only encompasses the common areas of our buildings. On a like-for-like basis, electricity consumption has dropped by 16% during the year, continuing our recent downward trend. This is due, in part, to the impact of our programme of refurbishments such as the installation of low energy lighting across the portfolio, but also reflects a reduction in usage as Covid-19 has limited building occupation during the year.

We continue to purchase electricity sourced from renewables across all of our wholly-owned portfolio, including our Carnaby Christmas decorations. Excluding the impact of purchasing renewable electricity, we have still seen our greenhouse gas (GHG) emissions intensity drop by 7.7% from the previous year. These emissions relate to our direct combustion of gas, refrigerant losses (scope 1) and purchased electricity (scope 2). Further details are included in our energy and carbon statement on pages 116 and 117.

Our water consumption only relates to common parts and remains relatively low. Overall consumption has reduced by 24% during the year, much of which can be attributed to reduced occupation of our space during the pandemic.

100% renewable energy for our wholly-owned portfolio

11% reduction in absolute electricity use

7.7% reduction in carbon emissions intensity

Waste

The total volume of waste we collect across our portfolio has reduced by 42%, primarily due to lower footfall attributable to Covid-19 restrictions. However, the percentage of waste recycled has reduced by 3%, most likely as a result of single-use products, such as coffee cups, making up a relatively larger proportion of waste in the year

The amount of waste from refurbishment projects is minimised by reusing materials whenever possible. Where this is not feasible, material is sent to waste transfer stations which operate a zero waste to landfill policy, where possible, achieving a combined total score of 88% diverted from landfill. This year, the majority of waste sent to landfill came from our 72 Broadwick Street scheme, which had an element of contaminated waste material.

42% reduction in waste

Valuing natural resources

We significantly reduce our environmental impact by minimising the use of new materials in our refurbishment projects and responsibly sourcing, when new material is required. 98% of our timber is from sustainably certified sources and the remaining small amount is sourced in line with EU Timber Regulations.

Retaining and reusing buildings' façades and primary structures is an important feature of our refurbishment schemes. During the year ended 30 September 2020, we achieved over 85% retention and reuse, across our schemes.

A full breakdown of our environmental impact can be found in the Sustainability Data Report on our website.

Action on climate change

We recognise the need to take urgent action on climate change, setting ambitious targets for reducing our carbon emissions and making sure that our business is resilient to climate-related risks.

The built environment accounts for approximately 40% of the UK's carbon emissions and will play a significant role in the UK meeting its 2050 net zero carbon target and commitments under the Paris Agreement. It is also estimated that over 80% of current buildings will still be in use in 2050, and many of our buildings have been standing more than 150 years already. Therefore, the low carbon retrofit of current buildings will play a critical part in the process.

We have set annual carbon reduction targets for our own direct emissions (scope 1 & 2) and are calculating longer term targets (10 years) that reflect the emissions reductions that scientists agree are needed to limit the worst impacts of climate change. These are referred to as being 'science based' and we have submitted our targets to the Science Based Targets Initiative (SBTI) for external validation.

We are continuing to improve the energy efficiency of our buildings and have the opportunity to support and positively influence the behaviour of our occupiers and contractors. Therefore, we consider it important that our medium term targets include emissions relating to our occupiers' energy use and those attributable to our refurbishment projects. These are scope 3 emissions.

Actions on climate change we have taken to date include:

- Setting operational carbon emissions reduction targets for our portfolio.
- Establishing a comprehensive carbon emissions baseline (2019) to include tenants' energy use in our buildings.
- Purchasing renewable electricity for our own supplies. However, we don't see this as a long-term solution as it is not increasing the overall renewable energy capacity of the grid.
- A rolling programme of energy efficient retrofits. We target a minimum of BREEAM Very Good rating on all projects with a value above £1m.
- Undertaking research into the embodied carbon of a typical refurbishment project to better understand our emissions and identify reductions opportunities.
- Undertaking an initial review of our climate change risks.

Case study:
50 Marshall Street

Shaftesbury's approach to the preservation and enhancement of existing buildings has been demonstrated this year with the refurbishment of 50 Marshall Street, a project now close to completion.

The building was constructed in the early 1980s, extending to $819m^2$ over 5 storeys. The reinforced concrete frame structure had relatively small floor plates and, at an EPC rating of G, it was no longer fit for purpose as a modern space.

Working in partnership with our project manager and Architect, the original structure and much of the façade was retained, saving considerable carbon emissions and continuing to lock up carbon from the 1980s.

The floor plates were expanded and an additional floor added, along with a biodiverse green roof that will be accessible for all the occupants. The energy efficiency of the building will improve dramatically. Improved glazing and low energy lighting, along with the addition of heat pumps, will enable this all-electric, naturally ventilated building to achieve an EPC level of B. We are also targeting a minimum of BREEAM Very Good with an aspiration to increase this to Excellent as the project completes.

Greening our portfolio

Increasing green space across our portfolio has a wide range of benefits. Aside from supporting wildlife, integrating nature can help limit the impacts of climate change, improve air quality and make the portfolio more attractive. London is home to greater breadth of wildlife than many people realise, with an estimated 14,000 species having been recorded living amongst its buildings, streets and parks. Studies also show that connecting with nature can reduce stress and boost wellbeing.

We continue to seek every opportunity to increase biodiversity across our portfolio, this year achieving a further 9% uplift in area. We have already exceeded our 5-year plan target (set in 2016), increasing biodiversity by 70% (target: 50%).

9% annual increase in biodiversity.

Biodiverse space has increased 70% since 2016

We have continued our partnership with other local landowners through the award winning Wild West End initiative. This enables us to share in best practice and play our part of creating wildlife corridors through the West End by connecting green spaces owned by different landowners. By working in partnership we can have a greater impact than working alone.

Air quality

Improving air quality across our portfolio remains critically important to support people's health, promote green transport and encourage visitors. We have partnered with other major West End landlords to consolidate deliveries, reduce vehicle movements and improve tenant engagement. In Seven Dials, we are working with community groups and the council to reduce traffic and improve the area for walking and cycling. At the start of 2020, a workshop with local groups identified a way forward, and Camden COVID Safe Travel initiative has seen the area experience lower traffic levels and improved air quality. We will continue our proactive work with all local partners and the local community in 2021 to drive long-term improvements in air quality across London based on what we have learned during the pandemic.

Looking ahead

In the coming year, we have a number of strategic sustainability priorities:

- Develop our sustainability strategy to reflect the unique nature of our business and the positive impact that we can have on all our stakeholders;
- Set an ambitious and transparent net zero carbon target based on a comprehensive understanding of our portfolio and our emissions reduction strategy.
- Continue our focus on building reuse and a commitment to understand more about the embodied carbon benefits of retaining buildings;
- Continue to invest in green infrastructure and set a new medium-term biodiversity target;
- Develop our climate risk reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD);
- Continue to improve data collection across our portfolio; and
- Take action to improve water management, where we have control.

Case study:
The journey to 100% pollinator friendly planting

We are committed to protecting and increasing biodiversity across our estate, and in 2016 we set an ambitious five-year target to increase biodiverse space by 50%. The majority of our portfolio consists of buildings which sit on the public highway and many of our roofs are taken up with industrial plant, therefore we have had to think outside the box.

Across our portfolio we have 1,245 window boxes, 124 planters and 46 hanging baskets bringing splashes of colour to the streets. Our traditional selection of plants, such as begonias, look great from the pavement but unfortunately aren't particularly attractive or beneficial to pollinating insects. As we add more habitat for insects, such as natural log piles or the bee hives located on our roof tops, we need to ensure that we also provide sufficient local food sources.

In 2019 we trialled 100% pollinator-friendly window boxes in Newburgh Street in Carnaby. The plants had a more natural colouring whilst also providing a critical food source. Based on the success of this trial, in 2020, all the window boxes, planters and hanging baskets have been planted with 100% pollinator-friendly species.

We have achieved our 5-year target early, with a 70% increase in biodiverse space since 2016. We will continue to look for new opportunities to bring nature to the streets of the West End.

Making a positive contribution

+


Mon - Sat
7am - 7pm
except for
access
LUMAS

Non-financial information statement

We are not required to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. However, the table below, and information to which it refers, 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	Policies and standards which govern our approach[1, 2]	Website information	Further information in this report
Environmental matters	Sustainability policy and action plan Requirements for management of the portfolio Requirements for refurbishment projects Supplier code of conduct	https://www.shaftesbury.co.uk/en/sustainability/our-approach.html https://www.shaftesbury.co.uk/en/sustainability/environment.html	For more on sustainability, see pages 27 and 28 For more on how we protect the environment, see pages 29 to 31 For more on greenhouse gases, see page 116
Employees	Anti-bullying and harassment policy Board diversity policy Data protection policy Disability policy Equal opportunities policy Sustainability action plan Sustainability policy Health, safety and wellbeing policy	https://www.shaftesbury.co.uk/en/sustainability/community/people.html	For more on our culture, values and people, see pages 42 to 45 For more on diversity and inclusion, see pages 44 and 95
Human rights	Sustainability action plan Sustainability policy Modern slavery and human trafficking statement Supplier code of conduct	https://www.shaftesbury.co.uk/en/sustainability/modern-slavery-statement.html	For more on modern slavery and human rights, see page 28
Social matters	Community Investment Committee terms of reference Sustainability action plan Sustainability policy Payment of suppliers policy Supplier code of conduct	https://www.shaftesbury.co.uk/en/sustainability/community.html	For more on our stakeholder relationships, see pages 35 to 41 For more on our Covid-19 Community Fund, see pages 46 and 47 For more on sustainability, see pages 27 and 28
Bribery and anti-corruption	Bribery and anti-corruption policy Money laundering policy Share dealing policy Supplier code of conduct Whistleblowing policy	https://www.shaftesbury.co.uk/en/investor-relations/corporate-governance.html	For our audit committee report, see page 97 For more on modern slavery and human rights, see page 28 For more on our behaviours, see page 89
Business model		https://www.shaftesbury.co.uk/en/about-us/how-do-we-add-value.html	For more on our strategy and business model, see pages 22 and 23
Principal risks and uncertainties		https://www.shaftesbury.co.uk/en/investor-relations/corporate-governance/principal-risks-and-uncertainties.html	For our risk report, see pages 71 to 77
Non-financial key performance indicators			For more on non-financial key performance indicators, see pages 24 and 25

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

Stakeholder engagement

We are committed to engaging with our stakeholders and building long-term relationships founded on respect, integrity and transparency. Through fostering our relationships and collaboration, we aim to make a constructive difference and deliver a positive long-lasting legacy for London's West End.

Our approach to our engagement and activities undertaken throughout the year can be seen below. More information on engagement with employees and shareholders can be found as follows:

Our people and culture
+ *See pages 42 to 45*

Monitoring of culture and engaging with employees
+ *See page 84*

Consideration of remuneration and related policies below the Board
+ *See page 102*

Section 172 Statement
+ *See pages 40 and 41*

Relations with shareholders
+ *See page 89*

Occupiers

Our long-term strategy has always recognised the importance of creating prosperous environments for our commercial occupiers as well as amenity for local residents.

Maintaining a continuing dialogue with our occupiers enables us to better understand their priorities and challenges as their businesses grow and evolve. Occupier prosperity, particular for our food, beverage and retail tenants, is important to our long-term success. A key aspect of our management strategy is the careful selection of these occupiers, focusing on what makes each village distinct and looking for interesting concepts which will bring footfall to our areas. A food, beverage or retail occupier's journey often with us starts with an interview so we can understand their business model and assess how their brand or concept will add value to our villages. This is the start of a relationship, which, similarly to our office and residential occupier relationships, continues and evolves as our occupiers' needs change.

Engagement and activities during the year

During the year we undertook an occupier survey across Carnaby to understand the need for any further communal amenities and the importance of sustainability and wellness for our occupiers, which is helping inform our strategy.

Following a successful trial in Seven Dials in 2019, this year, we launched tenant portals for Carnaby, Soho and Chinatown to improve direct communication with our occupiers. The portals provide occupiers with regular updates on Government guidance, key information relating to the villages as well as upcoming events. In addition, the portals assist with turnover data collection and, in Seven Dials, provide regular footfall information.

This year, the impact of continuing Covid-19 restrictions and evolving Government guidance has led to intensive engagement to discuss the financial support as well as non-financial initiatives such as marketing and social media campaigns we could offer.

We have reduced service charge expenditure, where safe to do so, during the lockdown periods. From October 2020, we have provided the option for commercial occupiers to be invoiced and pay rent and service charge monthly, rather than quarterly in advance, better aligning our revenue collection with their cash flows.

During the first UK lockdown, we initiated promotional campaigns to maintain awareness of our villages and services provided by our occupiers. Our marketing team collaborated with occupiers on social media campaigns and online events. These included "Bringing Chinatown Home", "Seven Dials @ Home" and "Carnaby Together", with programmes of unique digital content to entertain, educate and inform consumers and local residents. In addition through our community portals and direct communications we have worked to provide practical support and guidance to our residential occupiers.

In preparation for the relaxation of the lockdown, we worked with our occupiers to ensure returning staff and visitors could do so safely, implementing social distancing guidance, providing hand sanitisers and installing signage throughout the villages and within our buildings. We also promoted our retailers and our F&B tenants' alfresco dining offers through social media, across our villages with campaigns such as "Love Chinatown" and "You are Brilliant" in Chinatown and Carnaby respectively. We have also created bike hubs in Seven Dials and Carnaby to support our clean air strategies and provide an additional amenity for local workers and visitors

Always keen to find and support new concepts, at the end of September we launched the "Start Up with Seven Dials" offer to provide brands starting up during lockdown with a physical space within Seven Dials, including support from retail experts.

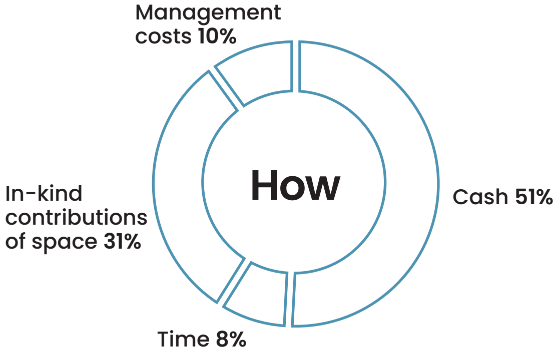
Local residents are an important part of the community and we are seeking ways to improve how we engage with them on initiatives that might affect the areas in which they live. Looking forward into 2021, the focus of our engagement will be making sure occupiers are better aware of our plans and priorities and encouraging them to be part of our conversations with the local community.

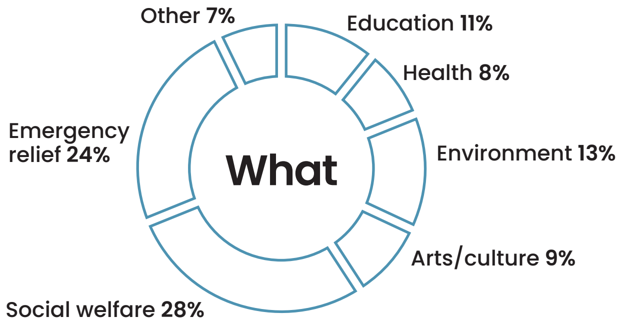
Community

We aim to use our expertise, resources and influence for wider public benefit. We work with a range of partners including non-for profit organisations, charities, educational establishments and other local community groups, recognising that our long-term support enables them to make a difference through their activities.

In considering initiatives affecting our local area, we seek to engage with residents and other community groups for their views. In the year ahead we will be developing our engagement to ensure we better communicate with our local communities to explain work we are doing, show them how we can help and encourage them to work collaboratively with us.

The Community Investment Committee, chaired by one of our Property Directors, oversees our programme of community investment and activity. Our support takes a variety of forms, including financial and in-kind donations through provision of short and long-term accommodation, advice and time given by employees. We often link our community support with marketing events so that community groups are able to leverage from these activities, to raise awareness and the profile of their organisation. This year, including our Covid Community Fund, our financial, in-kind and employee time contributions totalled £866,000.





Engagement and activities during the year

We have a range of community support activities across our villages. As part of our programme we finance a daytime outreach worker from The Connection at St Martins, a homeless charity which focuses on help for rough sleepers. We are a founding member of the House of St. Barnabas and support their employability programme which helps homeless people into work.

In Chinatown, we fund a part-time advice worker at the Chinese Community Centre, who helps the Chinese speaking community with a wide range of issues. In addition, we support the Chinese Health and Wellbeing Clinic, which deals with physical and mental health. Across our other villages we contribute to a range of activities, including a grassroots community centre at the Dragon Hall Trust and, sponsoring the Donmar Theatre. As part of Silver Sunday we co-sponsored the Westminster Tea Dance for senior citizens and we helped pay for 1,000 afternoon tea gift boxes to elderly and isolated people in Westminster.

Supporting organisations which have a specific local expertise means that we can have more impact than acting alone. We partner with the Young Westminster and Young Camden Foundations in their work to support young people across the boroughs. At Westminster Kingsway College, our partnership since 2014 has enabled a number of educational projects for students in the Creative Arts Faculty. This year's project involved students designing a tote bag. Responding to a commercial brief set by our marketing team which challenged them to take inspiration from Seven Dials, and research of the area. Providing valuable practical experience, shortlisted students presented their ideas to our marketing team who gave feedback for the students to build on. We have continued our long-term relationship with Soho Parish Primary School and this year we contributed to their new website in addition to the provision of laptops and food vouchers provided through our Covid Community Fund.

As a result of the pandemic, many of our community partners' traditional sources of funding have been reduced and often there has been additional demand on the services they provide. In March 2020 we established our Covid Community Fund, to provide them with additional financial support.

+ *Covid Community Fund: pages 46 and 47*

In addition, to help ensure that our communities remained connected, we ran a number of digital campaigns, including #CarnabyCares, across our village social media channels and websites which promoted the wide range of projects initiated by our occupiers across our villages. These included support for the NHS and key workers, and promotion of free well-being offerings.

Advisors, contractors and suppliers

Shaftesbury operates an out-sourcing model. Our small team of 39 employees is supported by a range of external advisors across various property and corporate disciplines. Operating in a small geographic area, we have always believed that access to the wider knowledge and experience of advisors across their fields of expertise is of considerable long-term benefit to the business. Our relationships with advisors are generally long term, based on mutual trust and respect. We value the contribution they make; our approach is collegiate, listening to and learning from them through open, constructive dialogue, rather than simply directing them to carry out our instructions. Some advisors, such as managing agents or project managers, may operate with delegated authorities, but in general, all decisions of any significance remain with our in-house team.

Day-to-day operations across our portfolio are the responsibility of external managing agents, who on our behalf procure contractors and suppliers and other specialists to service and maintain our buildings, liaising with occupiers as a first point of contact. We engage project managers to oversee refurbishment projects, who similarly suggest and procure professional advice and building contractors to deliver the schemes.

As well as expecting our advisors, contractors and suppliers to comply with standards and codes that may be specific to their industry, we require them to adopt our standards of behaviour in relation to the environment, the community and employees set out in our Supplier Code of Conduct. These relationships are usually covered by clear contractual arrangements, which define the rights and obligations of each party. We are signatories to the Prompt Payment Code with our Payment of Suppliers Policy available from our website. To ensure that our suppliers and their employees feel safe to raise any concerns, we have a whistleblowing policy and helpline.

Engagement and activities during the year

Our team is in regular, often daily, contact with our external advisors. Working centrally within our portfolio, we aim to respond quickly to issues as they arise with clear instructions based on the advice we receive, our own experience and wider stakeholder consideration. Inevitably, the pandemic has presented challenges across all aspects of our business, which has required even greater engagement with our advisors to address a range of issues affecting our commercial occupiers and their businesses, residential tenants, suppliers and contractors throughout the lockdown and reopening period.

Local authorities, neighbouring landowners and West End tourism partners

Working with Westminster City and Camden Councils, we identify and contribute to a wide range of matters through regular dialogue. This includes responding to draft policies and consultations to share our experience and knowledge to help shape public realm improvements and traffic reductions across our areas.

✚ *Public realm improvements page 62*

We also work with neighbouring property owners, Business Improvement Districts, and our tourism partners to promote London's West End to a domestic and international audience.

Engagement and activities during the year

In response to Covid-19, we increased our collaboration with neighbouring estates and landowners, Business Improvement Districts, as well as Westminster City Council and Camden Council, on solutions for responsibly managing social distancing across the West End's streets.

To help encourage our local communities and Londoners to safely and responsibly return to our villages, we worked with Westminster City Council and Camden Council to secure a series of timed road closures and other street measures, during core trading hours for F&B and retail occupiers. This enabled our hospitality occupiers to trade from external seating whilst adhering to social distancing restrictions. In Carnaby, Chinatown and Seven Dials, we also provided our own additional communal seating for use by anyone visiting the area, bringing extra seating capacity for takeaway food. In addition, we took part in the working group convened by Camden Council to share best practice and co-ordinate opportunities and support to all occupiers across Camden.

During the year, we engaged with Westminster City Council on a number of policy reviews including their Busking and Street Entertainment Policy and the City Plan 2040 where we contributed to the Examination in Public with representations on a number of policy areas. We are members of the Soho Neighbourhood Forum which is developing a planning strategy for Soho. In Seven Dials, we have had regular dialogue with senior officers at Camden Council around issues affecting the evening and night time economy and commented on their new external seating policy.

We have worked closely with our tourism partners, London & Partners, the Mayor of London's promotional agency, Visit Britain and other local property owners and Business Improvement Districts, to actively support the safe return of visitors to London. Working with London & Partners, we helped create the campaigns #virtuallylondon, and 'Because I'm A Londoner', to promote London to domestic and international visitors.

Together with our West End partners, we developed a West End initiative, #MyWestEnd, which was collectively supported through our own digital campaigns.

Through our membership of various bodies such as London & Partners, London First, Association of International Retail and Business Improvement Districts, we have supported various lobbying campaigns for the benefit of our occupiers and the West End.

Finance providers

We maintain good, open relationships with our finance providers.

Engagement and activities in the year ended 30 September 2020

This year we have proactively kept our finance advisers informed of both our actions taken and planned to respond to the pandemic.

✚ *s172 engaging with our finance providers: page 41*

Joint Venture partners

We established our 50:50 Longmartin joint venture with The Mercer's Company in 2005 with the aim of combining and developing our interests on Long Acre and at the gateway to Seven Dials. Over the intervening years, overseen by the Longmartin board, the buildings held by the joint venture have been redeveloped to create St Martin's Courtyard, which adds to the vibrancy of our respective holdings. To ensure a high level of oversight, the Longmartin board formally meets five time a year with day to day operations managed by the joint venture's operating committee.

Engagement and activities during the year

To ensure the Longmartin board was kept fully apprised of the challenging market conditions, during the year it revisited the delegated authorities and introduced regular informal board calls between the scheduled board meetings involving our executive directors, Brian Bickell and Tom Welton and our portfolio director, Charles Owen. The Longmartin business plan was also updated to include new strategic priorities in light of the changing market conditions.

Matters relating to Longmartin's operations, financing and other matters are reported and regularly discussed at Shaftesbury Board meetings throughout the year.

Making a positive contribution +

Our S172 (1) Statement

The Board of Directors confirm that during the year under review, it has acted in a way it considered in good faith to be most likely to promote the long-term success of the Company for the benefit of members as a whole, whilst having due regard to the matters set out in section 172 (a) to (f) of the Companies Act 2006, being the:

(a) likely consequences of any decision in the long-term;

(b) interests of the Company's employees;

(c) need to foster the Company's business relationships with suppliers, customers and others;

(d) impact of the Company's operations on the community and the environment;

(e) desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) need to act fairly between members of the Company.

Our stakeholders and Board processes

In making this statement, the Board considers that its key stakeholders include our shareholders and potential investors, employees, occupiers, visitors, local authorities, community partners, suppliers, finance providers, and our joint venture partner. Building and nurturing our relationships with these stakeholders for the long term is key to our success.

+ *Stakeholder engagement: pages 35 to 39*
+ *Employee engagement: pages 43 and 45*
+ *Shareholder engagement: page 89*

For Board approval of transactions, the elements of s172 are considered in assessing whether such actions are likely to promote the success of the Company for the benefit of the members as a whole. Whilst the Board has direct engagement with our employees and shareholders, it receives a combination of reports from the executive directors, senior managers and advisors to understand the views of the Group's stakeholders regarding day-to-day operations. A 'Stakeholder dashboard' summarising the key areas of engagement undertaken by the executive directors and the wider team across the business is considered at each scheduled board meeting.

For more on s172 matters and stakeholder engagement:

	Name of Annual Report pages	Annual Report page numbers
Key decisions for the long-term	Q&A with the Chief Executive	+ *See pages 2 to 5*
	Covid-19 impact and response	+ *See pages 6 to 9*
	Business model and strategy	+ *See pages 22 and 23*
	Chairman's letter	+ *See pages 82 to 83*
	Principal Board activities in 2019/20	+ *See pages 86 to 88*
Employees	Our people and culture	+ *See pages 42 to 44*
	Making a positive contribution to our employees	+ *See page 45*
	Monitoring of our culture and engagement with employees	+ *See page 84*
Fostering business relationships with suppliers, customers and others	Stakeholder engagement	+ *See pages 35 to 39*
	Making a positive contribution to support our occupiers	+ *See pages 48 to 49*
	Principal Board activities in 2019/20	+ *See pages 86 to 88*
Community	Stakeholder engagement	+ *See pages 36 and 37*
	Making a positive contribution to our community	+ *See pages 46 to 47*
	Chairman's letter	+ *See page 83*
Environment	Environment	+ *See pages 29 to 31*
	Making a positive contribution to the environment	+ *See pages 50 to 51*
High standards of business conduct	Our people and culture	+ *See pages 42 to 44*
	Stakeholder engagement	+ *See pages 35 to 39*
	Our business conduct	+ *See page 89*
Investors	Leadership and purpose	+ *See page 89*
	Financing	+ *See page 67*

The Board's engagement with stakeholders and decisions taken to promote the success of the Company as a whole for its members in response to Covid-19

Supporting our occupiers for the long-term	Our purpose is to curate vibrant and thriving villages in the heart of London's West End for the benefit of all our stakeholders. At its core is a holistic approach to patient, long-term curation of our villages by providing distinctive and appealing experiences for visitors, occupiers, their customers and residents. A key component of this strategy is the mix and appeal of our restaurant, café, pub and shop occupiers. The effective closure of the West End, starting in February, had an immediate and very challenging impact on all consumer-facing, footfall-reliant businesses, which are inevitably cash-flow sensitive. As a result, our team's focus, supported by the Board, since the beginning of the pandemic and lockdown has been to help our occupiers through this challenging period by providing financial and other practical support to retain occupancy, helping to preserve the long-term value and prospects of our exceptional portfolio. From March 2020, the Board has supported the Strategic and Operations Executive Committee's recommendations on rent concession strategies. In addition it has supported a permanent change in policy, from October 2020, to vary our leases to provide the option for commercial lessees to pay rent and service charges monthly, rather than quarterly in advance, in order to align our revenue collection with the cash flows of our occupiers. + *Covid-19 impact and response: pages 6 to 9* + *Making a positive contribution to support our occupiers: pages 48 to 49* The Board was kept informed of other engagement and initiatives undertaken across the business with our local authorities, adjoining landowners and Business Improvement Districts to help support occupiers, and drive footfall across the portfolio.
Supporting our communities	Early in the pandemic, it became clear that our community partners' finances could be materially affected, either because their traditional sources of funding had been reduced and/or there would be additional demand on the services they provide. In response, the Company set up a Covid-19 Community Fund, in April 2020, to support these partners and help people affected by Covid-19 within the boroughs of Westminster and Camden. The fund was administered by the Community Investment Committee. To date, the fund has made awards in cash and in kind to charitable partners totalling over £310,000 to 18 causes impacted by the pandemic. We have received positive feedback from the organisations supported by the fund. Funding for this initiative came from savings made following the Board's decision to waive 20% of both executive director base salaries and pension contributions and non-executive director fees for four months. + *Making a positive contribution to support our community: pages 46 to 47*

Retaining, protecting and motivating our employees	As an organisation with under 40 employees, our people are fundamental to the success of our business. During the first lockdown, when government guidance was to work from home wherever possible, regular all-employee presentations were held. Jonathan Nicholls, Richard Akers and Jennelle Tilling attended a number of sessions providing the opportunity for Q&A. Following the easing of the first lockdown, based on responses from an all-employee questionnaire and consultation with the members of the Strategic and Operations Executive Committee, the Board discussed and approved the Group's return to office plan, which was implemented in September 2020 following an all employee presentation and Q&A session. Having considered an employee reward survey in September 2020, the Remuneration Committee approved: • a change in the structure of the employee annual bonus plan, to include an element of individual objectives; and • the introduction of a recognition project, overseen by the Culture Group, made up of employees from across the business and sponsored by Richard Akers as our non-executive director responsible for employee engagement. Communication of these changes was made through a combination of all employee meetings, feedback from Strategic and Operations Executive Committee members to their teams and employee workshops. + *Our people and culture: page 42 to 45*
Engaging with our finance providers	We maintain a dialogue with our finance providers throughout the year. Since March 2020, we have kept them apprised on the impact of the pandemic and the measures the business has been taking to service our financial obligations. In particular, our discussions have centred on interest cover covenant waivers. We recognised that offering some solutions to our lenders, rather than simply requesting waivers, was in the spirit of partnership. The Board agreed that, where possible, we should offer lenders cash deposits up to an amount equivalent to the interest payments during the term of the waivers. Our open and pragmatic approach has been well received and has resulted in constructive discussions and agreements on interest cover covenant waivers. Whilst we remain compliant with the financial covenants in our bonds, the Board agreed that we should hold regular business updates while Covid-19 uncertainties persist and we gave bondholder credit updates in June and September. The next update will be in December 2020. + *Financing: pages 67 to 69*
Balance sheet strength, consideration of our shareholders and governance	In responding to the pandemic, the Board's view is that maintaining occupancy across the Group's portfolio, wherever possible, will protect the long-term value of the business. When the post-pandemic recovery progresses, this approach, together with a strong financial base, should position the business to return to long-term growth. With the prospect of reduced rent collections and growing vacancy, our strategy, since March 2020, has been to preserve liquidity, with a moratorium on non-essential expenditure, new schemes and acquisitions, other than by exception. In view of the likely reduction in rental income and, in turn, adjusted EPRA earnings, the Board decided against paying an interim or final dividend in relation to the current year, but intends to resume dividend payments as soon as it considers it prudent, maintaining its policy of sustainable dividend growth over the long-term. The Board assessed the Group's financial position in light of the implications of the Covid-19 pandemic, and considered a range of options to optimise the Group's long-term capital structure. It concluded that we should prioritise maintaining a strong financial base and appropriate liquidity levels, focusing on debt and gearing levels, and that a material level of disposals to address financing risks would not be in the long-term interests of the Group. Accordingly, it determined that it would be in the best long-term interest of the Group to raise equity. + *Financing: page 67* Extensive consideration was given to the most appropriate structure for an equity capital raise, balancing execution and equity market risks with our strong desire to ensure a share issue respected the pre-emption rights of shareholders as far as possible. The Board's decision to structure the equity capital raising by way of a combination of a Firm Placing, a Placing and Open Offer and an Offer for Subscription took into account a number of factors. These included the dilution to shareholders not able, or only partially able, to take part in the Firm Placing, the total net proceeds to be raised and the advice that the structure provided a lower level of market risk than a rights issue in the then current market environment which had been impacted by a combination of uncertainties, including Covid-19, the US election and Brexit. The Board believe that the Firm Placing and excess entitlement facility of the Open Offer has enabled the Company to satisfy demand from current shareholders wishing to increase their equity in the Company as well as potential new investors. Furthermore, the Offer for Subscription allowed an opportunity for other potential investors, including employees and retail investors, to become shareholders in the Company. The Board also sought to balance the dilution to existing shareholders arising from the Firm Placing and Offer for Subscription with the benefit of bringing in substantial investors with firm commitments to ensure the success of the capital raise. Shareholder approval of the arrangement was sought through a number of resolutions at a general meeting to enable the transaction. The resolutions were passed with a minimum vote in favour of 95.77%. In undertaking the Firm Placing and Open Offer, we required an independent report for our Prospectus. Whilst we believed that EY as our auditors were best placed to provide this, we were conscious that the fees might be seen as an impairment to their independence. We engaged with EY, who consulted with the FRC and obtained clearance in advance of being appointed to undertake the work. + *External auditors: page 99*

Our people and culture

We employ a diverse team of talented people, united by a shared ambition to make our places better for the benefit of our multiple stakeholders.

Our purpose, culture and values

Our purpose is to curate vibrant and thriving villages in the heart of London's West End. At its core is a desire to make great places even better for the benefit of our stakeholders, through fostering our areas to provide inspiring experiences for visitors, occupiers and their customers, and residents.

How we work is just as important as the end result. Our values are fundamental to our behaviour, decision making and the delivery both of our purpose and strategic objectives.

Our five core values, set out to the right, guide our behaviours, ways of working, and demonstrate our commitment to doing the right thing – for each other, our stakeholders, and our business. They are a critical part of our success; helping make Shaftesbury a great place to work and enabling us to deliver on our long-term strategic objectives.

We define our culture as the "Shaftesbury Way". Our small, diverse team of talented people are united by a shared ambition to make great places even better. Aligning with our values, our culture is one of respecting tradition but bringing innovation, acting with courtesy, respect and integrity but not being afraid to embrace change, seeking challenge, trying new things and evolving. We are inclusive, encouraging difference and welcoming new people, ideas and perspectives to enable everyone to be themselves, have a voice, and make an impact.

Combining our experience, enthusiasm, culture and values, we seek to achieve success beyond profit by delivering sustainable long-term benefits for our stakeholders and people, building a thriving working culture and making a positive, long-lasting contribution to London's West End.

Embedding values across our business

Having consulted with the Shaftesbury team and our key stakeholders, last year we articulated our purpose and values. This year, our focus has been on embedding these values in all aspects of our people proposition and practices. In the summer, we hosted a virtual culture event in July, taking the opportunity to reconnect as a team, to reflect on what makes Shaftesbury special and to consider how we "live our values". We have recently launched a new performance review process, a key component of which is regular staff review conversations which include how our people are demonstrating our values in their everyday work.

Human

- Building relationships based on openness, empathy, trust and respect – showing genuine interest and care for each other and those with whom we work.
- We celebrate 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 everyone can feel welcome, be themselves, and reach their potential.
- Outside of our workplace, we promote the diversity agenda, including gender, ethnicity, social background and orientation.

Original

- We see change as opportunity to arrive at fresh solutions and better outcomes.
- From finding and nurturing new talent to challenging and evolving our thinking, we welcome new ideas, approaches and perspectives and encourage ideas from our people, business partners and communities.
- This is an important aspect in the 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.

Community minded

- As a responsible, long-term investor in our areas, being a good neighbour and focusing on local issues is essential.
- Working closely and collaboratively with our communities and local authorities, we combine our influence and expertise to address issues and challenges, promote public realm improvements and create vibrant places.

Responsible

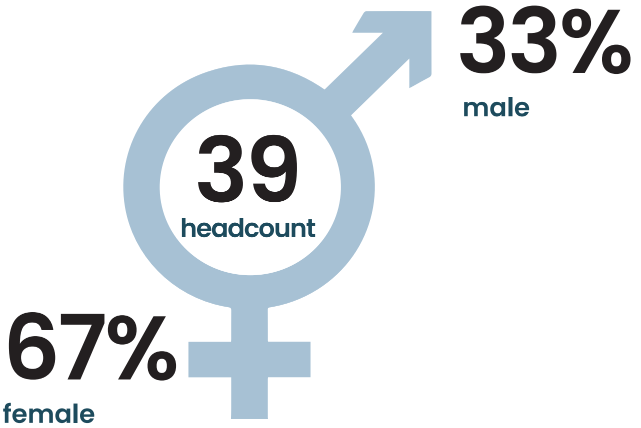
- As long-term custodians of the areas in which we invest, we hold ourselves accountable to a wide-range of stakeholders. It is important that we do the right thing, in the right way, acting responsibly and with integrity.
- We invest in staff well-being and development, cultivate relationships with our business partners and stakeholders, holistically curate our villages and behave in a socially-responsible manner.

Long term

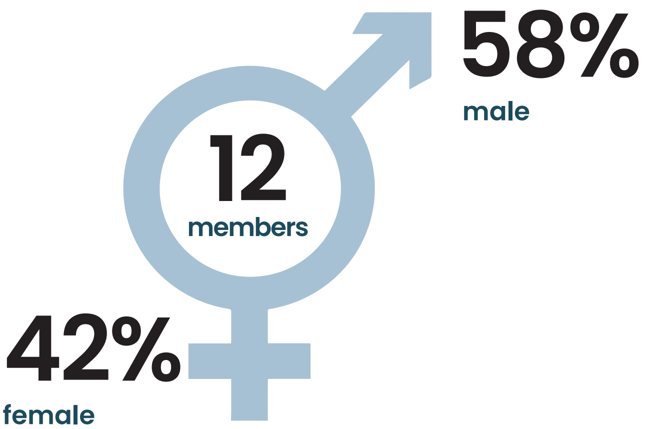
- We take a long-term, holistic approach to our villages.
- From our partnerships and people, to the impact we wish to make, our decision making is forward-looking; focused on long-term sustainable benefits rather than short-term gains.

Employees

9 years average length of service



Representation on the Strategy and Operations Executive Committee



Employee engagement

A measure of positive employee engagement is our low levels of employee turnover. During the year, turnover was only 8%, and, at 30 September 2020, the average length of service was 9 years.

We are committed to gaining regular feedback from our team and to act on the feedback we receive. As well as pulse surveys on specific topics throughout the year, we conducted an all-employee survey in July. The results were positive, indicating high levels of staff satisfaction. 100% of respondents strongly agreed or agreed with the statements:

'I am proud to work for Shaftesbury'

'I would recommend Shaftesbury as a great place to work'

The feedback identified some areas for improvement, particularly around better clarity over the link between individual contribution and reward, and better recognition and more valuable performance conversations. We are already taking action to improve these areas.

Our culture group, which comprises a cross section of skills and levels of experience, is another way we listen to how our employees feel about working at Shaftesbury. This group was important in developing our purpose statement and values and they will be playing a key role in a project in the new financial year to develop a culture of recognition.

Richard Akers, the designated non-executive director for employee engagement, ensures that the views and interests of the team are considered in Board discussions and decision making.

Strategic People Plan

This was the second year of our Strategic People Plan, which is about ensuring Shaftesbury continues to be a great place to work, attracting, growing and retaining the best talent. It is based on five strategic pillars:

Engagement

To understand and drive high levels of employee engagement

Experience

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

People development and capability

To grow our capability now and for the future

People performance

To develop an active performance culture and practices

Sustainable workforce

To have a more healthy, inclusive and sustainable working environment

Whilst we made good progress across all five of the strategic pillars, the Covid-19 pandemic required a re-prioritisation of a number of planned activities. We continue to share progress against our strategic plan with employees and regularly monitor progress against our roadmap. Key progress highlights included a reward review and the launch of a new performance review process to replace annual appraisals.

In the coming year, we plan to:

- **Develop a culture of recognition, acting on the feedback from a project led by the culture group**
- **Launch an online reward portal to improve access to all reward information**
- **Embed the performance review process within the business, with all individuals having quarterly performance conversations with their manager**
- **Learn from our working practices during Covid and apply the positive outcomes to our future ways of working**

Rewarding Performance

As at 30 September 2020, we had 39 employees including the Executive Directors. Employees receive a basic salary together with a pension contribution of 17.5% of salary, life and health insurance. All members of staff who meet certain qualifying conditions are eligible to participate in our annual and long-term incentive schemes and the Sharesave Plan.

We remain committed to rewarding performance and to offering highly competitive packages. Working with Innecto, a reward consultancy, we reviewed our existing reward package, considering how it aligned with our desired reward philosophy and different approaches to ensure it is valued both by employees and the Company. The project considered the feedback from the all-employee survey, and included employee focus groups and comprehensive benchmarking against the property market.

The review confirmed that our reward packages are competitive and are highly valued by all the team, regardless of age or tenure.

As a result of the findings of the project, we will be implementing a number of changes in the year ahead, including the introduction of personal objectives as a part of our annual bonus scheme to reward individual performance, rather than basing bonuses solely on corporate performance.

Developing talent for the future

We operate with an outsourced business model, employing a small team and working with a wider group of external advisors. Developing our talent for the future is an essential ingredient in our success and, due to our size, we are able to tailor development to the needs of individuals. This year saw the completion of our "Leading Self" programme, a nine month, modular-based leadership development course for rising talent. We plan to develop phase 2 of the programme for its participants, whilst introducing a new cohort in the coming year.

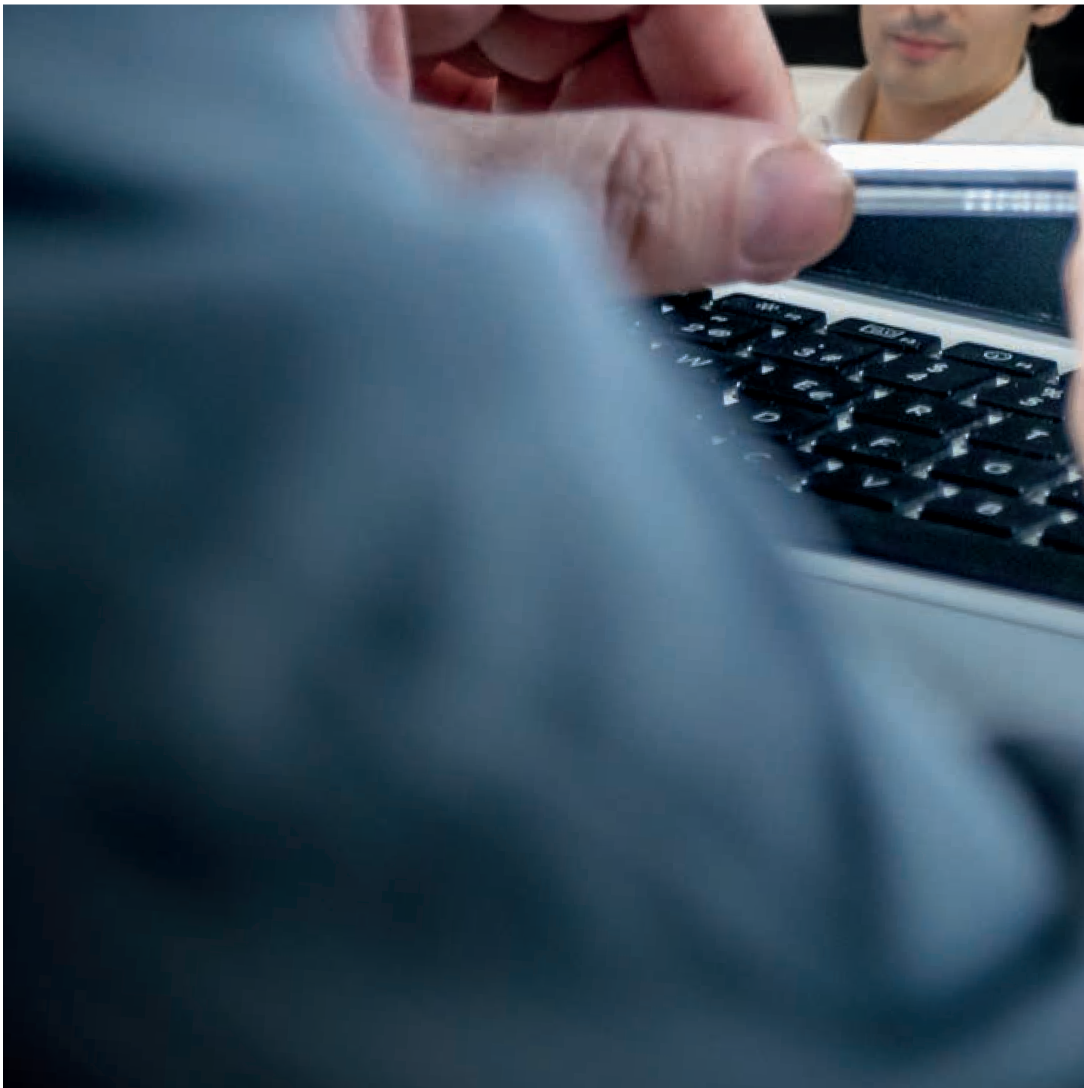
Recently, we launched 'Performance Conversations @ Shaftesbury', our new performance review process. Moving away from annual appraisals, we have introduced a focus on regular and better two-way performance conversations, which we feel will be more valuable to the whole team. As part of this, we have provided training for managers and their reports to ensure effective outcomes.

Developing a diverse and inclusive team

We have a clear policy to promote diversity and inclusivity across the business, recognising that a group that is diverse in nature, irrespective of visible and non-visible differences, backgrounds, gender, experience and orientation is able to provide differing perspectives and challenge. The passion, expertise, warmth and diversity of our people is vital to our ongoing success.

We strive for an inclusive culture with a collaborative environment that is open to different ideas and styles of thinking, where all of our people feel they can be themselves and contribute to the Company's success. Whether someone has been here three days, three months or three years, we ensure everyone has a voice. We treat everyone with fairness, respect and openness, and encourage our people to share ideas, develop their skills and reach their potential. Our commitment extends to the standards we expect of the businesses with whom we partner and work.

Diversity is considered at every level of recruitment. All appointments are made on merit and based on objective criteria. We support initiatives to promote diversity within the real estate sector. We are a member of the 30% Club, which is a campaign to achieve a minimum of 30% representation of women on FTSE 350 boards. 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. In 2019, for the third year running, Shaftesbury was top of the FTSE 250 in the Hampton-Alexander review for the highest female representation on the executive committee and direct reports.



Making a positive contribution to our employees

All our staff have continued to be employed on their full terms and conditions throughout the pandemic. Like most businesses, we had to quickly adjust our working practices to deal with remote working, and then socially-distanced working in our office. Whilst this has presented challenges, it has prepared us for flexible working once normal life returns.

The well-being of our people has been a key priority for the Board during this challenging year. Recognising that keeping everyone connected was a vital ingredient in managing this period as effectively as possible, we introduced bi-weekly all-staff virtual updates and arranged regular virtual team "huddles" and social events.

We continued to support employees' well-being with monthly seminars, run by the FeelGood Company, covering topics specifically targeted at the challenges people may have been facing during the pandemic, including nutrition and optimising immunity, sleep and taking control of mental and emotional overdrive. We also encouraged the team to work with flexible start and finish times. Underpinning our actions, was a consultative approach where the team provided their input and feedback; this was particularly the case as we planned for a socially-distanced return to the office. In listening to concerns and perspectives we developed a plan which was supported by all and accommodated individual needs and circumstances.

Ahead of the return to office

We carried out a comprehensive risk assessment, following which we introduced:

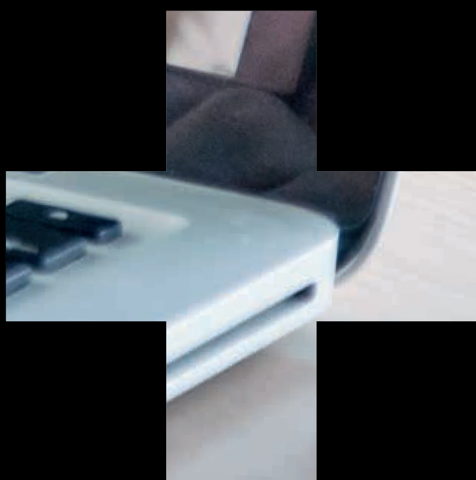
- a temporary satellite office to provide more socially-distanced space;
- screens between all work-stations;
- increased cleaning protocols;
- the provision of face masks;
- hand sanitisers at the office entrances and hands-free taps in washrooms; and
- shared-space protocols.

We also introduced a new working approach

Based on the 'bubble' concept to limit the number of people working in our offices at the same time and restrict the risk of transmission of the virus across the team, all employees worked a combination of days in the office and days at home.

Looking ahead

We are committed to reviewing the various lessons we have learned from the changes in our approach during this period and to applying these to improve our future ways of working.



Making a positive contribution to our community

Seven Dials Community Centre food bank

Shaftesbury has a long-term commitment to London's West End and support for its local community is embedded in our values and strategy

In addition to our normal work with not-for-profit organisations, charities, educational establishments and other local groups to make a positive contribution to the people and communities in our locations, this year, we created our Covid Community Fund to support young people and our communities affected by the pandemic in the boroughs of Westminster and Camden.

By 30 September 2020, we had provided cash and funding in-kind through the Covid Community Fund of over £310,000 to support 18 causes.

+ *Community engagement: page 36*

Supporting young people and education programmes

To help young people across a range of ages, grants made included:

- the purchase of laptops for the Soho Parish Primary School to enable children to continue to learn remotely;
- assisting Young Westminster Foundation in a transitioning project to help year six students with the anxiety of moving to secondary schools, exacerbated by Covid-19; and
- supporting Westminster Kingsway College, in its employability enterprise programme aimed at 14-23 year olds.

Working with another longstanding community partner, we provided funding to the House of St Barnabas, a local homeless charity, to reopen its house and employment academy with Covid-19 secure measures.

Providing food and shelter

We made grants to the new Covent Garden Food Bank, created by our longstanding community partners, the Dragon Hall and Seven Dials Community Centre, to purchase equipment and contribute to running costs to help alleviate food poverty in the Seven Dials Community. Separately, we provided funding to the North Paddington Foodbank, to cover the cost of hiring temporary refrigeration equipment. In addition to our normal funding of an outreach worker, we provided funds to The Connection, our Westminster based homeless charity partner, to refit their premises to provide a Covid-19 safe environment for staff and clients.

Aiding well-being

We have provided funding to the Samaritans for materials to make their central London branch, in Carnaby, Covid-19 safe so they could remain open. In addition to our own monetary contribution, we were delighted that Blenheim Construction, the contractors at our 50 Marshall Street and 72 Broadwick Street schemes, undertook the works required at no cost. Recognising the widespread mental health impacts of Covid-19, we have helped fund the Young Camden Foundation in their support of local community organisations safeguarding the mental health and well-being of children, young people and youth workers during the pandemic and its aftermath.

Soho Parish Primary School laptops

Making a positive contribution to support our occupiers

Street furniture

Bike hubs in Carnaby and Seven Dials

Al fresco seating in Soho

We believe that the West End, one of the world's great destinations, will weather this unprecedented period; its recovery is not a question of "If" but "When". Our priority is to support our occupiers until that recovery is established.

Street dressing in Seven Dials

We are committed to supporting our commercial occupiers and residents through this period of unprecedented upheaval in normal patterns of life and business activity. Alongside financial support, we have put in place a number of practical measures.

Virtual villages

We brought to life our villages virtually, with a programme of unique digital content to entertain, educate and inform people while they were unable to visit the villages in person.

Street closures and communal seating

We have worked with Westminster and Camden councils to identify and implement additional road space that can be used for both outdoor seating and pedestrians, providing additional trading capacity for our hospitality businesses and more space for pedestrians to maintain social distancing. In addition, we have installed communal tables and seating to provide socially-distanced outdoor amenity for visitors.

Safety and confidence

Across our villages, we have introduced social distancing messaging and hand sanitiser stations as well as providing cycle parking hubs, to give visitors confidence and reassurance to return to our villages.

Street dressing in Seven Dials, Carnaby and Chinatown

We dressed our villages and provided on-street activity to welcome back visitors.

Lobbying

We have collaborated with local stakeholders and partners on campaigns to support the West End's post-pandemic recovery including lobbying for extending short-term business rates relief and long-term reform, reversing the Government's decision to abolish tax-free shopping, and funding arrangements for London & Partners.

Making a positive contribution to the environment

We are committed to having a positive impact on the local environment, from protecting and improving our heritage buildings to bringing wildlife back to the city.

22 Ganton Street roof terrace

Increasing biodiversity

Since 2016, we have increased the area of biodiverse green space on our estate by 70%, providing valuable habitat for a wide variety of species. We now have more than 6,000ft^2 of green roofs, 124 planters, 1,245 window boxes and 5 bee hives across the portfolio.

We continue to partner with other local landowners through the award winning Wild West End initiative.

Reducing carbon emissions

By extending the useful life of our heritage buildings, we improve their energy efficiency whilst avoiding carbon emissions associated with new construction. We are continuing to reduce carbon emissions from our own operations and where we purchase electricity, we do so from renewable sources.

Reducing waste

We retain as much of our buildings as possible during refurbishment projects. In 2020 we achieved 85% retention of primary structure and façade. Across our Carnaby estate we are also working in partnership with our occupiers to reduce the volume of single-use plastic and promote sustainable consumption through the Blue Turtle scheme.

Improving air quality

We are working to reduce the number of polluting vehicles in the West End by supporting schemes to consolidate deliveries, encouraging walking and providing facilities for cyclists.

Improving the local environment is not just good for biodiversity, it is also good for business, helping to create an attractive place that supports peoples' health and well-being whilst helping to reduce the impacts of climate change.

Green roof and planters

Pollinator friendly window boxes

Making a positive contribution +

Our people and culture
Strategy and Operations Executive Committee

The Strategy and Operations Executive comprises the executive directors and the senior leadership team.

Desna Martin
Company Secretary

Date joined Shaftesbury
2020

Responsibilities
Leads on corporate governance within the Group and advising the Board. Company Secretary for the Longmartin joint venture.

Other committee memberships
Operations Committee
Risk Committee
Disclosure Committee
Community Investment Committee
Pension Committee

Sam Bain-Mollison
Retail Director

Date joined Shaftesbury
2011

Responsibilities
Group retail strategy and leasing.

Other committee memberships
Operations Committee

Julia Wilkinson
Restaurant Director

Date joined Shaftesbury
1997

Responsibilities
Group restaurant and leisure strategy and leasing.

Committee memberships
Operations Committee

Andrew Price
Property Director

Date joined Shaftesbury
2001

Responsibilities
Group-wide acquisitions strategy and asset management of Chinatown and Soho.

Committee memberships
Operations Committee
Risk Committee
Community Investment Committee (Chair)
Pension Committee

Charles Owen
Property Director

Date joined Shaftesbury
2012

Responsibilities
Asset management of Covent Garden and a member of the Longmartin joint venture Management Committee.

Committee memberships
Operations Committee
Risk Committee
Sustainability Committee
Community Investment Committee

Jenna Slade
Senior Portfolio Executive

Date joined Shaftesbury
2019

Responsibilities
Asset management of Carnaby and Fitzrovia.

Committee memberships
Operations Committee
Risk Committee

Karen Baines
Head of Group Marketing & Communications

Date joined Shaftesbury
2016

Responsibilities
Group-wide strategic marketing and PR for consumer, trade and corporate communications.

Committee memberships
Operations Committee
Community Investment Committee

Alastair Deutsch
Head of Finance

Date joined Shaftesbury
2020

Responsibilities
Financial planning and analysis, strategic commercial insights, treasury, tax, investor relations and IT.

Committee memberships
Operations Committee
Risk Committee
IT Committee

Our people and culture
Our Board

Executive directors

Brian Bickell
Chief Executive

Date appointed to the Board
July 1987

Independent: No

Key strengths and experience
- a chartered accountant
- long tenure with Shaftesbury
- extensive experience within the property sector
- proven record of driving strategy, delivering success and setting an open and transparent culture

Brian joined Shaftesbury in 1986 and was appointed Finance Director in 1987. Brian was later appointed as Chief Executive in 2011.

Brian is responsible for implementing the Shaftesbury strategy and the day-to-day operations of the Group.

Committee memberships:
Strategic and Operations Executive Committee (Chair)
Risk Committee
Disclosure Committee
Sustainability Committee (Chair)
Pension Committee

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.

Chris Ward
Finance Director

Date appointed to the Board
January 2012

Independent: No

Key strengths and experience
- a chartered accountant
- has financial and real estate experience, which contribute to the Group's strategy.

Prior to joining Shaftesbury, Chris was Finance Director of the UK and Nordic countries for Redevco for nine years.

Chris is responsible for financial accounting, tax and IT matters.

Committee memberships:
Strategic and Operations Executive Committee
Risk Committee (Chair)
Disclosure Committee
Pension Committee (Chair)
IT Committee (Chair)

Simon Quayle
Executive Director

Date appointed to the Board
October 1997

Independent: No

Key strengths and experience
- a chartered surveyor
- long tenure with Shaftesbury
- knowledge of the West End property market which provides valuable knowledge and insight to our villages and strategy

Simon joined Shaftesbury in 1987 and was appointed as Property Director in 1997.

Simon is responsible for the asset management and operational strategy in Carnaby, Soho and Fitzrovia.

Committee memberships:
Strategic and Operations Executive Committee
Operations Committee
Sustainability Committee

Current external appointments
Member of the Strategy Board for ZSL.

Tom Welton
Executive Director

Date appointed to the Board
October 1997

Independent: No

Key strengths and experience
- a chartered surveyor
- long tenure with Shaftesbury
- commercial experience and knowledge of the Group and West End property market provide value to our villages and strategy

Tom joined Shaftesbury in 1989 and was appointed as Property Director in 1997.

Tom is responsible for the asset management and operational strategy in Covent Garden and Chinatown.

Committee memberships:
Strategic and Operations Executive Committee
Operations Committee

Current external appointments
Director of Longmartin Properties Limited.

Non-executive directors

1 Jonathan Nicholls N

Chairman of the Board

Date appointed to the Board
September 2016

Independent: Yes on appointment to the Board

Key strengths and experience

- over 21 years' experience of public company boards and their operations
- over 22 years' of experience within the property sector

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

Jonathan has been a 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.

Current external appointments
Chairman of Ibstock plc

2 Richard Akers N A R

Senior Independent Director

Date appointed to the Board
November 2017

Independent: Yes

Key strengths and experience

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

Prior to joining Shaftesbury, 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 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.

3 Dermot Mathias N A R

Non-executive director

Date appointed to the Board
October 2012

Will retire from the Board in February 2021

Independent Yes

Key strengths and experience

- a chartered accountant
- provides recent and relevant financial experience to the board and the audit committee
- extensive experience in leadership and management

Prior to joining Shaftesbury, 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.

Current external appointments
Non-executive director, senior independent director and chairman of the audit committee of JTC PLC, governor and vice chair of Activate Learning Education Trust.

4 Sally Walden N A R

Non-executive director

Date appointed to the Board
October 2012

Independent: Yes

Key strengths and experience

- provides knowledge and insight into remuneration, financial markets and fund management.

Sally held senior fund management roles in Fidelity International from 1984 to 2009.

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

5 Jennelle Tilling N A R

Non-executive director

Date appointed to the Board
January 2019

Independent: Yes

Key strengths and experience

- Fellow of The Marketing Society
- over 25 years' experience of consumer marketing, digital and innovation within food retail brands, which complements the skills on the Board

Jennelle held a variety of senior marketing roles for over 17 years at Yum! Restaurants, and is the Founder and Chief Brand Strategist at Marketing with Insight.

Current external appointments
Non-executive director of Camelot and non-executive director of Butchies and Trustee for Guide Dogs to the Blind.

Key to Committee Membership

N Nomination Committee

A Audit Committee

R Remuneration Committee

■ Committee Chair

Portfolio valuation report

Covid-19 has had a significant impact on our valuations this year. Reduced footfall, consequential occupier operational and financial challenges, increased vacancy across the West End, and other uncertainties have resulted in pressure on rental values and increased yields. The 18.3% valuation decrease in the wholly-owned portfolio has largely occurred since the beginning of March 2020.

Presentation of Longmartin joint venture information

Our property interests are a combination of the wholly-owned portfolio and a 50% share of property held in the Longmartin joint venture. The financial statements, prepared under IFRS, include our interest in this joint venture as one-line items in the Income Statement and Balance Sheet.

In previous years, our narrative has presented the combined portfolio valuation analysis and the finance position on a proportionally consolidated basis. However, we now consider that it is appropriate to separately report Longmartin's activity, valuation and capital structure. We believe this presentation provides a clearer analysis and is consistent with the financial statements.

Wholly-owned portfolio

At 30 September 2020, our portfolio was valued at £3.1 billion. On a like-for-like basis, the valuation declined by 18.3%, principally due to uncertainties resulting from Covid-19. After allowing for capital expenditure, the revaluation deficit was £698.5 million.

Whilst we saw some improvement in both the occupational and investment markets following the UK general election in December 2019, this started to decline from early February 2020 amid growing Covid-19 fears. Since then, Government restrictions have had a material effect on trading conditions for all consumer-facing, footfall-reliant businesses, which are inevitably cash-flow sensitive, leading to near-term uncertainty, lower occupier demand, pressure on rents and increased vacancy.

+ *Portfolio activity report: page 59*

The valuation decline during the year was driven by an increase in the portfolio equivalent yield of 48 basis points to 3.95% (2019: 3.47%), reflecting:

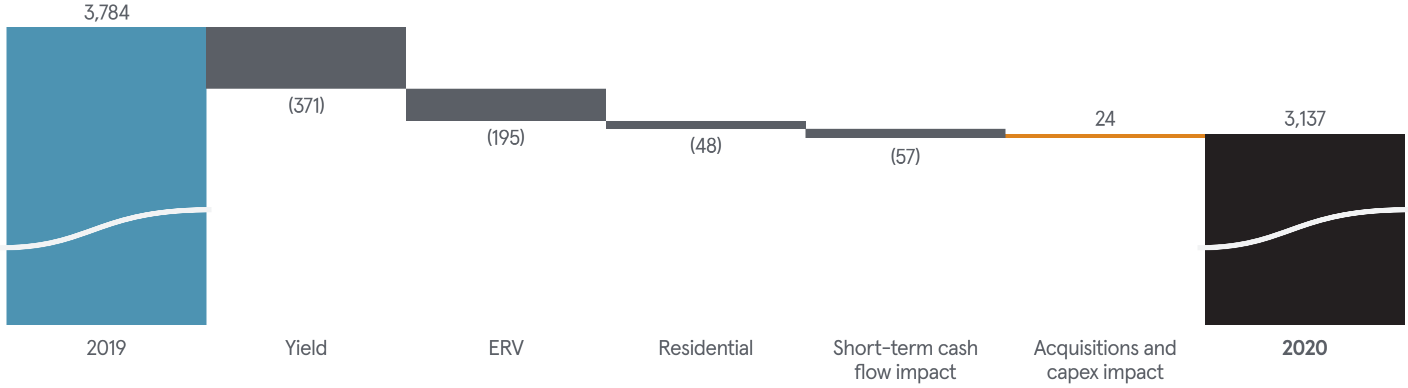
- increased valuation yields applied to food, beverage, leisure and retail uses, and selected offices. Reducing values by around £371 million, this reflected investor sentiment given Covid-19 economic uncertainties;
- a reduction of 6.6% in ERVs across the portfolio, equating to a decrease in valuation of approximately £195 million. This was largely driven by increased vacancy levels across the West End and reduced near-term occupier demand, which are consequences of operational challenges arising from the pandemic;
- a reduction in the valuation of our apartments of between 7.5% and 10%, equating to approximately £48 million. This reflected increased near-term availability of residential space for rent in the West End which has led to more buy-to-let investor caution with an associated increase in required returns to reflect current uncertainty; and
- the valuer's estimate of the short-term income impact of rental support likely to be granted to occupiers as a result of the pandemic and reduced occupancy, equating to a valuation decrease of approximately £57 million.

Wholly owned portfolio valuation

	Valuation £m	Annualised current income £m	ERV £m	Valuation growth[1] %	Topped-up net initial yield %	Equivalent yield %	Equivalent yield Change[2]
Carnaby	1,212.3	41.7	58.0	(17.0)%	3.1%	4.2%	+54bps
Covent Garden	840.8	28.8	35.4	(19.5)%	3.0%	3.6%	+34bps
Chinatown	700.6	24.7	30.1	(17.8)%	3.2%	3.8%	+43bps
Soho	258.7	10.4	11.3	(21.2)%	3.6%	3.8%	+39bps
Fitzrovia	125.0	4.3	5.5	(18.5)%	2.9%	3.8%	+37bps
	3,137.4	**109.9**	**140.3**	**(18.3)%**	**3.1%**	**3.9%**	+48bps
2019	3,784.2	117.1	149.7	(0.2)%	2.9%	3.5%	

1. Like-for-like. Alternative performance measure. See page 156.
2. Expressed in basis points.

Valuation movements (£m)



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.

Covid-19 impact on contracted rental income and ERV

Our strategy has delivered sustained growth in annualised current income and rental values over many years. However, since early March 2020, Covid-19 has had a negative impact on both. The chart below demonstrates the resilience displayed by the wholly-owned portfolio during the global financial crisis and the impact to date of the Covid-19 pandemic.

Annualised current income

During the year, annualised current income fell by 6.1% to £109.9 million (2019: £117.1 million). On a like-for-like basis, before the impact of acquisitions in the year, the decline was 6.4%. This decrease occurred since 31 March 2020, when annualised current income totalled £117.7 million, and largely reflects increased EPRA vacancy.

+ *Portfolio activity report: page 59*

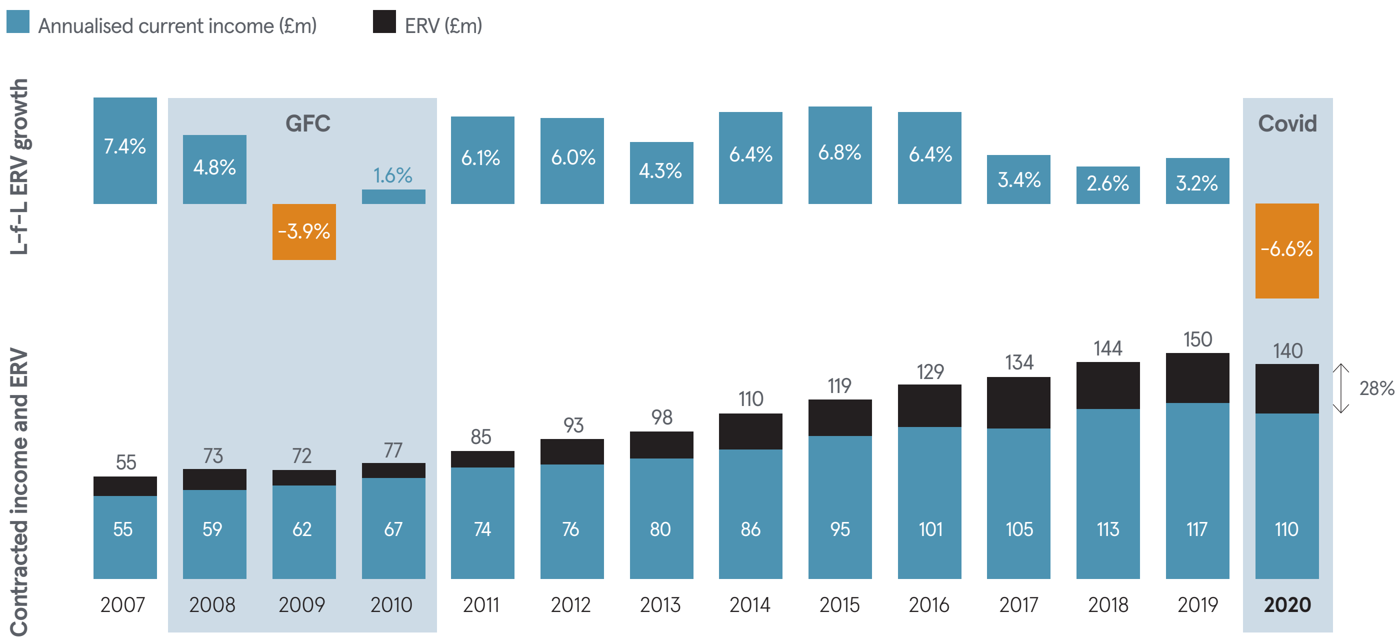
ERV

A key output from our strategy is long-term growth in rents and ERVs. Through our leasing activity, previously assessed rental potential is typically converted into contracted rents, whilst establishing new rental levels, which provide evidence both for future leasing negotiations and for the valuers when assessing ERVs. Typically, our portfolio's reversionary potential is converted into contracted rent over three to five years.

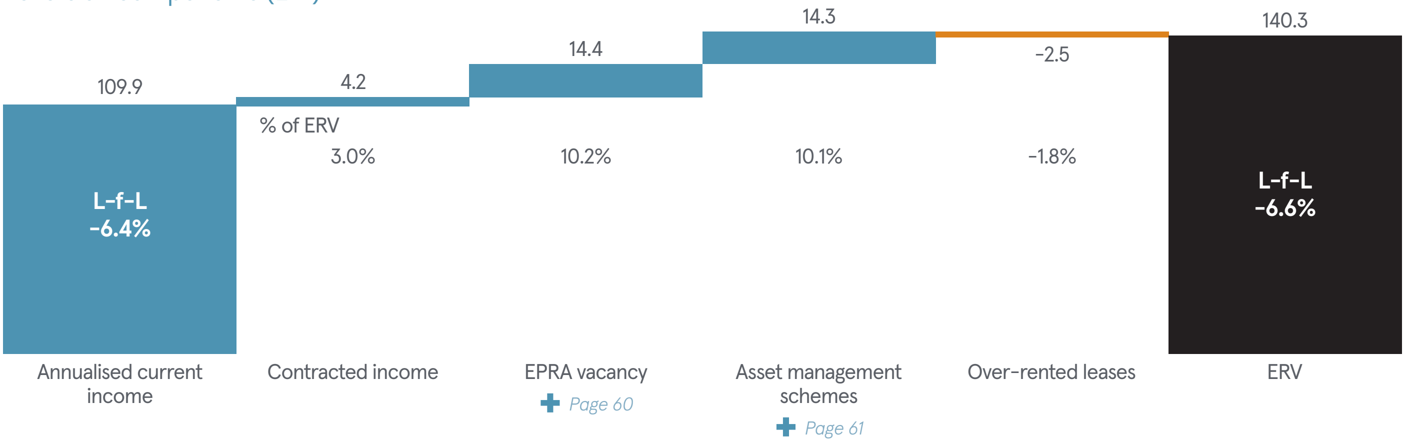
Over the ten years to 30 September 2019, the wholly-owned portfolio delivered like-for-like compound annual growth in ERV of 4.7%. However, this year, the portfolio's ERV decreased on a like-for-like basis by 6.6% to £140.3 million (2019: £149.7 million), reflecting pressure on rents as a result of higher availability of space across the West End together with ongoing operational and financial challenges faced by our occupiers. This was particularly the case for retail and food, beverage and leisure, where ERVs declined on average by 10.7% and 6.9% respectively. Office ERVs declined by 1.7%.

+ *Covid-19: impact and response: page 6*

Long-term progression in ERVs and contracted rents



Reversion components (£m)



At 30 September, the portfolio's ERV was 27.7% above annualised current income. The components of the reversion are set out in the chart above. Typically, our portfolio has a long history of being under rented. However, following the decrease in ERVs in the year, our valuers estimate that let accommodation is currently over-rented by £2.5 million in total. Depending on the path and pace of recovery, further pressure on ERVs would increase the over-rented element of our portfolio until such time as vacant space across the West End has been absorbed.

Longmartin valuation

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

During the year Longmartin's long leasehold property decreased on a like-for-like basis by 16.9% from £209 million to £175 million. The revaluation deficit, after capital expenditure, was £35.8 million, following a 12.0% decline in ERVs to £8.8 million (2019: £10 million) and an increase in equivalent yield of 17 basis points to 4.11% (2019: 3.94%). At 30 September 2020, annualised current income was £6.2 million, down 17.3% during the year (2019: £7.5 million).

The valuation decline was driven by retail and food & beverage, which decreased by 40.1%, and 17.4% respectively.

Retail

Retail values decreased on a like-for-like basis during the year by 40.1% to £41.9 million (2019: £70.0 million). In contrast to the Group's wholly-owned shops, Longmartin's retail space predominantly comprises large units on Long Acre, a street with relatively high overall rents, for which occupier demand continues to decline. Together with general uncertainty and further pressure on rents as a result of Covid-19, this has led to an increase in Long Acre retail equivalent yields of 50 basis points during the year, and further reductions in ERVs.

Food & beverage

During the year, the valuation of Longmartin's food & beverage accommodation decreased by 17.4% from £38.1 million to £31.5 million. This decrease was driven by an increase in equivalent yield of 51 basis points and a decrease in ERV, recognising existing vacant space in St Martin's Courtyard, following a scheme to create three restaurants, and disruption to the supply and demand balance caused by near-term food and beverage vacancy in the immediate surrounding area as a result of Covid-19.

Residential and offices

The valuation of Longmartin's apartments decreased by 6.5% to £28.1 million (2019: £30.1 million), reflecting a near-term increase in the availability of space and slowing of the investment market. The offices valuation increased by 3.7% to £73.5 million (2019: £70.9 million) following ERV growth of 3.2% and equivalent yield compression of two basis points to 4.21% (30 September 2019: 4.23%).

Valuation outlook

We expect that the valuation of both the wholly-owned portfolio and Longmartin's property are likely to experience downward pressure in the near term. This is predominantly due to the growing availability of space across the West End and the continued impact of Covid-19 containment measures affecting trading conditions for retail, food, beverage and leisure businesses, with the risk of further declines if the current market outlook worsens. The pace of pandemic recovery will be important in the extent and duration of downward pressure on valuations.

+ *Covid-19: impact and response: page 6*

Portfolio activity report

Following a largely "business as usual" first half of our financial year, the Covid-19 pandemic had a significant impact on our business during the second half, resulting in reduced rent collections, increased vacancy and reduced occupier demand.

Rent collection

Our key priority has been, and continues to be, supporting our occupiers through the period of pandemic disruption (pages 7 to 8). A significant element of this support has been through rent concessions, often by way of waivers, deferrals and introduction of further lease flexibility including short-term turnover-related rents. In some cases, our concessions have provided the opportunity to restructure leases. Furthermore, we have drawn on tenant rent deposits to part settle their arrears and are not requiring these deposits to be topped-up.

In order to provide certainty for our food, beverage and retail businesses, our discussions and agreements with them initially focused on the six months to 30 September 2020. From 1 October 2020, we commenced providing commercial occupiers with the option to pay rent and service charges monthly rather than quarterly in advance, in order to help align our revenue collection with their cash flows. With England entering a second national lockdown on 5 November 2020, rent collections since 30 September 2020 have been further reduced and additional waivers have been granted.

Contracted rent and rent collection since the first UK Covid-19 lockdown[1]

	6 months to 30 September 2020		2 months to 30 November 2020	
	£m	%	£m	%
Collected	30.3	53%	6.9	37%
Deferred	5.2	9%	-	-
Waived	14.3	25%	7.4	40%
Outstanding	7.3	13%	4.3	23%
Total contracted	57.1		18.6	

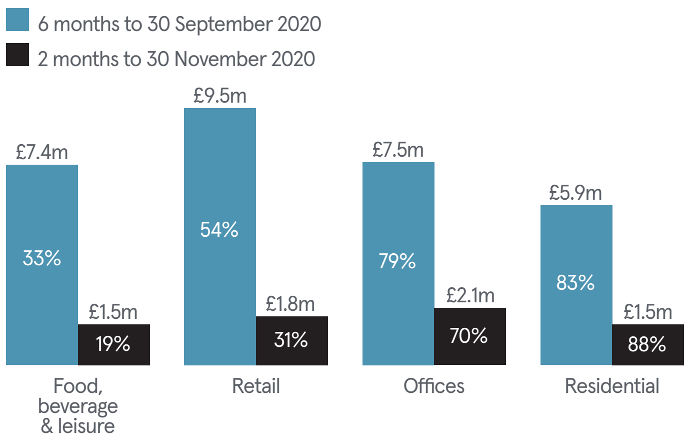
By 30 November 2020, we had collected 53% of contracted rent for the six months to 30 September 2020, of which drawings against rent deposits accounted for £6.8 million (12% of contracted rent). At 30 September 2020, we continued to hold rent deposits totalling £14.3 million (2019: £20.7 million). 34% of contracted rent had been waived or deferred and 13% remained outstanding.

Rent collections for the two months to 30 November 2020, a period which included the second lockdown, were 37%, of which rent deposits accounted for £0.2 million (1% of contracted rent). 40% of rent has been waived and 23% remained outstanding.

The eventual recovery of amounts deferred or outstanding will depend on tenants' ability to meet these commitments. This will be influenced by pandemic-related factors which continue to affect the future viability of their businesses.

Rent collection rates have varied by use, with residential and office collections being higher than those for food, beverage and retail businesses which inevitably are more footfall reliant.

% of contracted income collected[1]



Looking ahead, our rental and service charge support is likely to continue through 2021, with our occupiers having reduced income in the important period leading up to Christmas and into the New Year, which traditionally has provided them with liquidity buffers to withstand the normally slower quarter to March. The eventual return to more-normal rent collection levels will be highly correlated to the recovery in footfall.

Leasing and occupier demand

The decisive outcome of the December 2019 general election, and clarity regarding the UK's exit from the EU, brought welcome signs of an improvement in business confidence and investment, as well as consumer activity. Our occupiers reported good footfall and spending in our locations in the important trading period over Christmas and the New Year, and in the early weeks of 2020, enquiries to lease space grew, and the availability of potential acquisitions picked up.

From early February 2020, growing reports regarding the rapid spread of the Covid-19 virus began to impact leasing activity and lower leasing volumes have continued since March 2020.

During the year, we concluded leasing transactions with a rental value of £23.6 million, 30% lower than the volume in 2019. The decrease in commercial letting activity was particularly noticeable in the second half of the financial year.

Letting activity during the year

	2020			2019	
	H1 £m	**H2 £m**	**£m**	£m	Change
Commercial					
Lettings and renewals	9.3	2.1	**11.4**	15.6	(27)%
Rent reviews	3.5	2.7	**6.2**	10.6	(42)%
	12.8	4.8	**17.6**	26.2	(33)%
Residential	2.2	3.8	**6.0**	7.3	(18)%
	15.0	8.6	**23.6**	33.5	(30)%

1. As at 30 November 2020

The uncertain outlook for the national economy and consumer spending is having a significant impact on business confidence and investment, which is unlikely to improve materially until pandemic concerns abate. Retailers, particularly those exposed to structural changes in shopping habits nationally and internationally, which were clearly evident before the onset of the pandemic, have been accelerating their review of space requirements, both in terms of location and size of shops. Similarly, over-extended food and beverage chains continue to retrench their operations to focus only on the most profitable locations and sites.

We have seen encouraging letting interest in recent weeks, with potential occupiers attracted by the curation of our normally buoyant and prosperous villages, with relatively affordable rents. Generally, businesses remain cautious in taking on rental and capital expenditure commitments and occupiers are looking for greater flexibility when entering into new leases, including rent suspension in the event of further lockdowns. In the case of food, beverage, leisure and retail premises, a higher specification of landlords' basic fit out, rather than taking space in shell condition, is becoming standard market practice. We are now providing fully fitted-out space in some of our office schemes. We expect the demand for further lease flexibility to be prevalent until the West End fully recovers from the pandemic.

Occupancy

Although the West End has a long-term availability/demand imbalance, we have seen a decline in portfolio occupancy during the year. Compared with the 10-year pre-Covid-19 average of 2.9%, EPRA vacancy rose to 10.2% during the year, with the majority of the increase since March 2020.

Affecting all uses, this was largely due to the impact of the Covid-19 pandemic, including the significant reduction in letting activity since February 2020, completion of refurbishment schemes, space handed back by commercial tenants and an exceptional increase in vacant apartments.

Tenant insolvencies since the lockdown in March 2020 accounted for approximately 2% of ERV.

EPRA vacancy at 30 September 2020

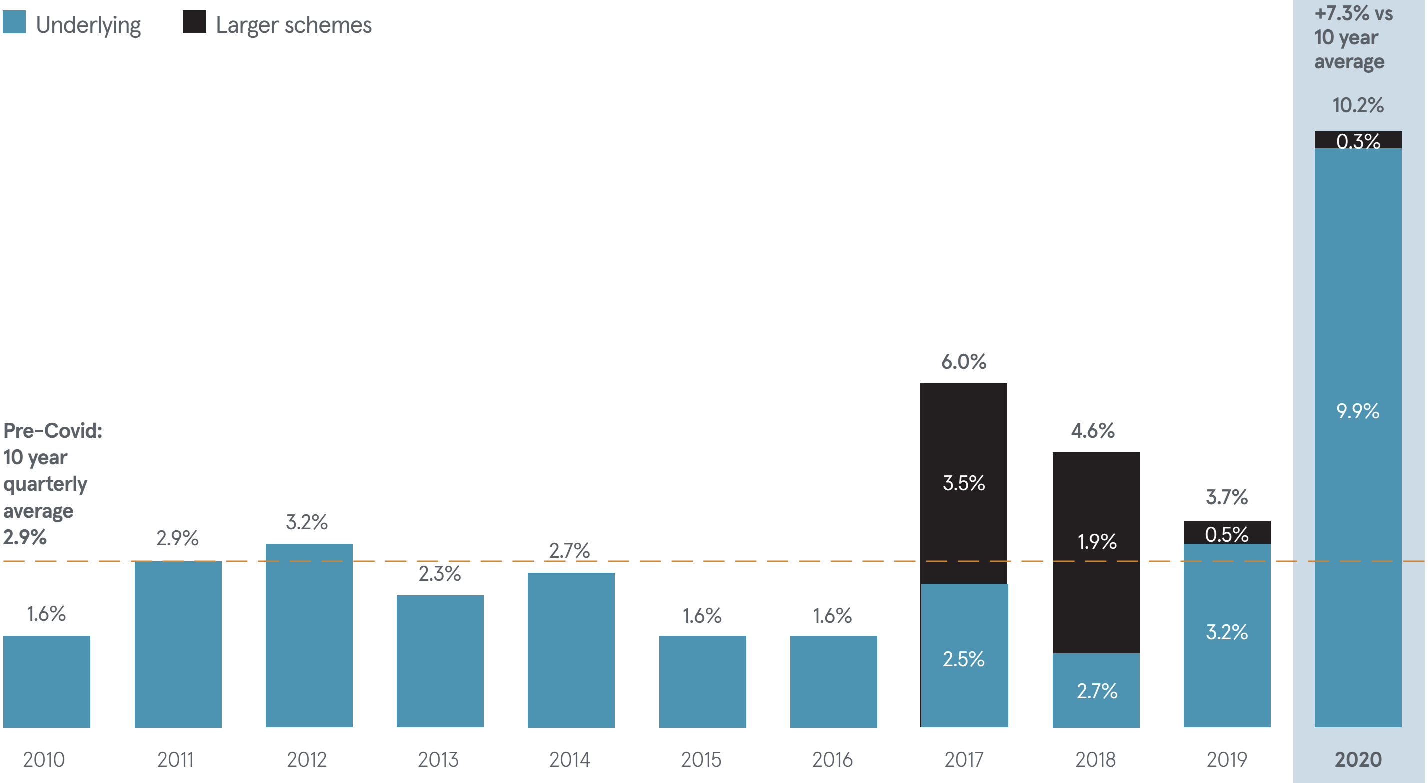
	Food, beverage and leisure £m	Shops £m	Offices £m	Residential £m	Total £m	% of total ERV 2020 %	% of total ERV 2019 %
Under offer	0.9	0.4	0.2	0.2	1.7	**1.1%**	1.8%
Available-to-let	2.6	4.1	2.3	3.7	12.7	**9.1%**	1.9%
	3.5	**4.5**	**2.5**	**3.9**	**14.4**	**10.2%**	3.7%
2019	1.4	3.2	0.8	0.1	5.5		
Area ('000 sq. ft.)							
2020	**47**	**45**	**40**	**72**	**204**		
2019	16	46	12	1	75		

Commercial vacancy

At 30 September 2020, commercial EPRA vacancy comprised:

- 22 restaurants and cafés (47,000 sq. ft.): total ERV of £3.5 million;
- 35 shops (45,000 sq. ft.): total ERV of £4.5 million;
  - 9 were larger shops (ERV > £150,000): total ERV of £2.7 million; and,
  - 26 were smaller shops: total ERV of £1.8 million; and
- 45 office suites (40,000 sq. ft.): total ERV of £2.5 million.

EPRA vacancy history



Residential vacancy

Residential vacancy, which prior to the pandemic had typically been minimal, was unusually high at 137 apartments with an ERV of £3.9 million at 30 September 2020. This large increase in the second half of our financial year was mainly due to occupiers from overseas returning home when Government restrictions were introduced, and the collapse in demand from long-stay international business and leisure travellers.

Across the West End, many landlords who would usually let their flats short-term or let to serviced apartment operators have been attempting to find long-term tenants. This has resulted in a near-term increase in availability of apartments to let, causing downward pressure on rents. Given the long-term structural shortage of accommodation in the West End, we believe that this is a short-term challenge in respect of our residential portfolio.

Occupancy outlook

By 30 November 2020, EPRA vacancy had risen further to 12% of ERV. We expect near-term EPRA vacancy to increase through a combination of occupiers suffering further operational and financial challenges, occupier demand remaining subdued until there is a sustained recovery in footfall, spending and business confidence, and the completion of schemes currently in progress. This will, inevitably, weigh on near-term rental levels across the West End. However, we are confident that our historically popular areas will continue to be destinations of choice for potential occupiers as recovery gets underway.

Refurbishment, reconfiguration and redevelopment schemes

A key aspect of our asset management strategy is to carefully manage, re-use and adapt our portfolio of mostly smaller, mixed-use buildings. Through refurbishment, reconfiguration and change of use, we improve our assets by:

- adapting our accommodation to meet current occupier requirements and anticipate market trends;
- extending their useful economic lives;
- improving income and rental prospects; and
- enhancing environmental performance.

Our schemes mostly are not capital intensive and take a relatively short time. Consequently, capital expenditure is modest, usually less than 1% of the portfolio value each year, an important factor in long-term shareholder value creation.

Capital expenditure during the year totalled £34.8 million, representing 1.1% of wholly-owned portfolio value. This included our project at 72 Broadwick Street, Carnaby.

At 30 September 2020, vacant space held for, or under, refurbishment extended to 200,000 sq. ft., and represented 10.1% of total ERV, down from 10.4% a year ago.

Space held for or undergoing refurbishment at 30 September 2020

	Food, beverage and leisure £m	Shops £m	Offices £m	Residential £m	Total £m	% of total ERV 2020 %	% of total ERV 2019 %
72 Broadwick Street	3.4	0.4	1.5	0.6	5.9	**4.1%**	4.1%
Other schemes	1.1	1.8	4.7	0.8	8.4	**6.0%**	6.3%
	4.5	**2.2**	**6.2**	**1.4**	**14.3**	**10.1%**	10.4%
2019	5.4	2.8	5.5	1.8	15.5		
Area ('000 sq. ft.)							
2020	**63**	**22**	**85**	**30**	**200**		
2019	73	27	77	36	213		

72 Broadwick Street, Carnaby

Works continue on our 77,000 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.

Of the repurposed and upgraded commercial accommodation, 48% by ERV is conditionally pre-let to Equinox, an American fitness and lifestyle brand. The office space is no longer under offer.

Whilst site activity was suspended in March and April, due to lockdown restrictions, good progress is being made. The estimated overall scheme cost is now £35.7 million, of which £14.3 million had been incurred by 30 September 2020. We currently anticipate completion in phases from Summer 2021.

Other schemes

At 30 September 2020, we had 57 other schemes underway, extending to 123,000 sq. ft. and with an ERV of £8.4 million (6.0% of ERV). These included 17,000 sq. ft. of food and beverage space, 19,000 sq. ft. of retail, 67,500 sq. ft. of office accommodation and 32 apartments.

Projects with an ERV of £5.1 million are anticipated to complete by 31 March 2021, and are likely to increase near-term EPRA vacancy, although will provide a useful contribution to income and earnings over the medium term.

Largest other schemes by cost

Scheme	Description	Estimated cost £m	Cost to complete £m	Estimated completion
50 Marshall Street, Carnaby	Creation of retail unit; refurbishment/extension of office space	5.1	0.7	Q1 2021
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	0.2	Q1 2021
16-20 Short's Gardens, Seven Dials	Office reconfiguration and refurbishment	2.2	0.4	Q2 2021

Public realm improvements

London Borough of Camden's works to improve the northern entrance to Seven Dials on Shaftesbury Avenue are now substantially complete. This now provides a crossing directly on the main walking route between Seven Dials and Tottenham Court Road station, which should increase footfall into Monmouth Street and Neal Street once the Elizabeth Line opens.

Improvements to Rupert Street, south of Shaftesbury Avenue, have now completed, doubling pavement space and providing the opportunity for al fresco dining.

In Seven Dials, a Covid-related trial by Camden Council has removed all traffic from Seven Dials from 10am until 6pm, and will be in place until September 2021, after which a permanent traffic reduction scheme could be put in place, subject to public consultation.

We have commenced working on the concept designs for the space to the side of 72 Broadwick Street, with a view to removing traffic and providing a new public space with flexible seating and greening at this important entrance into Carnaby.

We continue discussions with both Westminster City Council and the London Borough of Camden on how our food and beverage businesses can access more outdoor space, particularly in light of social distancing measures.

Looking ahead to the coming year

At any one time, we have schemes at various stages, from initial ideas, seeking planning approval, awaiting vacant possession or under construction. Over recent years, we have often sought to secure vacant possession of space where we could improve long-term income prospects through reconfiguration and change of use schemes. Until the operating environment improves, we will focus on protecting existing income and preserving liquidity and new schemes will only be considered where there is a compelling case.

Most of our current schemes will complete in 2021. In line with our strategy, we will continue to reconfigure buildings to meet changing occupier demands. This is particularly so for shops where we anticipate further downsizing of our bigger units, where appropriate, and, where space is released, introducing other uses.

With growing food, beverage and retail vacancy across the wider West End, it is likely that availability of space to let will exceed occupier demand for some time after the pandemic recovery starts. Whilst we believe our areas will continue to be seen as "best in class", in the short term, we expect to have to invest in elements of fit out in our vacant units to maximise their letting prospects.

Longmartin asset management

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

For the six months to 30 September 2020, 81% of contracted rent has been collected to date. 16% has been waived and 3% remains outstanding. For the quarter to December 2020, 70% of rent has been collected so far. The higher relative collection rate, compared with that for the wholly-owned portfolio, mainly reflects the higher proportion of offices and larger international retail in Longmartin.

During the year, lettings and rent reviews with a rental value of £1.6 million were concluded (2019: £1.4 million).

At 30 September 2020, the ERV of Longmartin's vacant space was £1.1 million (2019: £0.9 million) and there was space with an ERV of £0.1 million under refurbishment. Capital expenditure in the year was £1.6 million.

Acquisitions and disposals

Adding to our portfolio

We take a long-term view in our investment strategy. When seeking out new acquisitions, we adopt a disciplined approach, focusing on buildings:

- on busy streets in areas close to West End landmarks where, as a consequence of fragmented ownership and lack of strategic curation and investment, rental tones are significantly lower than nearby prime locations; and
- which add to existing or emerging clusters of ownerships where we can, over time, compound the benefits of our activities to deliver long-term growth in rental and capital values through our holistic management strategies.

We have a preference for adaptable and often period buildings which either have, or have the potential for, a predominance of food, beverage, retail or leisure uses on the lower floors. In the West End, these uses have a long history of occupier demand exceeding availability, underpinning their growth prospects.

With our focused acquisition strategy to establish and extend long-term ownership clusters, disposals are rare. However, we keep the portfolio under review to identify and sell individual buildings which, through change of circumstances, are no longer considered to be of core importance to our long-term strategy, and where disposals will not damage the integrity and long-term value of the wholly-owned portfolio.

During the year we added to our existing and emerging clusters in Carnaby and Soho, acquiring three buildings for £13.3 million:

- a dilapidated, mixed-use building fronting Kingly Street and Kingly Court in Carnaby, which had been in the same ownership since 1982. We have sought to acquire this property ever since our purchase of the Carnaby Estate in 1997. Plans are already being progressed for a refurbishment and reconfiguration scheme extending to two adjoining buildings; and
- two freeholds in Berwick Street which adjoin existing ownerships and will offer the opportunity, in time, to reconfigure or add space.

With the West End's broad-based economy, global appeal and resilience, existing private owners are traditionally reluctant to sell other than in periods of uncertainty or financial pressure. The unprecedented operational disruption to West End footfall, trading, demand for space and occupancy resulting from pandemic-related measures, is beginning to unsettle current owners. This may present a rare opportunity to acquire key strategic additions to our ownership clusters.

+ *Financing: page 67*

Since 30 September 2020, we have acquired a building in Seven Dials for £2.8 million.

90-104 Berwick Street

In 2017, we conditionally agreed to acquire this development in Soho. The vendor failed to meet contractual obligations to complete the sale to us by 30 April 2020. The scheme achieved practical completion in October. We continue discussions with the vendor, but a decision on acquiring this building will not be made until a number of important pre-purchase conditions have been fulfilled to our satisfaction.

Financial results

The Covid-19 pandemic has had a material negative impact on our results this year, due to occupier operational and financial distress, increased vacancy, lower rent collections, charges for expected credit losses and impairment, and investment property valuation deficits.

Presentation of financial information

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 24 to the financial statements.

Further details on APMs used, and how they reconcile to IFRS, are set out on page 156.

Accounting for Covid-19 support provided to occupiers

The support we are providing to occupiers as a result of the Covid-19 pandemic is largely in the form of deferrals and/or waivers of rent and lease modifications. The accounting treatment depends on the type of support granted and often results in a mis-match between EPRA earnings and cash flows:

- Rent deferrals: income is recognised as normal and the deferred rent receivable balance is assessed for impairment.
- Rent waivers: the cost of rent waivers is deferred over the remaining term of the lease, in much the same way as a lease incentive. Any deferred cost is then assessed for impairment. The deferred cost balance, after amortisation or impairment, is deducted from the valuation of investment properties and, so, is initially charged to revaluation gains or losses. As the balance is amortised or impaired, there is a charge against revenue and an equal credit to revaluation gains or losses.

Where a lease is modified, e.g. extended, in exchange for a rent waiver, the cost of the waiver is spread over the revised lease term.

The financial statements include significant provisions for expected credit losses in respect of trade receivables and impairments of balances such as lease incentives and deferred letting costs. In assessing the provisions, we consider a number of factors including ongoing operational and financial challenges being experienced by tenants which reduce their ability to pay back arrears, including amounts deferred, and increase the risk of tenant default. Given the materiality of the charges for these provisions in the current year, they are presented separately on the face of the Income Statement.

+ *Preserving long-term value by supporting tenants to maintain occupancy: page 7*
+ *Rent collection: page 59*
+ *Occupancy: page 60*

Income statement

	2020 £m	2019 £m	Change £m
Rental income	**114.4**	117.3	(2.9)
Service charge income	**10.1**	9.6	0.5
Revenue	**124.5**	126.9	(2.4)
Charges for expected credit losses and impairments	**(21.9)**	-	(21.9)
Service charge expenses	**(10.1)**	(9.6)	(0.5)
Other property charges	**(18.2)**	(19.3)	1.1
Net property income	**74.3**	98.0	(23.7)
Administrative expenses	**(14.4)**	(15.2)	0.8
Valuation deficits and disposal profits	**(698.2)**	(12.5)	(685.7)
Operating profit	**(638.3)**	70.3	(708.6)
Net finance costs	**(31.8)**	(30.5)	(1.3)
Share of Longmartin post-tax loss	**(29.4)**	(13.8)	(15.6)
Profit before tax	**(699.5)**	26.0	(725.5)
Tax	**-**	-	-
Reported earnings for the year	**(699.5)**	26.0	(725.5)
Basic earnings per share	**(227.5)p**	8.5p	(236.0)p
EPRA earnings[1]	**29.4**	54.6	(25.2)
EPRA earnings per share[1]	**9.6p**	17.8p	(8.2)p

1. Alternative performance measure.

The loss after tax for the year was £699.5 million, compared with a profit in 2019 of £26.0 million. The year-on-year change was largely due to consequences of the Covid-19 pandemic and included:

- a revaluation deficit, net of disposal profits, of £698.2 million (2019: deficit of £12.5 million);
- charges for expected credit losses and impairments totalling £21.9 million (2019: nil); and
- an increase in our share of the post-tax losses from the Longmartin joint venture, predominantly due to an increased investment property revaluation deficit in the year, our share of which was £35.8 million (2019: £19.2 million).

+ *Portfolio valuation report: page 56*

Revenue

During the year, rental income, before the impact of charges for expected credit losses and impairments, was £114.4 million (2019: £117.3 million), and included accrued income from lease incentives of £11.9 million (2019: £2.3 million). The increase in accrued income is a result of accounting for waivers of rent during the period.

In the first half of the financial year, our rental income (including accrued income) increased by 2.2% compared with the corresponding period in 2019. However, in the second half of the year, rental income decreased by 7.2%, compared with 2019, largely due to increased vacancy and rent waivers granted to tenants as a result of Covid-19.

Rental income

	2020 £m	2019 £m	%
6 months ended 31 March	**59.9**	58.6	+2.2%
6 months ended 30 September	**54.5**	58.7	-7.2%
	114.4	117.3	-2.5%

For the full year, the like-for-like decrease in rental income, excluding the impact of acquisitions, was £4.1 million (-3.5%).

After service charge income of £10.1 million (2019: £9.6 million), revenue decreased by £2.4 million to £124.5 million (2019: £126.9 million).

Expected credit losses on trade receivables

Rent collections were significantly reduced during the second half of our financial year. Given the uncertain trading outlook for many of our food, beverage and retail tenants, and the higher risk of occupier default, provisions have been made against amounts owing which have either been deferred as part of our Covid-19 occupier support package or remain unpaid without an agreed waiver. The charge to the Income Statement during the year was £13.0 million.

+ *Portfolio activity report: page 59*

Impairment charges

The Income Statement includes a £8.9 million charge for impairments in respect of lease incentives, rent waivers and deferred letting costs (2019: £nil). These reflect our assessment of the likelihood of future tenant default or failure, considering ongoing pandemic-related operational challenges.

+ *Portfolio activity report: page 59*

Property charges and net property income

Property charges, excluding recoverable service charge costs, were £18.2 million, down 5.7% during the year (2019: £19.3 million). The decrease was due to reduced letting and marketing activity, partly offset by higher irrecoverable property operating costs, including those as a result of increased vacancy levels.

Net property income for the year was £74.3 million, down £23.7 million compared with the previous year (2019: £98.0 million).

Administrative expenses

Administrative expenses, totalling £14.4 million, were £0.8 million lower than in the previous year (2019: £15.2 million).

Employee costs were £1.8 million lower at £8.2 million (2109: £10.0 million). This decrease was largely due to executive directors not receiving an annual bonus, together with all directors waiving 20% of salary, pension contributions and fees for four months in the year. These savings were partly offset by additional employee costs as a result of higher headcount and the 2019 annual pay review.

Excluding employee costs, administrative costs were £6.2 million, £1.0 million higher than for the previous year (2019: £5.2 million), reflecting increases in audit and professional fees, insurance costs and irrecoverable VAT, together with donations made from our Covid-19 Community Fund.

+ *Remuneration report: page 100*

Valuation deficit and disposal profits

Our wholly-owned portfolio's revaluation deficit was £698.5 million (2019: deficit of £15.3 million). This represented a like-for-like valuation decrease of 18.3%, largely due to uncertainties as a result of Covid-19, leading to lower rent collections, increased vacancy, reduced rental values and an outward movement in yields.

+ *Portfolio valuation report: page 56*

Residential long leasehold tenure extensions granted during the year generated a disposal profit of £0.3 million.

Net finance costs

Net finance costs increased by £1.3 million to £31.8 million (2019: £30.5 million), largely due to drawings against our revolving credit facilities in March 2020, as part of a prudent approach to cash management and liquidity risk.

Finance income decreased by £0.3 million to £0.7 million (2019: £1.0 million) due to a combination of lower cash balances and reduced market interest rates.

Share of Longmartin post-tax loss

Revaluation deficits resulted in the Longmartin joint venture reporting post-tax losses in both 2020 and 2019. Our share of the revaluation deficit in 2020 was £35.8 million (2019: £19.2 million). Excluding these revaluation losses, and the related deferred tax credits totalling £5.1 million (2019: £3.1 million), our share of EPRA earnings from Longmartin decreased by £1.0 million to £1.3 million (2019: £2.3 million) largely due to lower net property income following charges for expected credit losses and impairments, of which our share was £0.6 million.

+ *Portfolio valuation report: page 56*
+ *Portfolio activity report: page 59*

Tax

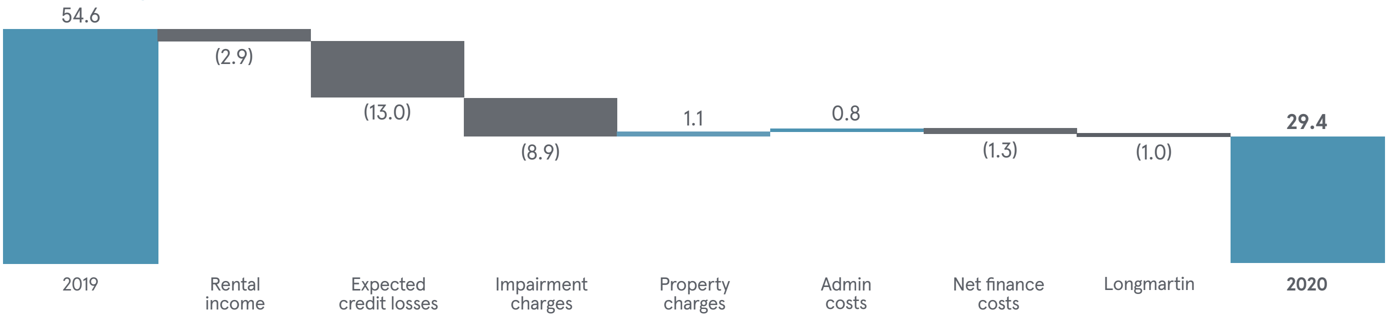
The Group's tax strategy is to account for tax on an accurate and timely basis. Our appetite for tax risk is low and we structure our affairs based on sound commercial principles, rather than engaging in aggressive tax planning. We maintain an open dialogue with HMRC with a view to identifying and solving issues promptly. In 2019, HMRC confirmed our status as a 'low risk' taxpayer. Despite the financial challenges in the second half of our year, we continue to meet the requirements in the REIT regulations.

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 (2019: £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 £13.3 million (2019: £23.5 million). In addition, our share of taxes, including corporation tax, levied on, or collected by, Longmartin was £1.0 million (2019: £1.6 million). The decrease in taxes paid is largely due to reduced output VAT, following the decrease in rent collections from commercial tenants in the second half of the financial year.

EPRA earnings (£m)



EPRA earnings

EPRA earnings are a measure of the level of underlying operating results and an indication of the extent to which dividends 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.

In the year ended 30 September 2020, EPRA earnings decreased by 46.2% to £29.4 million (2019: £54.6 million), of which £25.3 million was earned in the first half of the financial year. EPRA earnings in the second half were impacted significantly by the pandemic, which has resulted in reduced rental income and charges being made for expected credit losses and impairments. EPRA earnings per share amounted to 9.6p, 46.1% lower than the previous year (2019: 17.8p).

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 policy is to maintain progressive 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 73 to 77.

The Board monitors our ability to pay dividends out of available resources and distributable reserves. Our forecasts take into consideration future liquidity requirements, which include prospective dividend payments. Where possible, subsidiary companies distribute the majority of their distributable profits to Shaftesbury PLC annually. Currently, there are no restrictions on any subsidiaries' ability to distribute profits. At 30 September 2020, we had distributable reserves of £261.4 million.

Following the outbreak of Covid-19, the Board announced on 24 March 2020 that, in view of the likely reduction in rent collections and, in turn, adjusted EPRA earnings, it had taken the decision not to declare an interim dividend in order to preserve liquidity. A further announcement was made on 25 September 2020 that no final dividend would be declared in respect of the year ended 30 September 2020.

The Board intends to resume dividend payments as soon as it considers prudent, maintaining its policy of sustainable dividend growth over the long-term. The pace of the post-pandemic income recovery, and our REIT PID obligations, will be key factors in the Board's near-term decisions on declaring dividends.

Balance Sheet

	2020 £m	2019 £m
Investment properties	**3,115.5**	3,765.9
Investment in joint venture	**96.8**	127.6
Net debt	**(987.0)**	(905.8)
Other net assets	**55.3**	19.5
Net assets	**2,280.6**	3,007.2
EPRA NAV per share[1]	**£7.43**	£9.82
Total accounting return[1]	**(23.4)%**	0.8%

1. Alternative performance measure.

At 30 September 2020, net assets were £2,280.6 million, £726.6 million lower over the year (2019: £3,007.2 million). This decrease was largely due to the loss after tax of £699.5 million, and the dividend paid in respect of the previous year, amounting to £27.8 million.

Other net assets have increased by £35.8 million to £55.3 million (2019: £19.5m), largely due to a decrease in deferred income following our decision to offer most commercial tenants the ability to be invoiced monthly, rather than quarterly in advance from 1 October 2020, together with deposits made in respect of interest cover covenant waivers amounting to £8.7 million.

+ *Covid-19: impact and response: page 6*

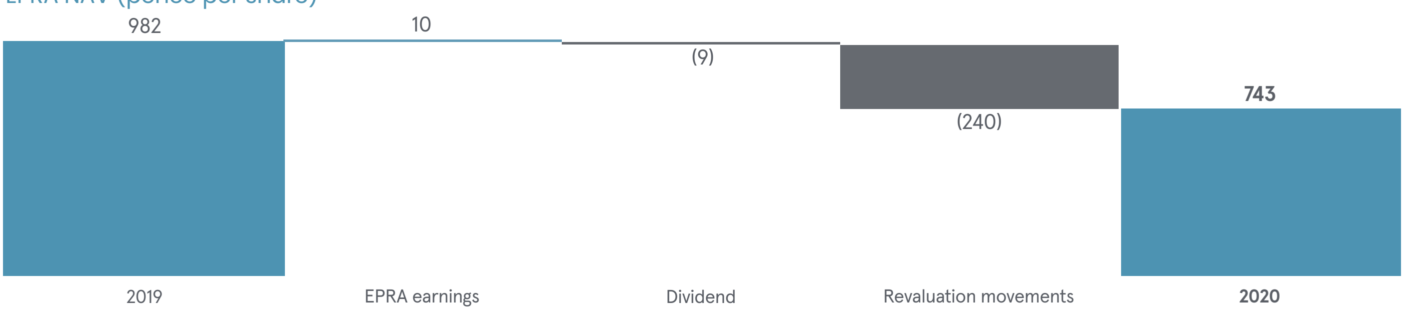
EPRA NAV

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 movement in EPRA NAV together with dividends paid.

EPRA NAV per share decreased during the year by £2.39 (24.3%) to £7.43 (2019: £9.82), principally due to the revaluation deficits, both in the wholly-owned portfolio and Longmartin. Together, these reduced EPRA NAV by £2.40 per share. EPRA earnings of 9.6p per share were offset by the payment of the final dividend for the previous year (9.0p per share).

EPRA NAV (pence per share)



New EPRA net asset measures

In October 2019, EPRA introduced three new measures of net asset value:

Net Reinstatement Value (NRV)
This measures the value of net assets on a long-term basis, assuming no disposals. Assets and liabilities that are not expected to crystallise in normal circumstances, such as deferred taxes on property valuation surpluses, are excluded. It is a reflection of what would be needed to recreate the company. Consequently, purchasers' costs which have been deducted in arriving at the fair value of investment properties are added back.

Net Tangible Assets (NTA)
This recognises that companies buy and sell assets and therefore takes into account deferred tax liabilities on sales, unless there is no intention to sell in the long run.

Net Disposal Value (NDV)
This represents the value of net tangible assets, assuming an orderly sale of the business' assets, achieving fair values as reported in the Balance Sheet. It includes deductions for liabilities that would crystallise in this scenario, including deferred tax and the difference between the fair value and carrying value of financial liabilities.

At 30 September 2020, these metrics were:

NRV: £8.16 (2019: £10.71)

NTA: £7.43 (2019: £9.82)

NDV: £7.29 (2019: £9.47)

+ *Financial statements: note 24*

Currently, for us, EPRA NTA equates to EPRA NAV and EPRA NDV equates to EPRA NNNAV. From the coming financial year, we will commence reporting on these new measures rather than EPRA NAV, with EPRA NTA becoming our main metric.

Cash flows and net debt

Net debt increased by £81.2 million to £987.0 million (2019: £905.8 million). The major cash flows were:

- Net cash generated from operating activities: £2.5 million (2019: £50.6 million). The decrease was predominantly due to lower rent collections in respect of both rents due during the year and rents billed in advance at the end of the year, following the move to monthly invoicing from 1 October 2020.

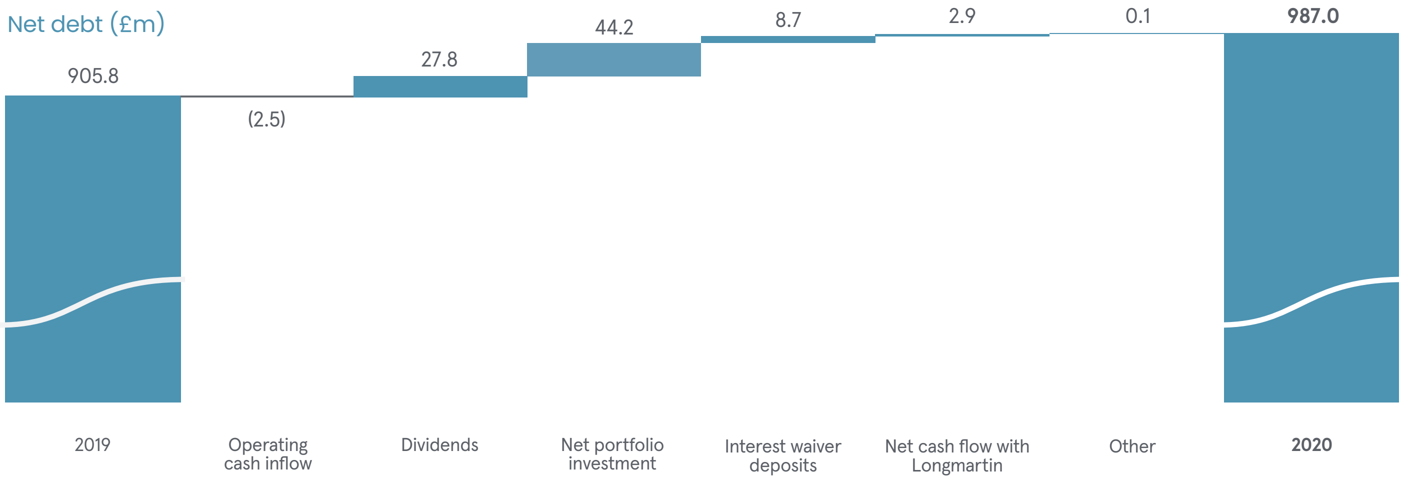
+ *Portfolio activity report: page 59*

- Net cash used in investing activities: £55.9 million (2019: £62.4 million). The main cash flows were net investment in the portfolio amounting to £44.2 million, deposits lodged with lenders in connection with securing interest cover waivers, totalling £8.7 million, and £2.9 million net cash outflow to the Longmartin Joint Venture.

+ *Portfolio activity report: page 59*
+ *Financing: page 67*

- Net cash inflow from financing activities: £72.2 million (2019: cash outflow £52.7 million), comprising net drawings against the revolving credit facilities amounting to £100 million less dividends paid totalling £27.8 million (2019: £52.9 million).

+ *Financing: page 67*



Financing

Recognising our financing risk had increased as a result of reduced rent collections and low visibility over near-term income, in November 2020, we issued equity to ensure we maintain a strong financial base, are positioned to return to long-term growth as pandemic issues recede and, should conditions improve, have capacity for portfolio investment.

Financing strategy

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. 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.

We adopt a prudent approach to our capital structure, seeking to minimise financing risk. Typically, when prospective financial ratios, including, but not limited to, gearing, approach the upper limit of our tolerance, we look to secure additional equity funding to mitigate these risks and provide financial capacity to support the operation and long-term growth of the business.

Key aspects of our financing policy include conservative leverage, diversified sources of finance and a spread of debt maturities. The core of our debt finance is secured, long-term arrangements, consistent with the long-term nature of our business model, investment strategy and income streams, with the majority of interest fixed. Working capital is provided through secured, medium-term revolving credit facilities.

In managing financing risk, we aim to maintain:

- significant levels of available liquidity to cover contractual commitments and provide us with speed of execution when acquisitions become available;
- a prudent loan-to-value ratio across the Group, with headroom above loan-to-value covenants in our debt facilities; and
- a pool of unsecured properties which could be used to top up debt security if necessary, to comply with loan-to-value covenants.

Position at 30 September 2020

At 30 September 2020, net debt was £987.0 million (2019: £905.8 million) and our loan-to-value ratio had increased to 31.5% (2019: 23.9%), largely due to the decline in the portfolio's valuation in the year. Available resources totalled £197.8 million, comprising £72.8 million of cash and undrawn revolving credit facilities amounting to £125 million. Committed capital expenditure, to be funded from these resources, totalled £31.0 million.

+ *Portfolio valuation report: page 56*
+ *Portfolio activity report: page 59*

Equity issue

The pandemic has had a significant impact on our operating cash flows and has elevated our financing risks:

- with reduced rent collections and increased vacancy continuing to put pressure on the interest cover (ICR) covenants in our debt arrangements, we are currently reliant on ICR waivers from our revolving credit facility and term loan providers;
- decreased valuations have elevated our near-term loan-to-value risks; and
- refinancing risk is growing with low visibility on near-term income and the consequential implications for valuations.

+ *Principal risks and uncertainties: page 73*

Since March 2020, our strategy has been to preserve liquidity, with a moratorium on non-essential expenditure, new schemes and acquisitions, other than by exception, and the decisions to not pay dividends for 2020. Given the uncertainty over income levels, in March 2020, we drew £150 million against our revolving credit facilities, as part of a prudent approach to cash management. By 30 September 2020, we had repaid £50 million of these drawings.

+ *Covid-19: impact and response: page 6*

Having assessed our financial position in light of the implications of the Covid-19 pandemic, on 22 October 2020, we announced details of an issue of equity with gross proceeds of £307 million, comprising £297 million by way of a firm placing, placing and open offer, and £10 million by way of an offer for subscription. The purpose of the equity issue was to ensure we maintain a strong financial base, are positioned to return to long-term growth as pandemic issues recede and, should conditions improve, have capacity for portfolio investment.

Following approval by shareholders of certain resolutions to execute the transaction, on 18 November 2020, we issued 76.75 million shares, representing approximately 25% of our issued share capital, at £4 per share. After issue costs, the net proceeds were £294.4 million.

Use of net proceeds

	£m
Managing financing risks	
Repay RCF drawings	100
Potential cash deposits to remedy term loan ICR covenants	12
Liquidity maintenance	
Fund potential operating cash out flows	45
Capital expenditure in 2021 and 2022	65
Maintain prudent level of liquidity[1]	63
General corporate purposes	9
Net proceeds	294

1. But should conditions improve, provide some capacity for portfolio investment

Managing financing risks

- **Revolving credit facilities**

Following the completion of equity issue, we cancelled our £125 million revolving credit facility, which was undrawn and had a contractual maturity in May 2022. In doing so, we benefited from:

- removing of the risks associated with expected requests for further interest cover waivers until the contracted expiry of the facility and the need to either renew or refinance this facility during a period of uncertainty regarding near-term income, cash flows, property valuations and, consequently, lenders' appetite to provide new credit;
- releasing £252 million of charged properties into our pool of uncharged assets; and
- eliminating the £0.8m p.a. commitment cost of this facility.

Furthermore, we have now repaid £100 million of drawings against our remaining revolving credit facility, which remains available to be re-drawn, provided that we remain compliant with all requirements in the loan agreement, including the financial covenants. Whilst undrawn, the annualised interest saving is estimated at £1.0 million. Since the equity raise, we have secured an extension to this facility's interest cover covenant waiver from January 2021 to October 2021.

In the event that we require further waivers which either are not granted, or are subject to restrictions we find unacceptable, the liquidity provided by the equity issue would allow us to part cancel or terminate the facility ahead of its contractual maturity.

- **Term loans**

In the absence of interest cover covenant waivers from the providers of our term loans, we can remedy interest cover ratio shortfalls with cash deposits, although there are restrictions on the number of times these remedies can be used, and would be subject to available liquidity. For the equity issue, we estimated that up to £12 million of liquidity would be required for ICR cash cures during the working capital statement period.

Since the equity raise, we have secured an extension to the ICR covenant in our £250 million term loans to January 2022, reducing the likelihood or scale of cash cures being required in the future. In consideration for this extension, we placed a further £4.4 million on deposit with the lender for the duration of the waiver.

The ICR waivers we now have in place for our term loans is set out below:

Facility amount	ICR waiver
£134.8m	July 2021
£250m	Jan 2022

- **Bonds**

At 30 September 2020, we remained compliant with the terms of the financial covenants under our bonds. However, given the uncertain outlook, we continue to monitor the covenants and will take appropriate action if required.

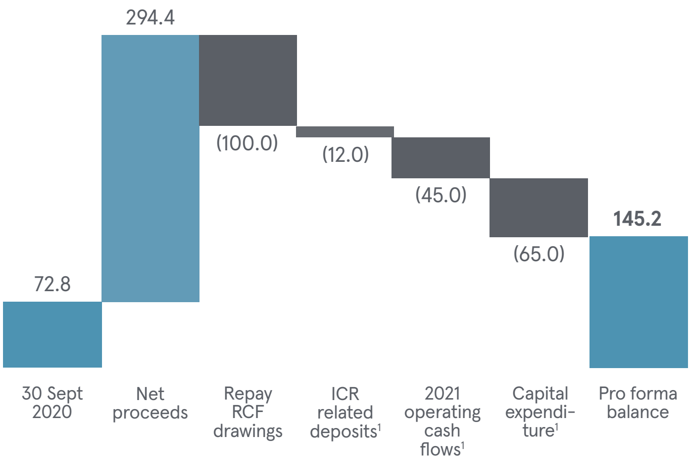
- **Loan-to-value risk**

Our individual debt arrangements have specifically charged assets as security, although the relative amounts of collateral charged, compared with the amount of each facility, are not uniform. At 30 September 2020, our pool of unsecured properties were valued at £434 million. Following the termination of our £125 million revolving credit facility, this pool has increased, on a pro-forma basis at 30 September 2020, to £686 million, providing further loan-to-value covenant headroom across our remaining borrowing arrangements.

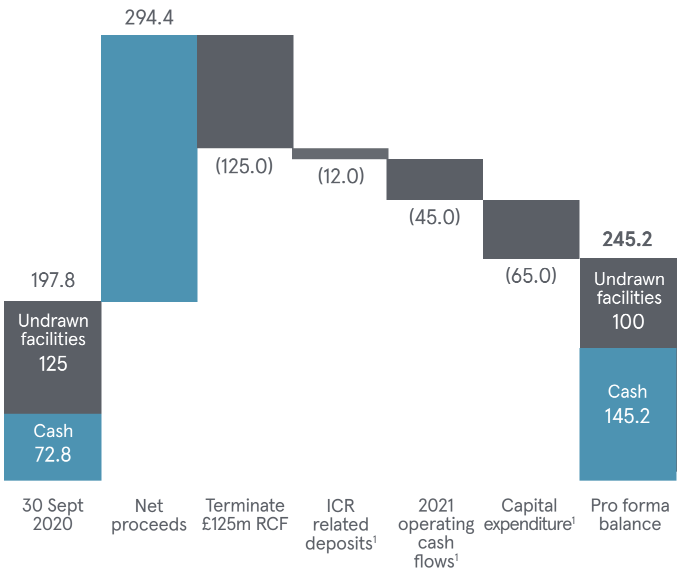
+ *Viability statement: page 78*

Impact of the equity issue

Impact on cash (£m)



Impact on liquidity (£m)



1. In the reasonable worst-case scenario for the working capital statement in the prospectus

On a pro forma basis, adjusting for the net proceeds of the equity issue, the termination of the £125 million revolving credit facility and repayment of drawings under the £100 million revolving credit facility, at 30 September, net debt was £692.6 million, we had £367.2 million of available resources and our loan-to-value ratio was 22.1%.

Liquidity maintenance

The equity issue allows us to maintain a prudent level of liquidity. At 30 September 2020, we had available resources of £197.8 million. Following the equity issue, and allowing for the termination of our £125 million revolving credit facility, this increased on a pro-forma basis to £367.2 million.

Given the ongoing impact of the pandemic, we expect:

- a cash outflow from operating activities in the coming year, reflecting ongoing reduced rent collections, increased vacancy and consequential increases in costs, set against a fixed finance cost base. In the reasonable worst-case scenario, prepared for the equity issue prospectus, this cash outflow was estimated at approximately £45 million for the year ending 30 September 2021.
- capital expenditure over the coming two financial years of approximately £65 million, which includes capital commitments at 30 September 2020 of £31.0 million, new schemes and the estimated cost of refurbishing vacant space to maximise its letting prospects, given the increase in vacancy across the wider-West End, which has increased competition for occupiers.

The equity raise provided funds to ensure that our liquidity does not fall below levels we consider appropriate, after taking into account these estimated cash outflows.

+ *Covid-19: impact and response: page 6*

We will maintain our usual disciplined approach to acquisitions. Until such time as current trading conditions improve sufficiently, we shall continue to prioritise a prudent approach to maintaining liquidity. However, by exception, should rare opportunities arise to secure particular, long-sought acquisitions in our core or emerging ownership clusters, which will provide valuable long-term compound benefits, we will consider deploying available liquidity. However, while the lack of visibility over our near-term income as a result of Covid-19 persists and we remain reliant on interest cover covenant waivers across our debt facilities, we will look to replace the liquidity used for acquisitions with selected disposals of assets no longer considered core to our long-term strategic objectives.

+ *Portfolio activity report: page 59*

LIBOR replacement

LIBOR, the London Inter Bank Offer Rate interest rate benchmark is expected to be discontinued after the end of 2021. In its place, a replacement 'risk free' rate, the Sterling Overnight Index Average (SONIA) will be used. There are two fundamental differences between LIBOR and SONIA:

- LIBOR is an annualised forward-looking term rate, with several different tenors available ranging from one day to 12 months but SONIA is only available as an overnight borrowing rate. LIBOR is fixed in advance for a given term, meaning the interest amount can be calculated at the beginning of the interest period while SONIA will be compounded in arrears and therefore will not be precisely known until the end of the period.
- SONIA generally provides lower rates than LIBOR (which includes a banking sector risk or liquidity premium). Inevitably, this rate difference will be priced into debt instruments in another way in future.

LIBOR is only used in our remaining £100 million revolving credit facility. Whilst the agreement does not have provisions to deal with this change, we will work with the providers of this facility to prepare for a smooth transition in readiness for the cessation of LIBOR.

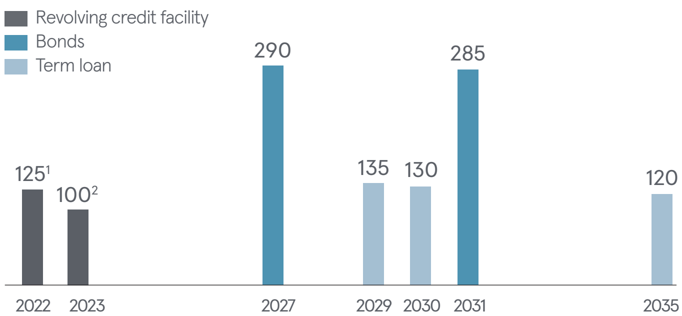
Financing summary

The table below shows the position at 30 September 2020 as reported in the financial statements and pro forma for the net proceeds of the equity issue, the termination of the £125 million revolving credit facility and repayment of drawings under the £100 million revolving credit facility. It excludes our proportional share of Longmartin's non-recourse net debt.

	2020 Reported £m	2020 Pro forma £m	2019 £m[5]
Resources			
Cash	**72.8**	267.2	54.0
Undrawn floating rate facilities (£m)	**125.0**	100.0	225.0
Available resources	**197.8**	367.2	279.0
Commitments[7]	**(31.0)**	(31.0)	(82.4)
Uncommitted resources	**166.8**	336.2	196.6
Debt stats			
Net debt	**987.0**	692.6	905.8
Loan-to-value[1,2]	**31.5%**	22.1%	23.9%
Gearing[1,2,4]	**43.1%**	26.8%	30.0%
Interest cover[1,3]	**1.9x**	N/A	2.7x
% drawn debt fixed	**91%**	100%	100%
Blended cost of debt[1,6]	**2.9%**	3.1%	3.2%
Marginal cost of undrawn floating rate facilities	**0.7%**	1.0%	1.6%
Weighted average maturity (years)	**8.3**	9.0	9.3
Sources of finance (fully drawn basis)			
Bonds	**49%**	54%	49%
Term loans	**32%**	36%	32%
Revolving credit facilities	**19%**	10%	19%

1 Alternative performance measure.
2 Based on net debt.
3 Ratio of operating profit before investment property disposals and valuation movements to net finance costs.
4 Based on EPRA net assets.
5 Comparatives restated to reflect that we are no longer presenting finance ratios including our joint venture on a proportionally consolidated basis (see page 56).
6 Including non-utilisation fees on undrawn bank facilities.
7 Capital commitments at 30 September 2020. See page 136.

Debt maturity profile



1. Undrawn at 30 September 2020 and terminated since
2. Drawn at 30 September but repaid since

+ *Summary of financial covenants: page 162*

Longmartin finance

The figures below represent our 50% share.

The Longmartin joint venture has a £60 million fixed-rate term loan maturing in 2026 which is non-recourse to Shaftesbury.

At 30 September 2020, Longmartin's net debt was £57.9 million, representing a loan-to-value ratio of 33.1%, up from 28.4% in 2019 due to the property valuation decrease in the year.

+ *Portfolio valuation report: page 56*

An ICR waiver to April 2021 has been agreed with Longmartin's lender and we are now discussing a potential extension.

+ *Summary of financial covenants: page 162*

Making a positive contribution +

Risk management

Risk tolerance and management is embedded across the business, with the tone and culture set by the Board. Our near-term risk landscape has changed this year, with the pandemic presenting a number of issues. Navigating these challenges and being able to adapt to a rapidly-changing set of circumstances to manage risk has been key

Context

We invest exclusively in the heart of London's West End, concentrating on establishing ownership clusters in iconic, high-footfall locations. This investment strategy has delivered long-term success for the Group and whilst the Covid-19 pandemic has disrupted performance this year, we expect a return to growth once the effects of the pandemic have, in all significant respects, receded. Inevitably, the pandemic and social distancing policies have had a major impact on the West End and the Group's near-term risk landscape during the year, which the Risk Committee has considered in preparing this report.

Important factors in considering risk across the Group include:

- An experienced executive and senior leadership team, with an average tenure of over 14 years, and an in-depth knowledge of our business and the West End property market. We are based in one location, close to all our holdings;

+ *Senior leadership team: page 53*

+ *Our Board: page 54*

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

+ *Exceptional portfolio in the heart of London's West End: page 12*

- 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, and with the majority of interest costs fixed;

+ *Financing: page 67*

- A culture which encourages open dialogue within the whole team and with our wide range of external advisors;

+ *Our people and culture: page 42*

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

+ *Governance overview: page 81*

The Board's attitude to risk is embedded in the business, with the Strategy and Operations Executive, which includes executive directors, closely involved in all aspects of the business and significant decisions. The whole Board approves capital, debt and non-routine transactions above a relatively low specified level.

Incentive targets and benefits are set to achieve the Group's purpose, long-term strategic objectives and near-term priorities, whilst encouraging decisions to be made on the basis of long-term benefit, rather than short-term gain.

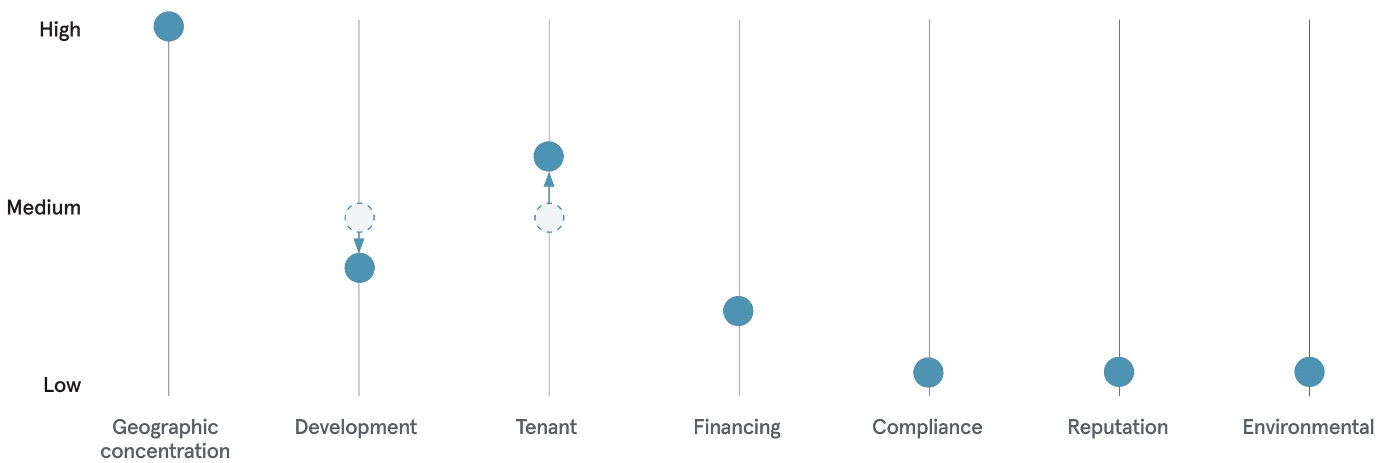
Risk appetite

Inevitably, investing in one location presents an inherent geographic concentration risk and there are certain external factors which we cannot control. However, in executing our management 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 shown in the diagram below.

+ *Business model and strategy: page 22*

Our appetite for development risk has reduced while near-term income and vacancy uncertainty persists. Currently, we are prioritising income and liquidity preservation over actively securing vacant possession of space for reconfiguration and refurbishment schemes. At the same time, our appetite for tenant risk has increased, recognising high vacancy levels across the West End, and consequently more competition for occupiers.

Change in risk appetite during the year



Monitoring and managing risk

Our risk management and control framework is shown in the diagram below. It enables us to effectively identify, evaluate and manage our principal and emerging risks.

Roles and responsibilities in managing our risk and controls framework are summarised below. Risk is considered as follows:

Informal consideration

- Daily at an operational level by senior management;
- Weekly at executive director meetings; and
- Monthly at Strategy and Operations Executive meetings.

Formal consideration

- 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 addressed as they arise and, where significant, are discussed more widely with the Strategy and Operations Executive. Issues that have arisen and how risks have changed are key inputs 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 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.

The Risk Committee meets twice a year, or more frequently as needed, and reports to the Audit Committee and Board.

Assessing risk and internal controls

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

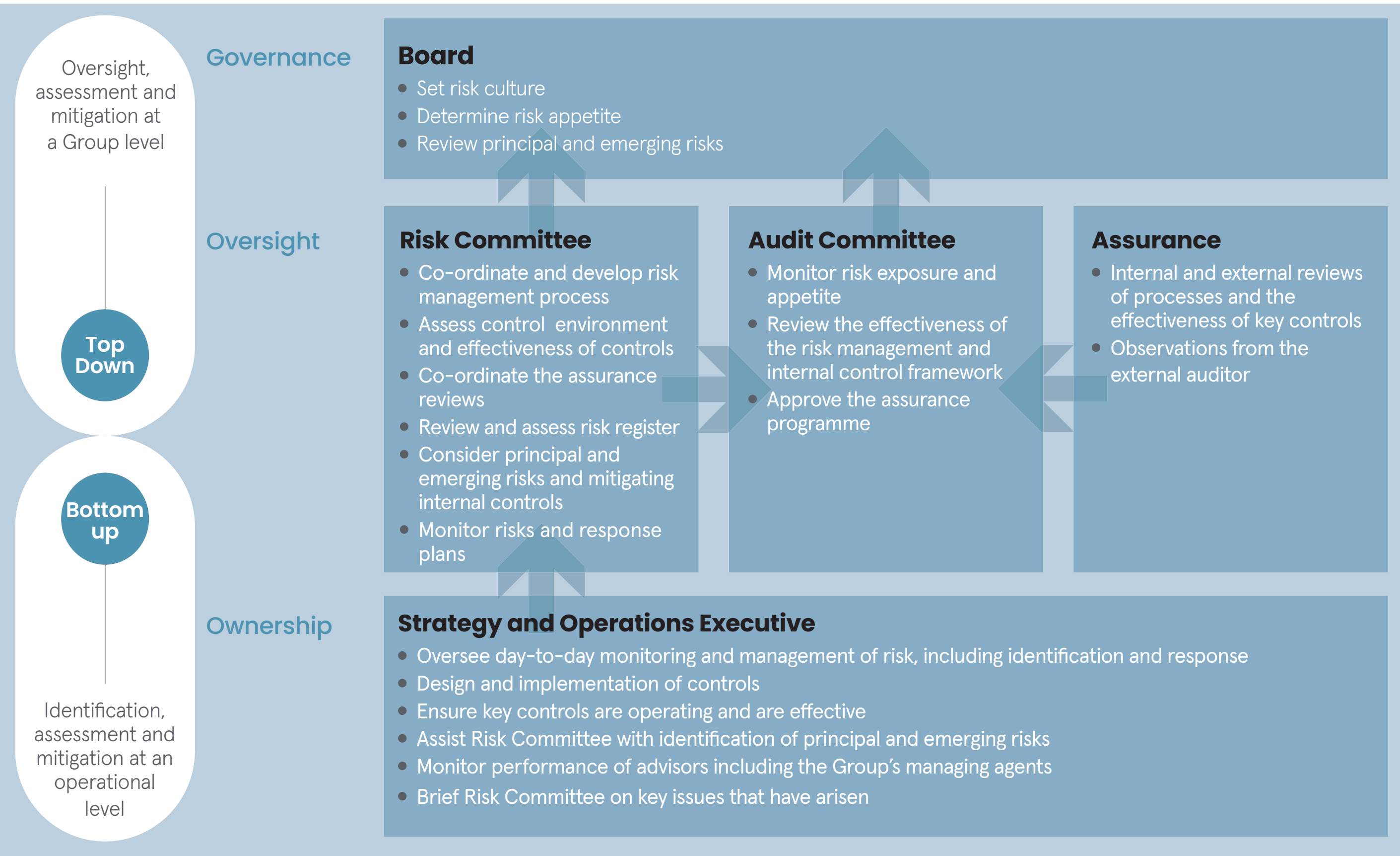
Risks are considered in terms of the likelihood of occurrence and their potential impact on the business. In assessing impact, a number of criteria are considered including the effect on our strategic objectives, operational or financial matters, our reputation, stakeholder relationships, health and safety, sustainability 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.

Assurance

Whilst we do not have a formal internal audit function, the Risk Committee oversees the provision of assurance on controls to the Audit Committee. Normally, this comprises a rolling program of external reviews on processes and the effectiveness of controls, supplemented with controls testing by management. Results of the reviews and recommendations are reported to the Audit Committee, and followed up by the Risk Committee. This year, the effectiveness of key controls was reviewed by management. Recognising the challenges that remote working would present, the programme of external reviews was paused, although we plan to recommence this in the coming year.



Principal risks and uncertainties

This report should be read in conjunction with the viability statement on pages 78 to 79.

Risk landscape

With our strategy of investing in one location, the risk of an event which prevents or deters people coming to the West End has long been on our risk register. The prosperity of the West End is based on high footfall volumes, seven days-a-week. In normal times, it is estimated that it attracts over 200 million visits annually, comprising Londoners, a working population of over 750,000 and exceptional numbers of domestic and international tourists. The Covid-19 pandemic has had a major impact on the West End and all aspects of our business, elevating a number of principal risks and presenting new challenges.

With the pace and scale of the impact of Covid-19, we have had to mobilise, assess, plan and respond to the multitude of challenges. Throughout the period since March, the Strategy and Operations Executive has met regularly to consider a rapidly evolving range of topics including occupiers, our people, communities, day-to-day operations, finance, IT, communications, liaison with our neighbours and local authorities, regulations and recovery. The Board has also met regularly during this period and has received updates from management.

In November 2020, the Group strengthened its Balance Sheet through an equity raise, which has reduced its financing risk. However, while Government restrictions remain in place, operational risk remains high.

Principal strategic 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.

Significantly reduced footfall, together with restrictions on opening hours and social distancing measures have presented our occupiers with tough operational and financial challenges. For us, this has resulted in reduced rent collections, increased costs, a slowdown in occupier demand, increasing vacancy, pressure on rental values, decreased valuations and increased financing risks. Given the interdependence of many of our risks, exacerbated by the significant decline in footfall this year, we have included the impact of Covid-19 in the individual risk analyses, rather than disclose it as a separate risk.

+ *Covid-19: impact and response: page 6*

We cluster our principal risks in the following categories: external factors, geographic concentration, market and consumer, brand and reputation, governance, data and internal control, and people. Risks are scored on a scale from low to very high.

In assessing our principal risks, we considered the following strategic risks and, in view of mitigating controls, concluded they were not currently principal risks or uncertainties:

Geographic concentration	• Destruction of multiple assets.
Brand and 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.
People	• Attracting, retaining and developing talented people. • Succession planning.

Emerging risks included:

- Failure to anticipate or understand changes in consumer and occupier trends in food, beverage and retail. This forms part of the regular Strategy and Operations Executive discussions.
- Failure to effectively use, store and manage data. A review of how we can harness and make better use of management and commercial information is planned for the coming year.
- Cyber security risks. An overhaul and modernisation of our IT infrastructure is underway.

Strategic objectives

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

Evolution of risk

- Risk increased
- Risk unchanged
- Risk decreased

Residual risk

Low Medium High Very high

1. External Factors

Macroeconomic factors

Potential causes

- Macroeconomic shocks or events.
- Uncertainty on trading and other relationships with the EU from 1 January 2021:
  - Short-term disruption to the UK economy.
  - Upward cost pressures.
  - Supply chain disruption.
- Longer-term Covid 19 impacts:
  - Higher inflation.
  - Taxation increases.
  - Recessionary environment.
  - Higher unemployment.

Consequences

- Lower consumer confidence/spending.
- Reduced visitor numbers.
- Reduced business confidence and investment.
- Brexit-related occupier supply chain disruption and higher import costs.
- Reduced tenant profitability/increased occupier financial distress/tenant default.
- Reduced occupier demand.
- Higher vacancy.
- Downward pressure on rents.
- Reduced rental income and declining earnings.
- Reduced ERV, capital values and NAV (amplified by gearing).
- Risk of loan covenant breaches.

Commentary/Mitigation

- We focus on locations and uses which historically have proved to be economically resilient.
- We actively promote our areas to drive footfall.
- Covid-19 has resulted in increased macroeconomic risk.
- Operational impact, this year, has been significant and will continue through the recovery period.
- Longer-term economic pressures may temper occupier profitability.
- Our equity raise in November 2020 has ensured our financial base remains strong.

+ *Covid-19: impact and response: page 6*
+ *Viability statement: page 78*

Strategic objectives

1 2 5

Evolution of risk:

↗

Residual risk:

●

Decline in the UK real estate market

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.
- Covid-19 accelerating structural changes in retail and office sectors.

Consequences

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

Commentary/Mitigation

- We focus on assets, locations and uses where, in normal conditions, there is a structural imbalance between availability of space and demand.
- We regularly review investment market conditions including bi-annual external valuations.
- Our wholly-owned portfolio declined by 18.3% during the year.
- Further pressure on yields and ERVs is likely in the near term, predominantly due to surplus vacancy across the West End and the continued impact of Covid-19 containment measures affecting our occupiers' trading conditions, with the risk of further declines if the current market outlook worsens.
- Increased competition for occupiers is likely to increase near-term capital expenditure requirements.
- An effective vaccination programme, low finance rates, and relative affordability of London real estate for overseas investors could provide yield support.
- Reconfiguration of our buildings is important to respond to changing occupier demand.
- We operate with conservative levels of leverage, with a spread of both sources of finance and loan maturities. Quarterly forecasts include covenant headroom review.
- We maintain a pool of uncharged assets to top up security held by lenders, if required. Our equity raise in November 2020 and subsequent cancellation of a revolving credit facility has increased our LTV covenant headroom.

+ *Portfolio valuation report: page 56*
+ *Viability statement: page 78*

Strategic objectives

1 2 5

Evolution of risk:

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Residual risk:

●

1. External Factors continued

Changes in regulatory environment

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.
- Regulation/guidance in respect of social distancing both within our portfolio and in connection with domestic and international travel for the duration of the pandemic.

Consequences

- Ability to maximise the growth prospects of our assets restricted.
- Reduced tenant profitability/increased occupier financial distress.
- Reduced occupier demand.
- Increased costs.
- Reduced earnings.
- Decrease in property values and NAV (amplified by gearing).
- Reduction of spending/footfall in our areas.

Commentary/Mitigation

- All our properties are in the boroughs of Westminster and Camden: changes to local policies may limit our ability to maximise the long-term potential of our portfolio.
- We ensure our properties are operated in compliance with local and national regulations.
- We use specialist advisors on planning and licensing and make representations on proposed policy changes, to ensure our views and experience are considered.
- Tenant compliance with planning consents and licences is regularly monitored.
- The Town and Country Planning (Use Classes) (Amendment) Regulations 2020, effective from September 2020, provide flexibility to change uses of commercial, business and service accommodation, eg between retail and restaurants. Whilst this could increase the supply of certain uses, eg restaurants, in the West End over the longer-term, subject to other planning and licensing regulations being met, it also presents opportunities to evolve the use mix in 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.
- Head of Sustainability recruited to develop our long-term sustainability strategy and our already extensive community engagement.
- Sustainability targets are included in remuneration and for each refurbishment or reconfiguration scheme appraisal.
- Social distancing regulation continues to impact our occupiers' ability to trade.

+ *Sustainability: page 27*
+ *Covid-19: impact and response: page 6*

Strategic objectives

1 2 4 5

Evolution of risk:

↗

Residual risk:

●

2. Geographic concentration

Reduction in spending and/or footfall in our areas

Potential causes

- Pandemics.
- Macro economic conditions including recession, declining disposable income, unemployment etc.
- 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.
- Possibility that Covid-19 induces permanent structural changes in frequency of visits and spending behaviour.
- UK plans to end tax-free shopping for overseas visitors.

Consequences

- Lower sales densities.
- Reduced tenant profitability/increased occupier financial distress/tenant default.
- Reduced occupier demand.
- Higher vacancy.
- Reduced rental income and declining earnings.
- Reduced ERV, capital values and NAV (amplified by gearing).
- Risk of loan covenant breaches.

Commentary/Mitigation

- Footfall and customer spending are important ingredients for the success of our restaurant, leisure and retail tenants.
- Key aspects of our management strategy are to: ensure our areas maintain a distinct identity; seek out new concepts, brands and ideas to keep our areas vibrant and appealing; and actively promote our areas.
- The Board regularly monitors performance and prospects.
- The pandemic, social distancing regulations and Government advice to work from home have dramatically reduced footfall.
- The new "normal" following Covid-19, including how people choose to work and shop, could reduce footfall and spending in the medium to long term. A significant proportion of our customer base is local workers and Londoners, and we expect footfall and spending to improve once the return to offices commences, although flexible home working may change the daily pattern of footfall. We will continue to adapt our portfolio to meet occupier requirements.
- Whilst being invested in one area is a risk, our ownership clusters are also a strength and an opportunity, allowing us to adopt a holistic curation of our villages.
- Public transport is important in making our areas more accessible to a wide range of visitors. Whilst delayed, Crossrail is now scheduled to open in 2022. This line is expected to bring an additional 1.5 million people within 45 minutes of the West End.
- It is too early to tell if or how the pandemic will impact long-term international travel patterns, particularly in the long-haul sector. The UK's plans to end tax-free shopping for overseas visitors, making it the only EU country to do so, could further impact overseas visits to the UK and the amount spent by international tourists. However, the impact on our areas is expected to be less significant due to our focus on local workers, Londoners and domestic tourists, and our mid-market offer.
- Changing leasing structure landscape (eg more flexibility for occupiers and risk sharing) may lead to volatility in income and earnings.

+ *Covid-19: impact and response: page 6*
+ *Why London's West End: page 20*
+ *Business model and strategy: page 22*

Strategic objectives

1 2 5

Evolution of risk:

↗

Residual risk:

●

3. Market and consumer

Significant increase in tenant default/failure

Potential causes

- Decline in turnover (see Reduction in spending and/or footfall in our areas).
- Increasing cost base and supply chain disruption (see macroeconomic factors).
- Occupiers with limited Balance Sheet capacity are less likely to sustain a prolonged period of operational losses.
- Wind down of Government Covid-19 support, including business rates relief which ceases at the end of March 2021.
- Possibility that Covid-19 induces permanent structural changes in frequency of visits and spending behaviour.
- Economic headwinds including recession, declining disposable income, unemployment.

Consequences

- Lower sales densities, reduced tenant profitability.
- Reduced income and earnings.
- Increased vacancy and related costs.
- Frictional cost of re-letting.
- Reduced ERV, capital values and NAV (amplified by gearing).
- Risk of loan covenant breaches.

Commentary/Mitigation

- This risk has increased substantially this year, and continues to rise.
- Tenant trading monitored regularly by the Operations Committee.
- Whilst the rent from any single tenant is not material - the top ten tenants represent less than 10% of our rent roll - many of our tenants are small, independent businesses, which have suffered significant operational and financial distress throughout the pandemic. Many have used debt to cover shortfalls. The longer Government restrictions persist, the greater the risk that their businesses become unviable.
- In normal times, occupier demand exceeds availability of space in our areas. Therefore, covenant has not been a major factor in when selecting tenants. Rather, we favour interesting concepts which help bring footfall to our villages. Currently, vacancy across the wider West End has led to available space exceeding demand, although we believe the supply and demand balance will revert once pandemic issues have receded and available space is absorbed.
- Our support through rent concessions has been critical to support our restaurant, retail and leisure occupiers in this challenging period. Despite this, we have seen a number of failures and tenants not wishing to renew at expiry.
- We continue to lobby Government on our tenants' behalf and provide marketing support.
- Tenant deposits held against unpaid rent obligations at 30 September 2020: £14.3 million.

+ *Covid-19: impact and response: page 6*

+ *Portfolio activity report: page 59*

Strategic objectives

1 2 5

Evolution of risk:

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Residual risk:

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We are unable to adapt to tenant demands/shifts in market offer by competitors, or we fail to anticipate changes in rental growth

Potential causes

- Rapidly changing occupier requirements.
- Structural changes in consumer behaviour and spending.
- Occupiers becoming increasingly cost conscious leading to:
  - reduced space requirements and consequential lower occupational costs, including investment in fit-out; and
  - an increased reluctance to contribute fully towards building service charge and insurance costs.
- Increased vacancy across the West End.
- Shaftesbury tenant proposition becomes uncompetitive.
- Flexible working could change office requirements.

Consequences

- Reduced income and earnings.
- Increased vacancy and related costs.
- Increased irrecoverable expenditure.
- Additional capital expenditure required to compete on fit-out standards.
- Pressure on ERV, leading to decline in capital values and NAV (amplified by gearing).
- Risk of loan covenant breaches.

Commentary/Mitigation

- The wholly-owned portfolio's ERV declined on a like-for-like basis by 6.6% in the year. We expect further pressure on rental values until a sustained recovery is underway and vacancy levels begin to subside.
- The current imbalance between availability of space in the West End and occupier demand is resulting in tenants and potential tenants being more demanding, especially given the competition for occupiers. We are having to spend more on unit fit outs to maximise letting prospects and more lettings are on an inclusive basis, where service charge and insurance costs are not necessarily fully recoverable.
- However, occupiers are still focusing on the quality of the location. Through the holistic curation of our villages, we have competitive advantage, compared with owners of single buildings in streets with fragmented ownerships.
- Our portfolio of mostly smaller mixed-use buildings provides considerable management flexibility to adapt our accommodation to meet space requirements, an important factor with the current trend towards smaller-sized units where occupiers can retain a physical brand and product touch point for their customers.
- We typically seek innovative, mid-market concepts and brands for our villages. As footfall builds in the pandemic aftermath, the range of rental tones and unit sizes we can offer across our villages, together with our relatively affordable rents and approach to leasing flexibility will be more important than ever.

+ *Business model and strategy: page 22*

+ *Portfolio activity report: page 59*

Strategic objectives

1 2 5

Evolution of risk:

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Residual risk:

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4. Financing and capital structure

Financing risk

Potential causes

- Reduction in income or values as a result of other principal risks.
- Changing lease structure landscape to more flexible leases and/or risk sharing.

Consequences

- Loan covenant breaches or reliance on waivers from lenders.
- Insufficient liquidity to meet obligations.
- Ability to raise new finance or refinance existing debt may be impaired.
- Forced disposal of properties.

Commentary/Mitigation

- We review our capital structure and debt covenants regularly; quarterly forecasts include covenant headroom review.
- We maintain a pool of uncharged assets to top up security held by lenders, if required.
- We adopt a prudent approach to our capital structure to minimise financing risk. However, the prolonged period of reduced rent collections during the pandemic put stress on our debt covenants and the ability to refinance debt that was maturing in the near-term.
- Our equity raise in November 2020 ensured that we maintain a strong equity base and are positioned to return to long-term growth as pandemic issues recede.
- The pandemic continues to put pressure on net property income. However, throughout our viability assessment period, we currently expect to meet interest cover covenants in our debt facilities, either through secured waivers or by utilising cure mechanisms.
- Our pool of unsecured properties has been bolstered through the release of security following the termination of an undrawn revolving credit facility, providing further headroom in our loan-to-value covenants.

+ *Financing: page 67*

+ *Viability statement: page 78*

Strategic objectives

2 5

Evolution of risk:

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Residual risk:

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5. Sustainability

Climate risk

Commentary/Mitigation

We recognise that climate change and the transition to a low carbon economy will present significant long-term risks and opportunities for our business. Failure to identify and mitigate risks could lead to disruption to our operations, damage to our reputation, and inhibit our ability to attract visitors and occupiers, which ultimately could lead to a reduction in the value of our portfolio. We are continuing to de-carbonise our portfolio and will incur additional costs in the low energy refurbishment of buildings.

Our key risk indicators are: energy and carbon emissions, waste consumption, EPC ratings and green building certification.

Our mitigation actions include:

- Our Sustainability Committee has oversight of climate related risks. The Committee is chaired by our CEO and led by our Head of Sustainability.
- The Sustainability Committee reports to both the Risk Committee, where climate change is a specific risk, and the Board.
- We are setting science based targets for carbon emissions reductions and will develop a long term net zero carbon target.
- We have a clear sustainability policy and Action Plan that sets out our targets to reduce carbon emissions across our operations.
- Our refurbishment strategy, which addresses about 10% of the portfolio a year, increases energy efficiency and sets minimum expectations for EPCs and green building standards.
- We have third party verification of our carbon reporting.
- We implemented a five-year biodiversity strategy in 2016 with the objective to achieve a 10% year-on-year increase in quantity of biodiversity features across our estate.

+ *Sustainability: page 27*
+ *TCFD statement: page 154*

Strategic objectives

1 2 4 5

Evolution of risk:

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Residual risk:

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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 three year period to 30 September 2023

Period of assessment

In light of the Covid-19 pandemic, the current level of uncertainty and the unprecedented pace of change in both our operating environment and the wider economy have resulted in reasonable expectations carrying a much lower degree of confidence. Recognising this, the directors have reduced their period of viability assessment from five years to three years.

The five-year assessment period used previously reflected lease lengths or rent review patterns across a large part of our portfolio, and corresponded with the Group's typical forecast period. Current short- to medium-term uncertainty over key assumptions such as lease terms, rent collection and occupancy render longer-term forecasts unreliable.

Whilst the Board monitors prospects over a longer period in the execution of the Group's strategy, in choosing a three year assessment period it considered that to make any meaningful longer-term forecast would require greater clarity with regard to the long-term implications of the Covid-19 pandemic on our occupiers, consumer behaviour and the wider economy.

The directors confirm that they have no reason to expect a material change in the Group's viability immediately following the end of the three-year assessment period.

Assessment process

In assessing the Group's viability, the Board has considered a three-year review of the Group's viability, prepared by senior management.

The review considered the potential impact of the principal risks which could affect solvency or liquidity in 'severe but plausible' scenarios for a range of public health and macroeconomic outcomes. The directors paid particular attention to those risks which could result in reduced income, profitability and capital values or a shortfall in liquidity.

Key assumptions

Key assumptions for the central viability scenario along with their link to the Group's principal risks are set out below. Each of these assumptions was also subjected to an extreme downside sensitivity analysis, flexing the key inputs, in unison, to model more severe adverse impacts and delays in recovery from the pandemic, assessing the Group's earnings, liquidity and debt covenant compliance in a downside scenario.

- West End footfall and consumer spend to recover slowly from the second quarter of FY 2021 onwards, returning to pre-pandemic levels in FY 2023
  1 4 5 6 7
- Rent collection rates to recover gradually in response to improving footfall and consumer spending
  1 4 5 6 7
- Portfolio vacancy to increase in FY 2021 reflecting continued relatively low footfall levels, tenant failure, the continuing impact of the pandemic and the possibility of disruption at the end to the Brexit transition period
  1 3 4 5 6 7
- Further decreases in rental values, crystallising as a reduction in income as tenancies reach breaks or expiries or tenants default, resulting in reduced capital values and rental income
  1 2 4 5 6 7
- Increased tenant incentive packages including longer rent-free periods, increased landlord contributions and higher standard of fit-out, particularly for our food, beverage, retail and leisure space, coinciding with shortening lease lengths
  1 2 5 6
- Increased non-recoverable property and service charge costs
  1 3 4 5
- Decrease in capital values reflecting declining rental values and increasing yields
  1 2 4 5 6 7
- No acquisitions or disposals are assumed. The completion of existing developments is assumed after which capital expenditure is assumed to continue broadly in-line with the historical trend.
- In view of the Group's Balance Sheet strength, following the November 2020 equity raise, no further change in the capital structure was assumed.

Principal risks

1 Macroeconomic factors	2 Decline in the UK real estate market	3 Changes in regulatory environment	4 Reduction in spending and/or footfall in our areas
5 Significant increase in tenant default/failure	6 We are unable to adapt to tenant demand/shifts in market offer by competitors, or we fail to anticipate changes in rental growth		7 Finance risk

- Having cancelled the £125 million revolving credit facility following the equity raise, the remaining £100 million revolving credit facility is assumed to be refinanced at maturity on a like-for-like basis but to remain undrawn throughout the viability period. No other changes to the Group's financing are assumed.

+ *Financing: page 67*

Assessment

The Group's investment strategy is focused on food, beverage, retail and leisure uses which, in the West End, prior to the onset of the pandemic, had a long record of resilience and growth. Its management strategy had delivered high occupancy and sustained income growth over the long term. However, Covid-19 containment measures have resulted in an acute fall in income and severe operating and financial challenges for the Group's hospitality and retail occupiers.

+ *Covid-19: impact and response: page 6*

It is the Board's expectation that the fundamentals of the investment strategy remain sound and that the effects of the pandemic on the business will reverse in the medium-term.

The viability assessment assumes that Covid-19 containment measures are reduced in the coming 12-18 months and a recovery in West End footfall and spending will follow.

Recent announcements of successful vaccine trials and the Government's plans for a mass vaccination programme are first steps towards recovery but there remains significant uncertainty over the timing and pace of the return of West End footfall and spending and an economic recovery.

The Group's food, beverage, retail and leisure operators face severe economic challenges from loss of trade, the accumulation of emergency loans and unpaid debts and the termination of government support schemes, including the business rates holiday from April 2021. The risk of Covid-19 related tenant failures is likely to remain elevated for some time.

If reduced earnings were sustained throughout the viability period this would be detrimental to the Group's ability to return to profit and recommence dividends. However, it would not threaten the Group's viability unless loan covenants were breached and were not capable of being cured.

A reduction in capital values might put viability at risk if loan-to-value covenants on the Group's debt cannot be satisfied. Declining values may also curtail its ability to raise new debt funding, but no new funding is expected to be required due to the Group's cash reserves, following the equity raise in November 2020. Debt facilities due to be refinanced in the viability period are not currently expected to be drawn.

+ *Financing: page 67*

The downside scenario modelled asset value declines of up to 40%, resulting from increasing yields, together with decreases in ERVs.

In unison, the downside scenario considered sustained low levels of rent collection and increased vacancy, costs and tenant incentives to the extent that the three year average net property income over the viability period would be 26% below the pre-pandemic level of the year ended 30 September 2019, with significantly lower levels in the first eighteen months of the viability assessment period.

Under the downside scenario, the Group would not meet its interest cover covenants until the final six months of the viability period. However, for all drawn debt facilities, throughout the viability assessment period, the Group has either secured interest cover covenant waivers from its lenders or can make up income shortfalls using cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties. The number of occasions on which cure rights may be used is limited but the directors expect to have sufficient use-rights to extend through the viability period.

Whilst this scenario would present significant challenges over the viability period, the directors' assessment is that, in view of the Group's cash reserves, its expected covenant compliance and cure rights, and the reverse stress testing set out below, the Group would remain viable.

Reverse stress testing

The Board has used reverse stress testing to estimate the level to which capital values and income would need to fall before it was unable to cure a breach in its loan-to-value or interest cover covenants.

The Board estimates that the Group could withstand a further 41% overall decrease in valuations before reaching the limit of its loan-to-value covenants.

If it were to cancel the remaining revolving credit facility (which is not expected to be utilised in its downside scenario) and release its security to be charged against other loans, this tolerance would increase to 48%.

Assuming the allocation of uncharged assets to debt facilities that would be necessary to sustain these valuation declines, the Group re-calculated its forecast interest cover covenant headroom. At the point of lowest headroom in the downside scenario, when the relevant income is already assumed to be at approximately half of its pre-pandemic level, the Group could sustain a further income decline of up to 29%, with tolerance increasing to 46% in the event that the remaining revolving credit facility were cancelled and its charged assets made available to secure against other loans.

The Strategic Report on pages 1 to 79 was approved by the Board on 14 December 2020.

Brian Bickell
Chief Executive

Chris Ward
Finance Director


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Carnaby.co.uk
@WeAreProjectZero

Governance

Governance overview

Leadership and purpose

An overview of how the Board monitors purpose and culture, its key activities throughout the year and its governance framework

Chairman's introduction
Monitoring of culture and engagement with employees
The role of the Board and its Committees
Principal Board activities in 2019/20
Our conflicts of interest procedures
Our business conduct
Significant votes against resolutions at our 2020 AGM
Relations with shareholders

+ *Leadership and purpose: pages 82 to 89*

Division of responsibilities

Describes the roles of the directors and review of director independence

Board and Committee membership
Independence and effectiveness
Roles and responsibilities of the directors

+ *Division of responsibilities: pages 90 to 92*

Composition, succession and evaluation

Sets out our consideration of Board composition, succession planning and the Board evaluation

Board skills and experience
Our Board evaluation process
Nomination Committee report

+ *Composition, succession and evaluation: pages 93 to 95*

Audit, risks and internal controls

Explains the role of the Audit Committee in ensuring the integrity of the financial statements and oversight of our risk management and internal control systems

Audit Committee report

+ *Audit, risks and internal controls: pages 96 to 99*

Remuneration

Outlines our remuneration policies which support our strategy and promote long-term sustainable success

Directors' Remuneration report
Remuneration at a glance
Remuneration policy
Annual remuneration report

+ *Remuneration: pages 100 to 113*

Compliance with the UK Corporate Governance Code 2018 (the "2018 Code")

This is the first year for the Company to report against the 2018 Code, and the Board considers it has complied in full with the Code throughout the year ending 30 September 2020, with the exception of Provision 38. This provision requires the alignment of executive director pension contributions with the wider workforce. As explained in the Directors' remuneration report on pages 101 and 105, we have committed to align the contribution levels of the current executive directors with the workforce contribution rate by the end of 2022. Any new executive directors will be aligned on appointment. The governance report on pages 81 to 113 set out how the Company has complied with the principles and provisions within the 2018 Code.

Leadership and purpose **Chairman's introduction**

In this period of considerable uncertainty, good governance, the strength of our stakeholder relationships, maintaining a close dialogue with our talented team and living our values, is, I believe, fundamental to our long-term success

Board members and meeting attendance

	Scheduled Board meetings (4 held)	Additional Board meetings[2]
Chairman		
Jonathan Nicholls	+ + + +	17/17
Executive directors		
Brian Bickell	+ + + +	17/17
Simon Quayle	+ + + +	17/17
Tom Welton	+ + + +	17/17
Chris Ward	+ + + +	17/17
Non-executive directors		
Richard Akers	+ + + +	17/17
Dermot Mathias	+ + + +	17/17
Sally Walden	+ + + +	17/17
Jennelle Tilling	+ + + +	17/17
Jill Little[1]	+ +	–

1. Jill Little retired from the Board on 31 January 2020 and could have attended a maximum of two meetings.
2. In response to the pandemic, frequent ad hoc Board calls were introduced to keep the Board informed of the changing market circumstances.

Dear shareholder

I am pleased to present our 2020 Governance report and, as this is our first year under which the revised UK Corporate Governance Code 2018 has applied to Shaftesbury, we have taken the opportunity to present some of our governance initiatives under the key themes of the new governance and reporting rules.

Our purpose, strategy and culture

Given the uncertain and evolving environment in which we have been living and working this year, I am pleased to be able to report that the Shaftesbury team's actions have been critical in delivering on short-term strategic priorities to support our long-term underlying purpose: to curate vibrant and thriving villages in the heart of London's West End. A key focus for the Board from the beginning of the Covid-19 disruption has been maintaining occupancy across the Group's portfolio. We believe this approach, underpinned by a strong financial base following our capital raise of £307 million through the Firm Placing, Placing and Open Offer and Offer for Subscription, which completed in November 2020, will position the business to return to long-term growth as the pandemic issues recede.

Fundamental to our purpose and strategy is their alignment with our culture based on our values of being human, original, community minded, responsible and long term. We are pleased that these have been a cornerstone to the Shaftesbury team's actions throughout the year and, in particular, in the period since the pandemic dominated the global agenda. How the Board has sought to achieve our purpose and discharge its duties under s172 of the Companies Act during the year, including in relation to the pandemic, and our successful post year-end capital raise, is covered in more detail in our s172 statement on pages 40 and 41.

+ *Our people and culture: pages 42 to 45*
+ *Monitoring of culture and engagement with employees: page 84*

Board composition and changes

Succession planning is an important part of our Board governance. In order to phase our non-executive director retirements, Dermot Mathias, who continues to bring to the Board a strong level of skill and independence, but who will have served nine years on the Board in October 2021, will retire at our 2021 AGM. On behalf of the Board, I would like to thank Dermot for his valued contribution to the Board over the years and, in particular, his sage advice over the course of our recent capital raise. As Sally Walden will also have served nine years on the Board in October 2021, we have carried out a rigorous review of her contribution, and are satisfied that Sally remains independent and objective. In order to provide an orderly succession, it is proposed that Sally will lead on the 2022 triennial remuneration policy review, shadowed by Jennelle Tilling, who will become our Remuneration Committee chair on Sally's retirement from the Board.

Following Jill Little's retirement at the 2020 AGM and in anticipation of Dermot Mathias' retirement at the 2021 AGM, we are delighted that Ruth Anderson will join us in December 2020 as a non-executive director and will bring to the Board her experience as a tax and business advisor to a range of UK and global businesses as well as previous Audit Committee chair roles at Ocado plc, Coats Group plc and Travis Perkins plc. From the 2021 AGM it is intended that Ruth will become Audit Committee chair.

Diversity and inclusion

Of our Strategy and Operations Executive Committee, and their direct reports, 42% and 74% respectively are female. Following the retirement of Dermot Mathias at the 2021 AGM, 33% of our Board will be female.

We appreciate that diversity extends beyond gender and we continue to actively consider diversity and inclusion in all Board and employee appointments.

Board evaluation

This year our Board evaluation was undertaken externally by Sean O'Hare of Boardroom Dialogue during the first lockdown and I am pleased to report that the Board and its Committee's were considered to be working effectively.

Details of this process, the findings of the review and our progress against 2018/19 objectives can be found on page 93.

Risk management

One of the ways the Board has monitored the evolution of our risks and priorities to the challenging circumstances through the pandemic has been through the introduction of additional Board calls between our scheduled meetings. Through these additional 17 virtual meetings, the executive directors, wider team and advisers kept the Board fully apprised of the changing conditions and actions both taken and planned. As these more-frequent Board engagements regarding day-to-day operations have proved valuable, the plan is to continue to have monthly calls in between our scheduled Board meetings for the foreseeable future, enabling us to use our scheduled meetings to focus on more strategic matters.

Our consideration of risks is integral to the way we operate and is intrinsic in approval of any material transaction. Twice yearly, the Audit Committee and the Board formally review current and emerging risks. As the impact of the pandemic has been felt across our operations, we have considered this within each aspect of the business rather than treating it as a separate risk. See more on our risk management, principal risks and uncertainties outlined on pages 71 to 77.

Sustainability, the environment and the community

Whilst the pandemic has, and will continue to, impact our business, our commitment to sustainability remains as strong as ever. To ensure we meet the long-term expectations of our stakeholders, we continue to monitor our sustainability priorities, including actions we need to take to address climate change, minimise our environmental impact and invest in our local community.

+ *Sustainability: pages 27 to 28*
+ *Environment: pages 29 to 31*

As a result of the pandemic we have refocused our efforts on supporting young people and our communities in Westminster and Camden. Recognising the impact of Covid-19 on these groups, in April 2020, we announced our Covid-19 Community Fund and are pleased to report that we have provided support of over £310,000 for 18 causes. Part of the funding for this initiative came through savings made from waivers of directors' remuneration. Recognising that there will be ongoing implications for young people and our local communities, we have also made a commitment of a further £50,000 from our 2020/21 Community Investment budget split over the Young Westminster and Camden Foundations.

+ *Making a positive difference to our community: pages 46 and 47*

Legal proceedings instigated by a major shareholder

As previously reported, on 11 June 2019, the Board was served with legal proceedings issued by companies controlled by Mr Samuel Tak Lee, who was at the time the beneficial holder of 26.32% of our share capital. At the 2020 AGM, Mr Lee, by then the ultimate beneficial owner of 26.15% of the issued share capital, voted against nine resolutions, of which only three, which were Special Resolutions, were not passed by the requisite 75% majority. Mr Lee did not vote on any other resolutions, all of which were passed with in excess of 98% of those voting in favour.

On 30 May 2020, we announced that entities beneficially owned by Mr Lee had agreed to sell their 26.3% interest in the Company. This was followed by an announcement on 1 June 2020 that legal proceedings had been withdrawn. Given the sale of his interest, no further action was taken in connection with engaging with Mr Lee on his votes against the 2020 AGM resolutions.

Engaging with our stakeholders

Critical to our long-term success is the strength of our stakeholder relationships. Whilst a large element of the Board's regular stakeholder engagement is with shareholders and employees, a key part of our role as a Board is oversight of the wider team's relationships with other stakeholders including occupiers, the local community, suppliers, finance providers, joint venture partners, visitors, local authorities, adjoining property owners and industry associations. For more details on how we have engaged with stakeholders and the outcome of that engagement see our s172 statement on pages 40 and 41.

+ *Stakeholder engagement: pages 35 to 39*

The Shaftesbury team's efforts this year have been unparalleled in navigating the challenges faced by the business and nurturing our relationships across all areas and I would like to thank them for their continued hard work and dedication. In addition, I would like to express my gratitude to my fellow Board members for their continued challenge, support and extra time commitment over the past twelve months.

Lastly, I would just like to say thank you to all of our shareholders for your continued support in these extraordinary times.

Jonathan Nicholls
Chairman

14 December 2020

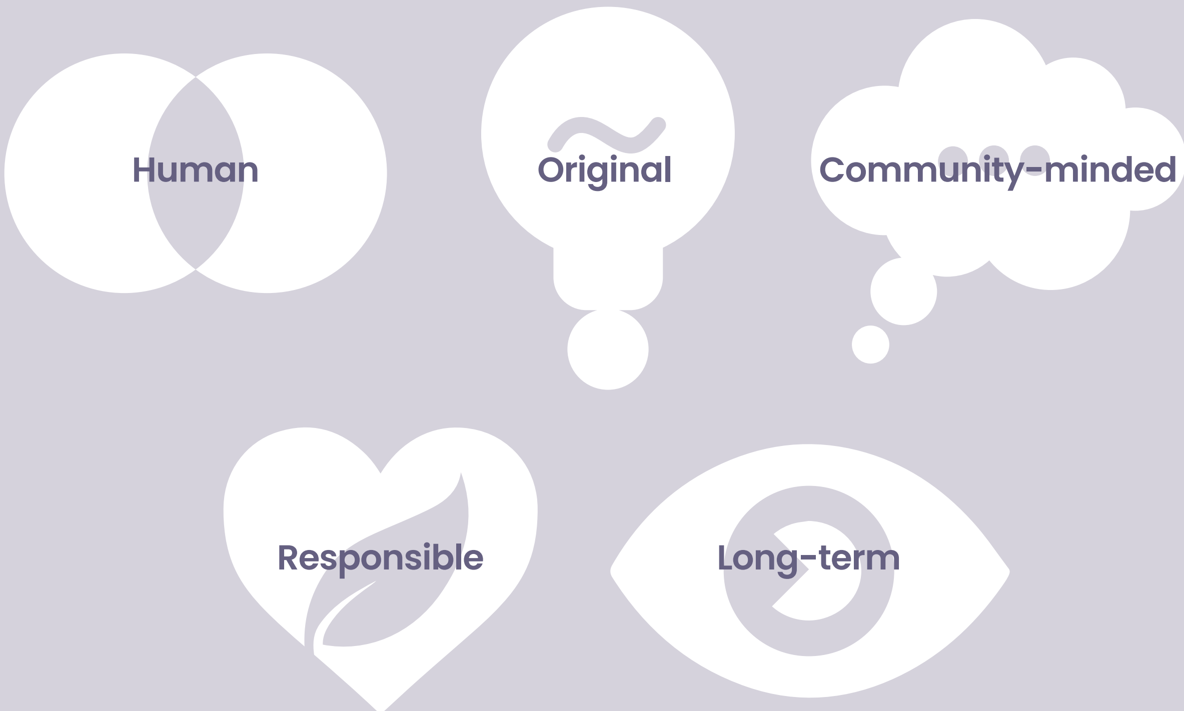
Monitoring of culture and engagement with employees

Key to the achievement of our purpose and strategy is Shaftesbury's culture and our aim to make a positive difference. Our monitoring of culture has never been more important and extra Board meetings during the year provided further opportunities for your Board to see this culture in action through the Shaftesbury team living our values:

- **Human.** This has been demonstrated through our team's frequent communications with, and resulting actions in relation to, our occupiers, employees, the community, suppliers and lenders.
- **Original.** In these unprecedented times, our teams have worked hard to 'think outside the box' and we have strived to find creative solutions to sharing the pain of our occupiers and looking creatively as to how to maintain our visitors' interest in the West End. We have found opportunities to aid our occupiers during and post-lockdown, and are lobbying our local councils in respect of initiatives to support occupiers reopening and helping them implement the new social distancing measures.
- **Community minded.** We have proactively looked to support our long-standing community partners and reached out to help others through our Covid-19 Community Fund and our wider Community Investment Committee activities.
- **Responsible.** We have engaged with and supported our employees, with none being furloughed, continued to both assist our occupiers and pay suppliers promptly and created a Covid-19 Community Fund to help young people and our local communities.
- **Long-term.** Our actions to support occupiers are, in our view, the best way to preserve the long-term value of our business.

As a small team of under 40 people, there is high level of interaction with the executive directors in relation to both our various management committees and day-to day operations. In addition, with all employees based in one location, the non-executive directors take the opportunity to meet informally with the team.

In monitoring our culture, as part of the employee reward survey in September 2020, our staff were asked additional questions about how they felt about Shaftesbury as a place to work and the level of recognition received. The Board was delighted with the level of employee response and the feedback that 100% felt both that they were proud to work for Shaftesbury and would recommend Shaftesbury as a place to work. However, there were areas identified for improvement, particularly in recognising the efforts of our teams and individuals. As a result of this feedback, we have asked our Culture Group, a cross section of employees across the business, to address this as part of a recognition project which is sponsored by Richard Akers, our designated non-executive director for employee engagement. In addition, the Board has been able to monitor our culture and ensure engagement with employees through the attendance of non-executive directors, on a rotational basis, to some of the Shaftesbury all-employee meetings.



The role of the Board and its Committees

The Board

- Four scheduled meetings
- Sets Group strategy
- Oversees the alignment of the Group's purpose, culture and values, strategy and risk appetite
- Considers the balance of interests between stakeholders for the long-term success of the Company
- Oversees the Group's governance

Principal Board activities: pages 86 to 88
Division of responsibilities: on pages 90 to 92
Our Board: pages 54 to 55

Audit Committee

- Three scheduled meetings
- Oversees the Group's valuation and financial reporting process
- Reviews the adequacy and effectiveness of internal financial controls and risk management systems including the need for internal audit
- Reviews the independence and effectiveness of the auditors

Audit committee report: pages 96 to 99

Nomination Committee

- Five scheduled meetings
- Reviews the structure, size and composition of the Board
- Oversees succession planning and development of a diverse pipeline
- Recommends appointments to the Board

Nomination committee report: pages 94 and 95

Disclosure Committee

- Meets as required
- Ensures compliance with the Market Abuse Regulation

Remuneration Committee

- Five scheduled meetings
- Determines the remuneration policy for executive directors, Chairman and senior employees
- Ensures there is a link between culture, performance and remuneration
- Monitors employee remuneration and related policies

Directors' remuneration report: pages 100 to 113

Risk Committee

- Meets at least twice a year
- Reviews and monitors the Group's principal current and emerging risks
- Oversees the effectiveness of the Group's risk management systems

Risk management: pages 71 and 72
Principal risks and uncertainties: pages 73 to 77

Strategy and Operations Executive Committee

- Meets fortnightly
- Develops and implements strategy, operational plans and policies
- Monitors operational and financial performance
- Monitors risks and opportunities
- Ensures appropriate team resourcing, development and succession planning

Pension Committee

- Meets at least once a year
- Provides oversight of the governance of the Shaftesbury pension scheme

Operations Committee

- Meets fortnightly
- Oversees day-to-day operations and procedures

Community Investment Committee

- Meets at least four times a year
- Oversees the Group's community investment strategy, programme and activities

Community: page 36 and 37

Sustainability Committee

- Meets at least four times a year
- Sets the Company's sustainability strategy and management approach

Environment: pages 29 to 31
Sustainability: pages 27 and 28

IT Steering Committee

- Meets at least four times a year
- Monitors the alignment of the Group's IT needs and strategy
- Reviews the performance of the outsourced IT function

Principal Board activities in 2019/20

At every scheduled Board meeting, the Board receives an update from the executive directors and the company secretary on the corporate equity markets, financial matters, portfolio activities and governance. The table below provides examples of significant matters discussed and consideration of stakeholders and s172 matters in the year ended 30 September 2020. At the outset of the Covid-19 pandemic, the Board introduced additional Board meetings to provide updates on the impact of the pandemic to Shaftesbury's business, stakeholders and the Group's financial position. For more on how the Board engaged on these matters and key decisions taken by the Board in relation to s172 matters, please see pages 40 and 41.

Topic	Activity and outcome[1]	Stakeholders considered	Section 172 considerations
STRATEGY & OPERATIONS			
Acquisitions and capital expenditure	• Approval of the acquisitions of three strategically important buildings in Kingly Street and Berwick Street • Regular updates on progress of the 72 Broadwick Street scheme and leasing strategy • **Post the onset of Covid-19, all non-essential capital expenditure reviewed to preserve liquidity**	Shareholders Occupiers Suppliers Lenders	Long-term consequences Environment Business relationships Reputation
Shaftesbury's office offering	• **Consideration of the changing requirements of office tenants and how to evolve Shaftesbury's offering to meet these requirements**	Shareholders Employees Occupiers	Long-term consequences Employees Business relationships
Tax Strategy	• Approved the updated tax strategy	Shareholders Suppliers	Business relationships Reputation
IT Strategy	• **Updates and reviews of Shaftesbury's IT Strategy, cyber security, third party providers, working from home arrangements and IT Steering Committee actions**	Employees Suppliers	Long-term consequences Employees Business relationships Reputation
Occupier support and post-lockdown recovery strategy	• **Updates received and discussed in relation to:** – **proposed rent concession strategies** – **our post-lockdown recovery strategy** – **additional support being offered to occupiers and actions being undertaken in relation to engagement with local councils and social distancing measures to benefit occupiers** – **external asset management teams' actions and cost saving measures** + *S172 statement: page 40*	Shareholders Employees Occupiers Local authorities/ neighbouring landowners/ West End tourism partners Suppliers	Long-term consequences Employees Business relationships Reputation
Stakeholder dashboard	• **Consideration at each scheduled Board meeting of engagement activities undertaken by the executive directors and wider Shaftesbury team**	Shareholders Community Occupiers Employees Local authorities/ neighbouring landowners/ West End tourism partners Suppliers Lenders	Long-term consequences Employees Business relationships Community Reputation Fairness between shareholders
FINANCE			
Capital structure and liquidity	• **Regular consideration of the Group's liquidity, cash flow forecasts, covenants, covenant waiver discussions and balance sheet strength** • **Process started for the November 2020 Firm Placing, Placing and Open Offer and Offer for Subscription to raise gross proceeds of £307 million** + *S172 statement: page 41*	Shareholders Lenders	Long-term consequences Fairness between shareholders
Dividend	• Recommended the payment of the 2019 final dividend • **Review of the effect of Covid-19 on liquidity, and determination that no dividend payments be paid or recommended in relation to the 2020 Half Year and Full Year results** + *Dividends: page 65*	Shareholders	Long-term consequences Reputation
Financial Reporting	• Review and approval of the Full Year results and January trading statements • **Review and approval of the Half Year results and March and September trading statements**	Shareholders Lenders	Long-term consequences Reputation

1. Matters impacted by Covid-19 in bold

Topic	Activity and outcome[1]	Stakeholders considered	Section 172 considerations
RISK			
Risk management	• Confirmed risk appetite based on recommendation from the Risk Committee • Deliberation of the principal and emerging risks and amendments made following recommendations from the Audit and Risk Committees • **Consideration of how the pandemic impacted the Group's risks** ✚ *Risk management and principal risks and uncertainties: pages 71 to 77*	Shareholders Community Occupiers Employees Local authorities/ neighbouring landowners/ West End tourism partners Suppliers Lenders	Long-term consequences Employees Business relationships Environment Reputation
SHAREHOLDERS			
Shareholder engagement	• Discussion of planned investor meetings • **Consideration of feedback from the investor presentations and roadshows** • **Feedback from meetings with shareholders** ✚ *Relations with shareholders: page 89*	Shareholders	Long-term consequences Reputation
GOVERNANCE			
Internal governance	• **Updates provided on temporary and permanent changes made to internal Committee structures** • Approval of the Strategy and Operations Executive Committee terms of reference • Minutes received from new Operating Committees	Shareholders Community Occupiers Employees Local authorities/ neighbouring landowners/ West End tourism partners Suppliers	Long-term consequences Employees Business relationships Community Reputation
External Board evaluation	• **Feedback received from the external Board evaluation and actions agreed** ✚ *Board evaluation: page 93*	Shareholders Community Occupiers Employees Local authorities/ neighbouring landowners/ West End tourism partners Suppliers Lenders	Long-term consequences Employees Business relationships Community Environment Reputation
Non-executive director succession	• Consideration of the experience required of a non-executive director to replace Dermot Mathias as Audit Committee chair ✚ *Nomination Committee report: pages 94 and 95*	Shareholders	Long-term consequences Reputation
Division of responsibilities	• Reviewed and approved the updated terms of reference for the Audit, Remuneration and Nomination Committees • Reviewed and approved the terms of reference and division of responsibilities for the Chairman, Chief Executive and Senior Independent Director • Approval of the appointment of Brian Bickell as Deputy Vice Chair of the Westminster Property Association and Jennelle Tilling as Trustee for Guide Dogs for the Blind ✚ *Roles and responsibilities of the directors: page 92*	Shareholders Community Occupiers Employees Local authorities/ neighbouring landowners/ West End tourism partners Suppliers Lenders	Long-term consequences Employees Business relationships Community Environment Reputation

1. Matters impacted by Covid-19 in bold

Topic	Activity and outcome[1]	Stakeholders considered	Section 172 considerations
PEOPLE & CULTURE			
Strategic People Plan	• **Regular updates on the progress of the Strategic People Plan** + *Strategic People Plan: page 43*	Employees	Long-term consequences Employees
Remote working, return to office plans and employee wellbeing	• **Consideration of:** - **working from home arrangements including actions proposed and undertaken in relation to employee engagement and wellbeing;** - **employee feedback and return to office plan** • **Attendance of all employee Shaftesbury presentations by Jonathan Nicholls, Richard Akers and Jennelle Tilling** + *S172 statement: page 41*	Employees	Long-term consequences Employees Reputation
Reward survey	• Consideration of feedback from the all employee reward survey and focus groups and approval of actions proposed to address areas raised + *Consideration of remuneration and related policies below the Board: page 102*	Employees	Long-term consequences Employees
SUSTAINABILITY & COMMUNITY			
Modern Slavery Statement	• Approval of our 2020 Modern Slavery Statement + *Modern Slavery and human rights: page 28*	Shareholders Community Occupiers Employees Suppliers	Long-term consequences Employees Business relationships Reputation
Shaftesbury's sustainability approach	• Consideration of our sustainability approach, proposed underlying premise and priorities + *Sustainability: pages 27 and 28*	Shareholders Community Occupiers Employees Local authorities/ neighbouring landowners/ West End tourism partners Suppliers	Long-term consequences Employees Business relationships Community Environment Reputation
Covid-19 Community Fund	• **Director remuneration waived to fund our Covid-19 Community Fund launched to assist local community during the pandemic** • **Updates received on how funds being utilised** + *Making a positive contribution to our community: page 46 and 47*	Community Occupiers Employees	Long-term consequences Employees Business relationships Community Reputation
Our Community Investment approach	• Approval of the revised terms of reference for Shaftesbury's Community Investment Committee	Shareholders Community Occupiers Employees	Long-term consequences Employees Business relationships Community Reputation

1. Matters impacted by Covid-19 in bold

Our conflict of interest procedures

The Company's Articles of Association allow for the Board to authorise any actual or potential conflicts of interest that may arise from the directors' external relationships or commitments. Any potential conflicts of interest are declared at the start of each Board meeting and a director who has a conflict of interest is not counted in the quorum or entitled to vote when Board considers the matter in which the director has an interest. Actual and potential conflicts are formally reviewed annually in respect of both the nature of individuals' roles and their time commitment. No actual or potential conflicts arose during the year.

The external interests of new directors are considered as part of the recruitment process and, if appropriate, authorised by the Board on appointment. Any additional external appointments, which are subject to Board approval, are also considered by the Board in relation to the nature of the appointment and time commitment.

The Board considered these procedures to be working effectively.

Our business conduct

Our culture is founded on forging lasting relationships and partnerships based on respect, integrity and transparency and as a small team, our Board and Strategic and Operations Executive Committee have a high level of oversight over the group's activities, policies and procedures. Formal policies in place during the year in relation to anti-corruption and anti-bribery matters included our anti-money laundering, anti-bribery, share dealing, whistleblowing and anti-tax evasion policies. As part of their induction, training is given to new employees on key policies and for certain topics we require our employees to undertake annual compliance training.

We do not have a separate human rights policy, however, we support the ten principles of the UN Global Compact on human rights, labour, environment and anti-corruption and we expect suppliers, as a minimum, to adhere to all relevant human rights, employment and health and safety legislation and comply with standards and codes specific to their business. As our day-to-day property management is outsourced, it is important for us that the values and behaviours of our suppliers are consistent with our own and that new suppliers sign up to our Supplier Code of Conduct. Our Modern Slavery Act statement is also updated annually for actions undertaken during the year to prevent modern slavery and human trafficking in our business and supply chain.

With our open and transparent culture, employees are encouraged to speak up if they witness any wrongdoing, or behaviour which does not align with our high standards. We have a formal whistleblowing policy under which employees and suppliers can report any concerns either through our senior independent director or through an independent hotline and online portal. Following receipt of a whistleblowing report, we have procedures to follow to ensure that appropriate investigation is undertaken. This policy is reviewed by the Audit Committee and the Board annually.

Significant votes against at our Annual General Meeting

At the 2020 AGM, the resolutions set out below received votes against in excess of 20%, which under the Investment Association guidance is a significant vote against:

- Ordinary resolution - annual remuneration report
- Ordinary resolution - 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 meetings on not less than 14 days' notice

Mr Samuel Tak Lee, the ultimate beneficial owner of 26.15% of the issued share capital at the time, voted against these resolutions. As a result, the special resolutions listed above were not passed. Mr Lee did not vote on any other resolutions, all of which were passed with 98% or more of those voting, voting in favour.

On 30 May 2020, the Board was advised that entities beneficially owned by Mr Lee had agreed to sell their interest in the Company. As a result, no further action was taken to engage with Mr Lee regarding the votes against certain 2020 AGM resolutions.

The Board considers that the authorities sought by the resolutions above continue to be in the best interests of the Company, and will be proposing them at the 2021 AGM for consideration by all shareholders.

Relations with shareholders

The Board considers the views of our shareholders and regular contact with potential investors to be an important aspect of corporate governance. The chief executive has day-to-day responsibility for investor relations and feedback is provided to the Board.

Notwithstanding the impact of the pandemic on our ability to physically meet shareholders and potential investors, and take them on tours of the portfolio during the year, the Chief Executive and executive directors held around 200 meetings with UK and overseas existing and potential institutional investors, as well as equity market analysts. Meetings involved either group or individual presentations and, prior to government social distancing restrictions as a result of Covid-19, tours of the portfolio which provide an opportunity to see our villages, understand management strategy, and to meet the senior leadership team.

A timeline of investor relations activities undertaken during the year is set out below.

November 2019	Results for the year ended 30 September 2019 Analyst presentation Year end results investor roadshow
December 2019	Year end results investor roadshow European Public Real Estate conference
January 2020	Annual General Meeting Trading update statement
March 2020	Global Property Conference Covid-19 update statement
June 2020	Interim results Analyst presentation Interim results investor roadshow
September 2020	Trading update statement

For the November 2019 annual results presentation to analysts, a live video webcast with replay facilities was made available on our website. As a result of Government guidance on social distancing during lockdown in June 2020 this year, Brian Bickell and Chris Ward pre-recorded the half year results presentation and hosted a live Q&A session for analysts. The recordings were made available on our website.

Due to the continued Government pandemic guidance, shareholders were not able to attend our November 2020 General Meeting in relation to our capital raise in person. However, they were able to follow the proceedings at the meeting via a listen-only audio facility. To enable shareholders to be able to ask questions in advance of the meeting, a dedicated electronic mailbox was also made available.

All of the directors were present at the 2020 AGM, which provided shareholders with an opportunity to meet the Board. For our 2021 AGM, given the uncertainty in relation to Government social distancing to ensure shareholders' safety, shareholders will not be permitted to attend the AGM in person. However, shareholders will be offered the opportunity to participate remotely and be able to ask questions and vote electronically. For more details, please see our Notice of Meeting.

During the year, we have undertaken a number of engagement activities, including consultation with:

- a number of our larger shareholders on the size and method of our capital raise in accordance with the requirements of the market abuse regulations; and
- a number of our large shareholders on a minor amendment to the calibration of our 2019 LTIP TAR performance measure.

Following our capital raise and the publication of the 2020 annual results we will be offering general engagement meetings to our major shareholders with our Chairman, Jonathan Nicholls and Senior Independent Director, Richard Akers.

Division of responsibilities
Committee membership

C Chair **+** Member

	Board	Nomination Committee	Audit Committee	Remuneration Committee	Disclosure Committee	Strategy & Operations Executive Committee (SOE)	Risk Committee	Community Investment Committee	Pension Committee	Operations Committee[1]	Sustainability Committee	IT Committee
CHAIRMAN												
Jonathan Nicholls Non-executive Chairman	C	C			C							
EXECUTIVE DIRECTORS												
Brian Bickell Chief Executive	+				+	C	+		+		C	
Simon Quayle Executive Director	+					+				+	+	
Chris Ward Finance Director	+				+	+	C		C			C
Tom Welton Executive Director	+					+				+		
NON-EXECUTIVE DIRECTORS												
Richard Akers Senior Independent Director	+	+	+	+								
Dermot Mathias Non-executive Director	+	+	C	+								
Jennelle Tilling Non-executive Director	+	+	+	+								
Sally Walden Non-executive Director	+	+	+	C								
STRATEGIC AND OPERATIONS EXECUTIVE COMMITTEE MEMBERS												
Samantha Bain-Mollison Retail Director						+				+		
Karen Baines Head of Group Marketing & Communications						+		+		+		
Alastair Deutsch Head of Finance						+	+			+		+
Desna Martin Company Secretary					+	+	+	+	+	+		
Charles Owen Property Director						+	+	+		+	+	
Andrew Price Property Director						+	+	C	+	+		
Jenna Slade Senior Portfolio Executive						+	+			+		
Julia Wilkinson Restaurant Director						+				+		

1. The Operations Committee is chaired on a rotating basis by members of the Strategy and Operations Executive Committee below the Board.

There is clear division between executive and non-executive responsibilities which ensures accountability and oversight. During the year, the non-executive directors, led by the Chairman, regularly met without management present. The roles of Chairman, Chief Executive and Senior Independent Director are clearly defined, set out in writing and regularly reviewed by the Board and are available from our website under Corporate Governance. Similarly the Audit, Nomination and Remuneration Committees' terms of reference were reviewed by both the respective Committees and the Board during the year, and are available on our website under Corporate Governance.

Independence and 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.

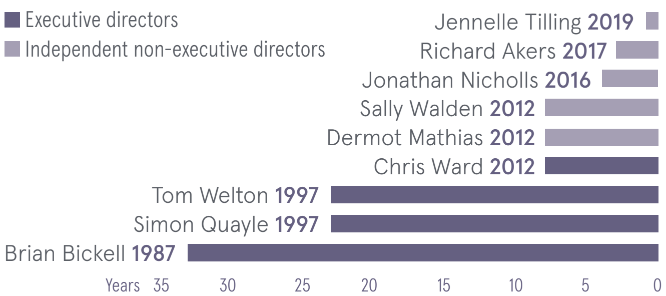
The Board believes that it, and its Committees, have the appropriate combination of skills, experience and knowledge to enable them to carry out their duties effectively. The biographies of all of the members of the Board, outlining their strengths and experience, can be found on page 54 and 55. The Nomination Committee keeps under review the tenure of all directors, Board diversity and the effectiveness of individual directors.

All non-executive directors are considered by the Board to be independent.

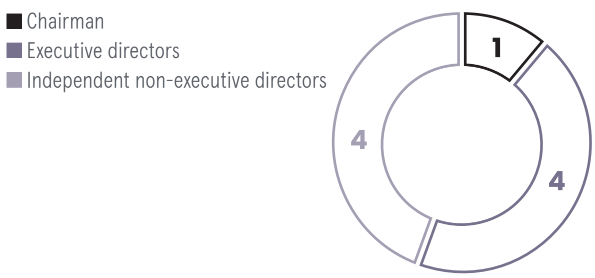
The Board recognises the importance of all directors being able to dedicate sufficient time to effectively discharge their duties and responsibilities. The commitment expected is considered by the Board on each director appointment and was a key consideration this year in the recommendation of Ruth Anderson's appointment to the Board. 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.

During the year ended 30 September 2020, additional external Board roles for which Board approval was sought and received included Brian Bickell's appointment as Deputy Vice Chair of the Westminster Property Association and Jennelle Tilling's appointment as a Trustee for Guide Dogs for the Blind.

Director tenure



Independence of directors



Roles and responsibilities of the directors

Chairman: **Jonathan Nicholls**	In his role as Chairman, Jonathan Nicholls is responsible for: • Leading the Board in the consideration, challenge, support and oversight of the Company's strategy and its implementation • Promotion and oversight of the achievement of Company's purpose, values and culture • Monitoring the Company's risk profile • Effective engagement between the Board, its shareholders and other key stakeholders • Leading on the review of the Board's effectiveness • Oversight of succession planning • Ensuring regular discussion by the non-executive directors without management present As part of his role, Jonathan chairs the Nomination Committee
Chief Executive: **Brian Bickell**	As Chief Executive, Brian Bickell is responsible for: • Adapting and executing the Group's strategy and commercial objectives to ensure they evolve in anticipation of changing market conditions and risks • The operational and financial performance of the Group • Ensuring the Company's business is conducted with the highest standards of integrity, in keeping with the Company's culture and values • Oversight of the Group's skills, diversity, management development and succession • Communication with the Board, employees and other stakeholders As part of his role, Brian is a member of the Longmartin joint venture Board, chairs the Strategy and Operations Executive Committee and Sustainability Committee and has Board responsibility for HR matters
Finance Director: **Chris Ward**	As Finance Director, Chris Ward: • Supports the Chief Executive in developing and implementing strategy and managing risk • Provides financial leadership and the alignment of the Company's business and financial strategy and management of the Company's capital structure • Is responsible for financial planning and analysis, treasury, tax and IT functions • Is responsible for presenting and reporting accurate and timely financial information As part of his role, Chris chairs the Risk, IT and Pension Committees
Other Executive Directors: **Simon Quayle, Tom Welton**	As Executive Directors, Simon Quayle and Tom Welton: • Support the Chief Executive in developing and implementing the Group's strategy and objectives • Develop and execute business plans in collaboration with the Chief Executive, Finance Director and Senior management • Oversee the day-to-day activities of the Group in line with the Group's values As part of their roles, Tom is a member of the Longmartin joint venture Board and Simon is a member of the Sustainability Committee.
Senior Independent Director: **Richard Akers**	In his role as Senior Independent Director, Richard Akers: • Provides a 'sounding board' for the Chairman and acts as an intermediary for non-executive directors when necessary • Is available to shareholders as required as an alternative contact to the Chairman • Leads the non-executive directors in the evaluation of the Chairman's performance • Acts as an independent point of contact in the Group's whistleblowing procedures
Designated Non-Executive Director for employee engagement: **Richard Akers**	In his role as Designated Non-Executive Director for employee engagement, Richard: • Acts as Board sponsor for the Employee Culture Group • Attends Shaftesbury staff presentations as appropriate • Monitors feedback from, and actions proposed as a result of, employee surveys, reporting to the Board or Remuneration Committee as appropriate • Reviews any whistleblowing matters raised by employees
Non-Executive Directors: **Richard Akers, Dermot Mathias, Sally Walden, Jennelle Tilling**	In their role as Non-Executive Directors and members of the Nomination, Audit and Remuneration Committees, Richard Akers, Dermot Mathias, Sally Walden and Jennelle Tilling: • Give an external perspective and provide constructive challenge to the executive directors and members of the Strategy and Operations Executive Committee in the Board's discussions and decision making using their broad mix of business skills and experience • Monitor performance of the Group's strategy within the risk management framework • Promote the highest standards of integrity and corporate governance throughout the Company and particularly at Board level • Review the integrity of financial reporting and that financial controls and systems of risk management are robust • Determine appropriate levels of remuneration for the senior executives Dermot Mathias and Sally Walden chair the Audit Committee and Remuneration Committee respectively

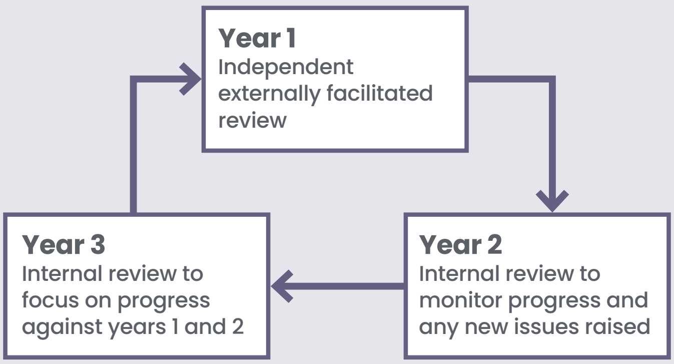
Composition, succession and evaluation
Board evaluation

Board skills and experience

	Real estate	Food, beverage, retail	Corporate finance	Accounting/ finance	Fund management /financial markets	Consumer marketing
EXECUTIVE DIRECTORS						
Brian Bickell	+		+	+	+	
Simon Quayle	+	+				+
Tom Welton	+	+				+
Chris Ward	+		+	+	+	
NON-EXECUTIVE DIRECTORS						
Jonathan Nicholls	+		+	+	+	
Richard Akers	+	+				
Dermot Mathias			+	+		
Sally Walden			+	+	+	
Jennelle Tilling		+				+

Our 2019/20 Board evaluation process

Board performance evaluation cycle



As part of our three year external Board evaluation cycle, this year our Board and Committee evaluation process was externally facilitated by Sean O'Hare of Boardroom Dialogue and included matters arising as a result of the start of the pandemic. In considering the appointment, the Board believed that Sean O'Hare, having undertaken our 2017 Board evaluation, was best placed to consider how the Board had and should continue to evolve, to maximise its effectiveness. Neither Sean O'Hare nor Boardroom Dialogue have any other connection with the Company or any director.

As part of the review Sean O'Hare:

- interviewed each Board director and the Company Secretary;
- attended a meeting of each of the Board, Audit, Remuneration and Nomination Committees; and
- provided his feedback to a meeting of the Board in July 2020.

In addition to the evaluation of the Board and each of the Committees, individual feedback on the directors was provided to the Chairman, who after consideration of the recommendations from the Board evaluation process, met with the directors individually. Richard Akers as Senior Independent Director also led a discussion with the non-executive directors as to the Chairman's performance.

The review was focused on the following key areas:

- Board leadership and company purpose – including strategy, values and culture, allocation of resources to deliver on the strategy, stakeholder (including workforce) engagement.
- Division of responsibilities – the effectiveness of the Chairman, size of the Board, quality of engagement in Board discussions, appropriateness of Board papers, frequency and length of Board meetings, and interaction of Board members outside of formal meetings.
- Composition, succession and evaluation – effectiveness of the Nomination Committee, appointments process for Board and senior management roles, induction and development of Board members, leadership development and action arising from the most recent internal and external evaluations; and
- Committee effectiveness – including the Audit Committee oversight of finance, risk and controls plus the Remuneration Committee's effectiveness in aligning remuneration with Company values and reviewing performance outcomes in light of market expectations.

The review concluded that the flow and activities of both the Board and Committees worked well. The Chairman's personal style of openness and supporting change enhanced the Board and the directors' effectiveness in working in a collegiate manner with engaged and open discussions.

Reflecting the timing of the review and the impact of Covid-19, recommendations of areas for the Board to keep under review included:

- regular consideration of the resilience of the business model;
- continued monitoring of the Group's culture;
- consideration of the Group's science-based targets as part of its Sustainability strategy;
- reviewing the strengths of the Group's stakeholder relationships; and
- capitalising on the learnings arising from the revised ways of working as a result of Covid-19 and streamlining of board processes.

Progress against the Group's 2019 evaluation:

Area of Focus	Objective	Progress
Director succession	Clarify the succession plans in place for both the non-executive and executive directors.	Ruth Anderson to join the Board as a non-executive director in December 2020. To ensure a staggered succession, Dermot Mathias will be retiring after 8 years at the 2021 AGM, and it is proposed that Sally Walden remain as Chair of the Remuneration Committee until the 2022 AGM. Given her knowledge of the Group, Sally will lead on the 2022 Remuneration Policy, shadowed by Jennelle Tilling, who will succeed her as Chair of the Remuneration Committee. Changes made to internal management committees and recruitment of a Head of Finance to add resilience below Board level. Executive directors' succession kept under review.
Stakeholder engagement	Improve reporting on the stakeholder engagement and reporting to the Board.	A stakeholder 'dashboard' of engagement by the executive and non-executive directors and wider Shaftesbury teams is tabled at each scheduled Board meeting. As part of this, the Strategy and Operations Executive Committee and Board consider the strength of Shaftesbury's relationship with shareholders, employees, occupiers, our community, local authorities, London promotional groups and local property owners, suppliers and advisors, lenders and our joint venture partners.

Nomination committee report

As our business continues to evolve, and our operating environment becomes more complex, our focus this year has been on non-executive director succession and to ensure our management structure, skills and experience below the Board support the effective delivery of our long-term ambitions

Nomination Committee members and attendance

	Number of meetings attended (5 held)
Jonathan Nicholls (Chair)	+ + + + +
Richard Akers	+ + + + +
Dermot Mathias	+ + + + +
Jennelle Tilling	+ + + + +
Sally Walden	+ + + + +

Key responsibilities

- Monitor and review the structure, size, composition (including skills, knowledge, experience and diversity) of the Board and its Committees
- To ensure that there are sufficient plans in place for the orderly and effective succession of the Board and senior leadership team
- Keep under consideration directors' skills, experience and independence
- Lead the process for Board appointments
- Review the time commitment expected from directors
- Review the results of the Board performance evaluation that relate to its composition, diversity and how effectively members of the Board work together

2020 areas of focus

- Undertook the search and appointment process for a new non-executive director and recommended to the Board the appointment of Ruth Anderson
- Reviewed non-executive director succession plans
- Reviewed executive director succession
- Updated the Committee terms of reference
- Reviewed the Committee's effectiveness

Dear shareholder

As chair of the Nomination Committee, I am pleased to present our report for 2020, covering the work of the Committee during the year with our key focus on non-executive succession planning.

Succession planning and talent development

This year, following Jill Little's retirement from the Board at the January 2020 AGM, and in light of Dermot Mathias and Sally Walden's length of tenure and anticipated retirement from the Board over the course of the next two years, our focus was to find the right person to join our Board. We are delighted that Ruth Anderson, with over 20 years' experience as a KPMG partner acting as tax and business advisor to a range of UK and global businesses and previously Audit Committee chair of Ocado plc, Coats Group plc and Travis Perkins plc, will be joining the Board on 21 December 2020. As part of her induction, Ruth attended our December 2020 Board and Committee meetings.

Inzito, an external search agency, was engaged to undertake the search which started in February 2020 with the shortlist initially interviewed by Brian Bickell and myself. Inzito, are a signatory to the Voluntary Code of Conduct, and have no other connection with the Company or the individual directors. A key element of our consideration as to individual's suitability for the role was that candidates would be able to devote sufficient time to the role and which, on challenge, precluded a number of candidates. A shortlist was then interviewed by Chris Ward and the other non-executive directors. After due consideration, the Committee recommended the appointment of Ruth to the Board, which was approved at our December 2020 Board meeting.

Dermot Mathias, having served eight years on the Board in October 2020, will be retiring from the Board at our 2021 AGM. To ensure an orderly succession, we are proposing that Sally Walden, who has also served eight years on the Board as of October 2020, remain as chair of our Remuneration Committee until the 2022 AGM. In order to provide an orderly succession, it is proposed that Sally will lead on the 2022 triennial Remuneration policy review, shadowed by Jennelle Tilling, who will become our Remuneration Committee chair on Sally's retirement from the Board. As Dermot and Sally have been on the Board for more than six years, a rigorous examination of their continued effectiveness and independence was considered by the Nomination Committee in considering the individual director reappointments at the AGM and the Committee concluded that they continue to be independent and effective in their roles. As Senior Independent Director, Richard Akers, in consultation with the other members of the Board, keeps succession planning of my role as Chair under regular review.

During the year, the executive directors revisited our internal management committee structures and established two new committees, being our Strategy and Operations Executive Committee ('SOE') made up of our executive directors and senior management chaired by Brian Bickell and an Operations Committee, reporting into the SOE.

The Nomination Committee recognises that our executive directors have a long tenure with Shaftesbury and their succession remains under continual review. The clear roles and responsibilities of the SOE ensures that our key senior management team below Board work closely with the executive directors in the implementation of the Company's strategy and oversight of operations. This structure both ensures an appropriate breadth and depth below Board level and aids in the personal development of our senior management team. To provide additional resilience to our Finance team, we recruited Alastair Deutsch as Head of Finance and a member of the SOE in September 2020.

The whole Board has been kept informed of our development plans for all our employees through updates on our Strategic People Plan, which, as a result of Covid-19, has seen a re-prioritisation of a number of different actions.

✚ *Our Strategic People Plan: page 43*

Diversity and inclusion

The Board recognises the importance of diversity and a culture of inclusion, both in its membership, and the Company's employees. We have 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 valuable differing perspectives across the business as well as fostering constructive challenge to established behaviours and attitudes.

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. Whilst we fell below this level as a result of Jill Little's retirement earlier this year, following Ruth Anderson's appointment we will again have 30% female representation on the Board which will increase to 33% after Dermot Mathias's retirement at the 2021 AGM.

Below Board level, we have a gender-diverse talent pool, with 63% female membership on our SOE (excluding the executive directors) and of direct reports to the SOE, 74% 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. We support initiatives to promote diversity within the real estate sector:

- 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.
- We are a corporate sponsor of Freehold, a London-based forum for LGBT real estate professionals.

Diversity figures

Directors

10

7 male (70%)

3 female (30%) including Ruth Anderson, who will join the Board on 21 December 2020

Strategy and Operations Executive Committee (excluding executive directors)

8

3 male (37%)

5 female (63%)

Direct reports into the Strategy and Operations Executive Committee

19

5 male (26%)

14 female (74%)

All employees

39

13 male (33%)

26 female (67%)

Committee effectiveness

During the year, we updated our Nomination Committee terms of reference and, following the Board and Committee evaluation process, to respond to a number of challenges as to how the Nomination Committee could be more effective we have:

- revisited our Board member skill matrix in advance of recruitment of a new non-executive director in 2021. Prior to this search being started, we will review, as a Board, any key areas of experience we believe we should be seeking that would add to the Board; and
- designed a programme between the non-executive directors and SOE to enable an informal forum for mentoring and engagement of our senior management team.

In a more challenging year than normal, I would like to thank my fellow Committee members for their support throughout the year.

Jonathan Nicholls
Chair of the Nomination Committee

14 December 2020

Audit, risks and internal controls
Audit committee report

The Committee's role is to oversee the integrity of the Group's financial reporting, risk management and the external audit relationship

Audit Committee members and meeting attendance

	Number of meetings attended (3 held)
Dermot Mathias (Chair)	✚ ✚ ✚
Richard Akers	✚ ✚ ✚
Sally Walden	✚ ✚ ✚
Jennelle Tilling	✚ ✚ ✚

Key responsibilities

- Review of the work of the external auditor and valuers and any significant financial judgements made by management
- Advising 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 the Company's position, performance, business model and strategy
- Responsible for the relationship with the external auditor and consideration of their reappointment, their reports to the Committee, performance, objectivity and independence including the level of provision of non-audit services
- Review of the Company's internal financial controls, and internal control and risk management systems
- Review of the Company whistleblowing policy and procedures
- Ongoing monitoring of the need for an internal audit function

Dear shareholder

I am pleased to present the report of the Audit Committee for the year ended 30 September 2020 which provides an overview of key areas of focus during the year.

Financial reporting

Valuation of the portfolio, accounting considerations and key areas of judgement or estimation

The valuations provided by external valuers are significant components of the annual and half year results. As such, the Committee focuses on the valuation process, the key judgements made by the valuers and their independence. Following our review, the Committee is satisfied that the valuation process is robust, the assumptions and estimates used in the valuations are appropriate and the valuers remain independent and objective.

The Covid-19 pandemic created a number of matters for the Committee to consider, including:

- the going concern assessment and Viability Statement;
- accounting for rent concessions; and
- key areas of estimation uncertainty in the financial statements, particularly provisions for expected credit losses and impairments.

These matters are set out in the following report.

Viability and going concern statements

The Committee considered, together with their underlying assumptions, for the Interim Statements, the going concern statement and for the Annual Report, both the viability and the going concern statements. This included management's work on assessing the potential risks to the business (in particular, the impact of the Covid-19 pandemic) and the three-year period adopted in the Viability Statement. The Committee was satisfied that management had conducted robust assessments and recommended to the Board that it could approve and make the viability and going concern statements.

Fair, balanced and understandable

The Board as a whole is responsible for determining whether the 2020 Annual Report and Financial Statements are fair balanced and understandable. The Audit Committee's role in this is covered on page 99. For the year ended 30 September 2020, the Committee confirmed to the Board it was satisfied that the Annual Report was fair, balanced and understandable.

✚ *Directors' responsibility statement: page 118*

2020 Annual Report

The executive directors have confirmed to the Committee that they were not aware of any material misstatements in the Interim Statements 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 is satisfied that:

- both the external auditor and valuers remain independent and objective in their work;
- 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.

Independence and effectiveness of the auditor and auditor reappointment

In normal circumstances, non-audit fees form a relatively minor proportion of work carried out by EY. However, this year in undertaking the Group's equity issuance, we required the work of a reporting accountant, including an independent report on the working capital statement. Whilst we believed that EY as our auditors were best placed to provide these services, we were cognisant of auditor independence and, therefore, engaged not only with EY but also with the FRC on this matter. The FRC's clearance was obtained in advance of appointing EY to undertake the work. In seeking the FRC's clearance, given the timing of the work, an exemption was sought to exceed the 70% non-audit fee cap for both the year ended 30 September 2020 and the year ending 30 September 2021. Separately, the Audit Committee also considered the safeguards that EY put in place to ensure its independence in undertaking the work.

The Committee remains satisfied with the effectiveness of the external audit and its interaction with EY. It also remains confident that EY's objectivity and independence are not in any way impaired by the provision of non-audit services and based on the Committee's recommendation, the Board is proposing that EY be reappointed as the Company's external auditor at this year's AGM.

✚ *External auditors: page 99*
✚ *Audit fees: page 99*

How the Committee operates

The Audit Committee is composed solely of independent non-executive directors, with a good diversity of experience, including property, F&B, marketing and finance. Dermot Mathias, as a chartered accountant with many years of senior financial experience, satisfies the requirement of having appropriate recent and relevant financial experience.

At the Audit Committee Chair's 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 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, the Audit Chair meets with executive directors, as appropriate, to obtain a good understanding of key issues affecting the Group which helps the Chair in his oversight of the agenda and discussions at Committee meetings.

Risk, control and assurance

The Risk Committee evaluates the Group's risk and control arrangements, reporting to the Audit Committee and the Board. In the current year, this evaluation has included the significant impact of the pandemic on a wide range of aspects of the business.

Whilst we do not have a formal internal audit function, a rolling programme of reviews of key controls is conducted through a combination of assessments by external parties and reviews by management, as appropriate, to provide assurance on the Group's risk and control arrangements. In the current year, remote working has made external reviews impractical and so a review of the effectiveness of controls has been performed by management. We anticipate supplementing management's work with external reviews in the coming year.

✚ *Risk management: pages 71 and 72*

Whistleblowing

Whilst accountability for whistleblowing is a Board responsibility, the Audit Committee continues to review the whistleblowing policy on an annual basis. There were no whistleblowing instances during the year.

✚ *Whistleblowing policy and procedures: page 89*

Committee effectiveness

I believe that the quality of discussion and challenge by the Committee, of management, the external audit team and individuals undertaking reviews of the Group's internal controls, together with the quality of papers received by the Committee, ensure the Committee is able to perform its role effectively. This year the Committee's effectiveness was formally reviewed as part of the external Board evaluation process and I am pleased to be able to report that the feedback was that the Committee was working effectively.

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

Dermot Mathias
Chair of the Audit Committee

14 December 2020

2020 areas of focus

Financial reporting
- Reviewed the half year and year end financial statements including key judgements, estimates and assumptions, going concern and viability statements
- Consideration as to whether the Annual Report was fair, balanced and understandable
- Meetings with the valuers in respect of the half year and year end portfolio valuations and directors' valuations included within the prospectus for the equity raise in November 2020
- Meetings with the auditors in respect of the half year and annual results

Audit
- Consideration of the independence and effectiveness of the external auditor
- Audit fees and non-audit fees
- Audit plan and strategy

Controls and assurance
- Review of risks and controls, including reports from the Risk Committee and management's testing of the operation of controls
- Review of ongoing GDPR programme
- Review of the Group's whistleblowing policy
- Consideration of the need for internal audit

Governance
- Updated the Committee's terms of reference
- Reviewed the Committee's effectiveness

Significant accounting matters and key areas of judgement and estimation

Considerations	Action taken and conclusions
Valuation of the Group's and Longmartin's investment properties	
The valuation of investment properties is a key determinant of the Group's net asset value as well as indirectly impacting executive and employee remuneration. The valuation is conducted by independent valuers. However, valuations are inherently subjective and require significant estimates to be made including, but not limited to, market yields, ERVs and void periods. Given the level of market disruption as a result of the onset of the pandemic, the valuation reports at 31 March 2020 included statements highlighting a material valuation uncertainty, which was consistent with market practice and not specific to Shaftesbury. By 30 September 2020, the valuers had removed the material uncertainty clauses from their valuation reports. At 30 September 2020, the valuation of investment properties was £3.137 billion. Additionally, our share of the valuation of investment properties held in the joint venture was £175 million. Further information on the approach taken by the valuers in valuing the portfolio and a sensitivity analysis on equivalent yields and ERV is set out in note 10 to the financial statements. ✚ *Portfolio valuation report: pages 56 to 58*	The Audit Committee Chair and members of the Audit Committee met the valuers without management present, to review the valuations at 31 March and 30 September. The Audit Committee together with the Chairman of the Board, the Chief Executive, Finance Director and the external audit team met with the valuers at the June and December Committee meetings to discuss the valuation included in the half year and year end financial statements. At these meetings, consideration is given to: • analysis and commentary by management; • presentations from Cushman & Wakefield, valuers of the wholly-owned portfolio, and Knight Frank, who value Longmartin's investment properties, which include comparable evidence for the key assumptions adopted; and • an assessment by the external auditor, which uses its in-house real estate valuers as part of its audit. The Committee discussed the valuers' material uncertainty clauses included in the valuations at 31 March 2020 and considered the disclosures in the Financial Statements and was satisfied that they had been appropriately disclosed. Annually, the valuers also confirm 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 10 to the financial statements. The Committee remains satisfied that the valuers are objective and independent. Following its reviews, the Committee was satisfied that the valuations had been carried out appropriately and were suitable for inclusion in the Group's accounts.
Specific matters arising from the Covid-19 pandemic	
The Covid-19 pandemic and government social distancing measures have had a material impact on footfall and spending in the Group's villages in the year. Rent collections have been significantly below normal levels and many of the Group's commercial occupiers are suffering operational and financial challenges. The Group has supported its occupiers through a number of measures including waivers and deferrals of rent. ✚ *Covid-19: impact and response: pages 6 to 9* As a consequence, there were a number of matters for the Committee to consider.	
Accounting for rent waivers as lease modifications	
Under IFRS, the cost of rent waivers is spread over the remaining term of the lease, or extended term if the lease has been extended in exchange for the waiver. Rent waivers in the year amounted to £14.3 million. ✚ *Portfolio activity report: pages 59 to 62*	The Committee considered papers from management on the accounting treatment for lease modifications and waivers and discussed the accounting treatment with the external auditor. The Committee was satisfied that the accounting treatment for rent waivers and lease modifications was appropriate, in line with IFRS.
Provisions for expected credit losses and impairments	
At 30 September 2020, occupier arrears, including amounts deferred as part of the Group's occupier support, amounted to £26.0 million. Provisions against these arrears totalled £14.3 million. The Income Statement charge for expected credit losses in the year was £13.0 million. Management have also assessed the carrying value of lease incentive and prepaid letting cost balances, in view of occupiers' financial challenges and considered whether these balances were impaired. The charge for impairments within net property income during the year was £8.9 million. ✚ *Financial results: pages 63 and 64*	As an area of significant estimation in the year, the Committee considered the methodology used by management and the rationale for the judgements made in assessing expected credit losses and impairments. The external auditor specifically reported on the provisions made. The Committee concluded it was satisfied with the methodologies and judgements used by management in assessing the provisions for expected credit losses and impairments, and that the disclosures in the Annual Report were appropriate.
Accounting policy for deferred income which is considered will not be fully recoverable	
At 31 March 2020, there was an environment of extreme credit uncertainty. Rents billed in advance of the following quarter, amounting to £14.7 million, were considered to not be fully recoverable on the basis of likely concessions to be granted to occupiers. These amounts had not been recognised as income at that point. In the half year results, the Group applied an accounting policy for deferred income which it considered would not be fully recoverable. Under the accounting policy, these amounts were derecognised from deferred income and trade receivables at the reporting date, with both the income and expected credit loss recognised in the Income Statement on an accruals basis. Effective from 1 October 2020, the Group offered commercial occupiers the opportunity to be invoiced, and pay, rent and service charges monthly. Consequently, amounts billed in advance at 30 September 2020 were not material.	The Committee was briefed by management and consulted with the external auditor on the appropriateness of the policy. The Committee concluded that the accounting policy presented a true and fair view and had been properly disclosed in the interim statements.
Viability and going concern statements	
Given pandemic-related uncertainties, the Group placed a special emphasis on its going concern assessments during the year and the Viability Statement. In the Interim Statements, the going concern statement: • included a key assumption that interest cover covenant waivers would be granted or extended throughout the going concern assessment period; and • disclosed the material uncertainty clause reported by the valuers. For the statements in this Annual Report: • the forecasts used to assess going concern and viability included the proceeds of the equity raise completed in November 2020; and • in light of the uncertain environment, the viability assessment period was reduced from five years to three years ✚ *Viability Statement: pages 78 to 79; Going concern statement: pages 115 and 116.*	In considering these statements, the Committee reviewed forecast reports from management which considered downside scenarios and stress testing of material assumptions including vacancy and rent collection rates. The forecasts also considered a number of key aspects, including: • loan covenant compliance including waivers received from the Group's finance providers and covenant cure rights available to the Group; • available liquidity and financing capacity; and • refinancing of debt facilities. Following review and discussion, the Committee concurred with management's recommendation that the viability statement should be reduced to three years, was satisfied that management had conducted robust assessments and recommended to the Board: • it could approve and make the viability and going concern statements; and • the reduced period for the Viability Statement.

Fair, balanced and understandable

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

- had clearly reported the impact of Covid-19 on the financial statements;
- 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.

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.

Following an audit tender process, EY was appointed as external auditor for the year ended 30 September 2016. 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 through discussion with the Finance Director and Group Financial Controller, review of a detailed assessment questionnaire and confirmations from the external auditor. The chair of the Committee and the Finance Director also meet with an independent 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.

This year, in undertaking the Group's equity issuance, we required the work of a reporting accountant including an independent report on the working capital statement. Whilst we believed that EY as our auditors were best placed to provide this we were conscious of not wanting to compromise their independence and, therefore, engaged not only with EY but also with the FRC on this matter and the FRC's clearance was obtained in advance of appointing EY to undertake the work. In seeking the FRC's clearance, given the timing of the work, an exemption was sought to exceed the 70% non-audit fee cap for both the year ended 30 September 2020 and the year ending 30 September 2021.

Factors taken into account by the Audit Committee in being satisfied as to EY's continued audit independence in relation to undertaking this work included:

- the nature of the work undertaken by EY and consideration of the relevant independence threats and safeguards in place. For example, the working capital exercise was carried out by a separate team and led by a separate engagement partner. In addition, there was no self review threat as EY did not prepare any information used for financial reporting;
- all of the non-audit services provided in the year, including the reporting accountants work was permissible under the UK Ethical Standard;
- for the previous two years, the nature of the non-audit services performed by EY were principally only in respect of the review of the half year results, with other non-audit services not exceeding £10,000 p.a.; and
- it was not anticipated that EY would perform any other non-audit services for the year ended 30 September 2020 or the year ending 30 September 2021 apart from the half year review and usual assurance work.

The Committee's relationship with the external auditor is one of openness and professionalism. From its discussions during the year, the Committee 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;
- 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.

Audit fees

Fees payable to the auditor for audit and non-audit services are set out in note 6 to the Financial Statements on page 135.

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 fees policy was updated during the year to reflect changes to the Financial Reporting Council's Revised Ethical Standards. Under our non-audit work policy, 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.

As a result of EY's work on the Group's equity issuance (outlined in more detail under External auditors), non-audit fees were 175% of audit fees in the year ended 30 September 2020 and were 303% of the average audit fees for the preceding three years. As a result of the timing of the work, non-audit fees are expected to exceed the audit fees for the year ending 30 September 2021.

The auditor was also paid £36,000 (2019: £33,400) for its audit of the Longmartin joint venture. The Company's 50% share of this was £18,000 (2019: £16,700).

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 related controls, reporting to the Committee. Formal reviews of the effectiveness of financial controls undertaken by management are also reviewed by the Committee. The external auditors review procedures and controls as part of their work and comment, where appropriate, to the Committee.

+ *Principal risks and uncertainties: pages 73 to 77*

+ *Risk management: pages 71 and 72*

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.

To supplement reviews of risk management and internal control arrangements undertaken by management and the Risk Committee, from time-to-time, the Committee appoints third parties to provide further assurance and their reports are made available to the external auditor. During the year, it was considered that external reviews would be impractical given social distancing measures and remote working. The Committee anticipates the external reviews to recommence in the coming year.

Remuneration
Directors' remuneration report

Our aim is to align the remuneration both of our executive directors and employees with our purpose and values which support the Group's strategy and long-term success

Remuneration Committee members and attendance

	Number of meetings attended (5 held)
Sally Walden (Chair)	+ + + + +
Richard Akers	+ + + + +
Dermot Mathias	+ + + + +
Jennelle Tilling	+ + + + +

Dear shareholder

I am pleased to present our 2020 Directors' remuneration report.

Our aim is to set a fair remuneration structure, which encourages both executive and employee behaviours which reflect our culture and values, and fosters team continuity through incentives aligned with our strategy and long-term objectives.

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 2021 AGM.

Key responsibilities

- Determine the framework and remuneration policy for executive directors, Chairman, and senior management
- Review the ongoing appropriateness and relevance of the remuneration policy
- Ensure that executive directors are remunerated fairly and responsibly with the long-term interests of the Company in mind
- Keep under review employee remuneration, related polices and alignment of incentives and rewards with the Company culture
- Consider the appropriateness of the directors' remuneration framework compared with arrangements for other employees
- Review and approve the performance targets and outcomes (using discretion where appropriate) for the annual bonus scheme and LTIP
- Ensure that the remuneration report and disclosures are easy to read and understandable, accurate and complete

2020 areas of focus

- Reviewed the 2019 annual bonus outcomes
- Considered the 2016 LTIP vesting and approved 2019 LTIP grants
- Reviewed the executive directors' salaries
- Set the 2020 annual bonus and LTIP targets
- Considered executive director pension levels and alignment with employees
- Reviewed and approved employee retention proposals and 2020 employee reward proposals
- Approved technical adjustments of outstanding executive director and employee LTIP and bonus share awards in light of the November 2020 capital raise
- Evaluated the performance of Deloitte as independent remuneration advisors
- Updated the Committee terms of reference
- Reviewed the Committee's effectiveness

Actions in relation to Covid-19 and pay and performance in 2020

This year, key to the focus of our activities has been the appropriateness of executive director and employee reward in light of the Group's and team's performance in the unprecedented circumstances we find ourselves in. Our business priorities have been our focus on supporting occupiers, liquidity, the strength of our balance sheet and maintaining strong stakeholder relationships. In light of these priorities, your Board decided against the payment of a dividend for the 2020 financial year and undertook a successful equity issue which completed in mid-November 2020.

✚ *Covid-19 impact and response: pages 6 to 9*

With a small team of under 40 employees, who are critical in the implementation of our strategy, management of the business and our relationships with our stakeholders, we decided that none of our team would be furloughed. We also did not seek any government financial support for the business.

In March 2020, the Board decided to set up a Covid-19 Community Fund. Part funding for this initiative came from savings made by the Board waiving 20% of both executive director base salaries and pension contributions and non-executive director fees for a four month period.

✚ *Covid-19 Community Fund: pages 46 and 47*

Although our business performed well during the first six months of the year, the growing impact of the pandemic and measures to contain it have had a material impact on normal patterns of life and commerce, both for our occupiers and on the near-term prospects for our business and financial performance. In light of this we did not meet our 2020 financial or operational targets for this year's annual bonus. We did deliver a number of achievements in respect of the performance measures related to specific portfolio and corporate projects and environmental sustainability objectives, which resulted in an overall bonus outcome of 25% of maximum. However, in the context of the impact of the pandemic on overall business performance, the Committee exercised discretion, unanimously supported by the executive directors, to reduce the bonus award outcome from 25% to zero.

The challenging economic environment has had a material adverse effect on the valuation of our portfolio, which in turn resulted in a nil vesting of both the 2017 LTIP award's absolute and relative measures.

Pension alignment

The Committee supports the principle that executive pension contributions should be aligned with the wider workforce. Our 2019 policy ensured that contributions for any newly-appointed directors would be aligned with the rate applicable to all other employees (17.5% of salary). Following a further review of our approach in light of evolving shareholder views on this issue, the Committee has determined that the pension rate for our incumbent directors will also be reduced to 17.5% by no later than the end of 2022, in line with guidance from shareholder bodies.

The year ahead

In the context of the current circumstances, the Committee determined that there would be no salary increase for the executive directors for the year commencing 1 October 2020. For employees below the Board, the average increase was 4.1%, recognising the importance of retaining and motivating our team in the current environment.

Our approach for the 2021 annual bonus has been to simplify and align our performance measures to our key operational goals for the year, set in the context of the current pandemic environment. As in any normal year, we will set challenging performance targets, whilst also retaining discretion to allow the Committee to ensure the final outcome is appropriate to the overall performance delivered. The maximum opportunity for the 2021 bonus will remain at 150% of salary (if taken solely in shares) in line with our policy. For more details on our record for using discretion in respect of bonus outcomes see page 109.

For our LTIP, awards will be made to the executive directors in December 2020 at 125% of salary and will vest, in accordance with our policy, based on relative total shareholder return (TSR), relative total accounting return (TAR), and EPRA NAV growth. In reviewing the performance targets in the context of the current outlook for the West End and our portfolio, the Committee determined that it would be appropriate to re-calibrate the NAV performance target range from RPI+3%-7% p.a. to 0%-5%p.a. Further detail on the performance targets for this award is set out on page 107. In line with our policy, the Committee will consider the Group's underlying financial performance over the three year performance measurement period before determining the final vesting level. In view of the decrease in our share price as a result of the impact of the pandemic, this will include an assessment of whether any potential "windfall gains" have arisen, in line with guidance from shareholder bodies.

During the year ahead, we will be reviewing our Remuneration Policy, as part of the regular three year cycle ahead of seeking shareholder approval at the 2022 AGM. In designing our 2022 Policy, we will be engaging with our largest shareholders and governance agencies as appropriate to obtain and consider their views.

We hope that you will continue to support our approach to remuneration and will vote in favour of this report at the 2021 AGM.

I would like to thank my fellow Committee members, senior management and external consultants for their support during the year.

Sally Walden
Chair of the Remuneration Committee

14 December 2020

Consideration of remuneration and related policies below the Board

One of the Remuneration Committee's key responsibilities is to have oversight of remuneration and related policies below the Board and alignment of those incentives and awards with the Group's strategic aims and culture. The Committee considers it important that employee engagement and feedback is taken into account.

This year, recognising the unprecedented uncertainties and challenges caused by the Covid-19 pandemic and feedback for our inaugural employee reward survey, we considered our employee incentives in relation to retention and motivation in the current environment as well as the long term.

As part of this review, we:

- considered the appropriateness and level of restricted share awards for key senior management;
- approved the change in job titles of senior individuals to better reflect their roles and responsibilities;
- agreed the executive directors recommendation as to the level of base salary increase for employees below the Board;
- brought forward the date of salary increases from 1 December to 1 October to align with our financial year;
- approved the introduction of personal objectives as part of the annual bonus scheme for employees below the Board to ensure better reward of individual's contributions to the Group's performance;
- supported the introduction of increased transparency into the employee remuneration and reward process; and
- supported the creation of a recognition project run by the Culture Group and sponsored by Richard Akers, non-executive director responsible for employee engagement, to greater recognise the actions of individuals in living our values.

Context for our approach to remuneration

We have 39 permanent employees, including four executive directors. The combined holdings of the executive directors is 3.5 million shares (market value at 30 September 2020 of circa £17.5 million). This equates to individual holdings of between 2 and 15 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.

Executive directors and employees 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, a significant element is attributed to team, rather than individual, performance.

Average length of service of the executive directors is 27 years and members of the Strategy and Operations Executive Committee (excluding executive directors) is 8 years.

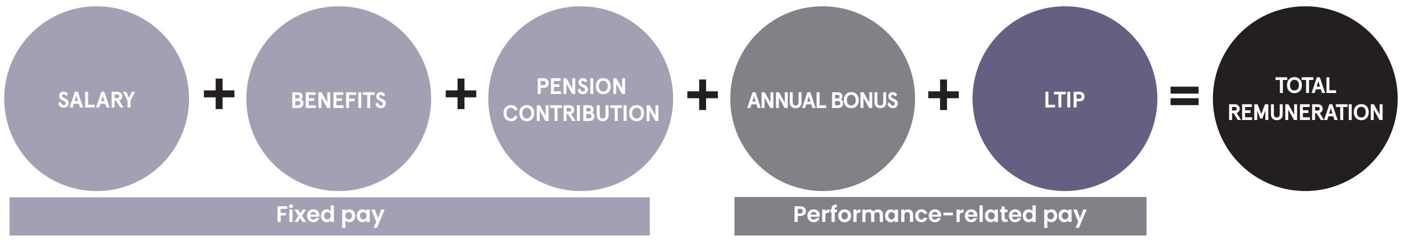
Alignment with employees

We offer remuneration packages to all employees which are market competitive and broadly align with the same structure provided to executive directors.

Eligible employees:

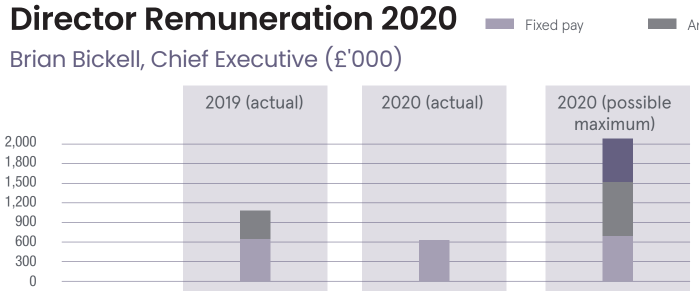
- participate in the LTIP and the annual bonus scheme;
- have the opportunity to defer their annual bonus into shares;
- are eligible to participate in Sharesave, and receive health and life insurance; and
- receive pension contributions of 17.5% of salary, which is significantly above typical market levels.

Remuneration at a glance



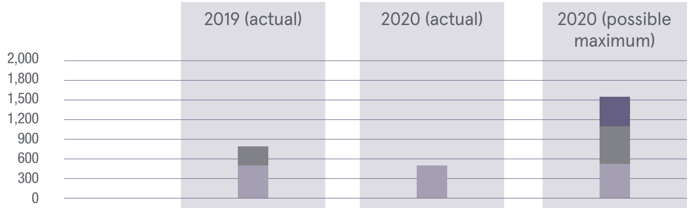
Director Remuneration 2020

Brian Bickell, Chief Executive (£'000)



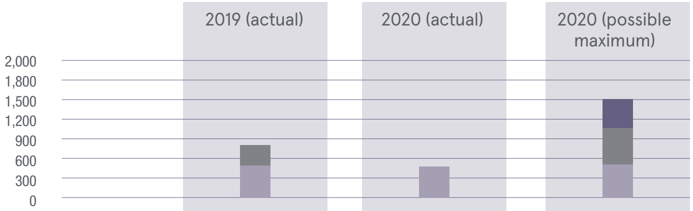
Breakdown of remuneration	2019 (actual) £'000	2020 (actual) £'000	2020 (possible maximum) £'000
Salary[1]	508	488	525
Benefits[2]	23	21	21
Pension benefit[1,3]	112	107	115
Annual Bonus[4]	440	-	788
LTIP[5]	-	-	625
Total	1,083	616	2,074

Chris Ward, Finance Director (£'000)



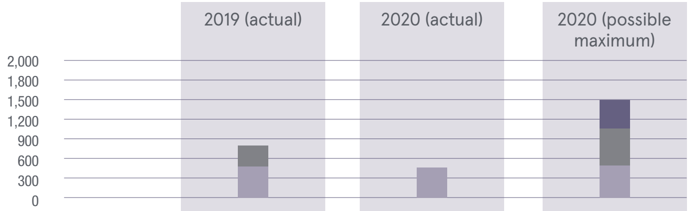
Breakdown of remuneration	2019 (actual) £'000	2020 (actual) £'000	2020 (possible maximum) £'000
Salary[1]	358	355	385
Benefits[2]	44	43	43
Pension benefit[1,3]	80	79	85
Annual Bonus[4]	311	-	578
LTIP[5]	-	-	436
Total	793	477	1,527

Simon Quayle, Executive Director (£'000)



Breakdown of remuneration	2019 (actual) £'000	2020 (actual) £'000	2020 (possible maximum) £'000
Salary[1]	359	344	370
Benefits[2]	57	60	60
Pension benefit[1,3]	79	75	80
Annual Bonus[4]	311	-	554
LTIP[5]	-	-	441
Total	806	479	1,505

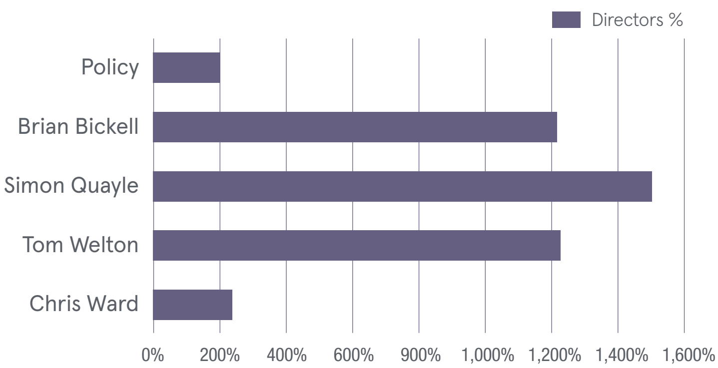
Tom Welton, Executive Director (£'000)



Breakdown of remuneration	2019 (actual) £'000	2020 (actual) £'000	2020 (possible maximum) £'000
Salary[1]	359	344	370
Benefits[2]	45	50	50
Pension benefit[1,3]	79	75	80
Annual Bonus[4]	311	-	554
LTIP[5]	-	-	441
Total	794	469	1,495

1. 2020 actual salaries and pension entitlements, reflect the four month 20% waiver of salary and pension entitlements.
2. 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.
3. 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.
4. Payment for performance in respect of the relevant financial year. No bonus was awarded for the financial year ending 30.09.2020.
5. 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 September 2020 were not met resulted in nil vesting. In 2019, the figure received was as a result of the three-year performance period to 30 September 2019 not being met so no awards vested.

Value of shareholding vs. shareholding policy (% of salary)[1]



1. Based on share price at 30.9.20 of £4.972 and salary as at 1.12.2019.

Under the remuneration policy, executive directors are expected to build a shareholding of 200% (as at date of appointment to the Board), of salary to be accumulated over five years from appointment.

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.

Making a positive contribution +

Governance

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 • EPRA Net Asset Value growth measured on an absolute basis; 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[1] 25% of salary for any executive director appointed prior to 8 February 2019[1]
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

1. In 2020, the Committee determined that the pension rate for incumbent directors will also be reduced to 17.5% of salary by no later than the end of 2022, in line with shareholder guidance.

Annual remuneration report

Set out below is the annual remuneration report on directors' pay for the year ended 30 September 2020. The report details how we will apply the remuneration policy for the year ahead and how we implemented it during the financial year.

Statement of implementation of remuneration for year ending 30 September 2021

Executive directors' salaries from 1 October 2020[1]

	1.10.2020 £'000	1.12.2019 £'000	Increase
Brian Bickell	525	525	0%
Simon Quayle	370	370	0%
Tom Welton	370	370	0%
Chris Ward	385	385	0%

1 Executive director salary reviews have been moved to 1 October each year to coincide with the financial year.

For employees below the Board, the average increase was 4.1%, recognising the importance of retaining and motivating our team in the current environment.

2021 annual bonus targets

Maximum bonus of up to 150% of salary if taken entirely in shares and 100% of salary if taken in cash.

For 2021, the Committee reviewed the choice and weighting of performance targets in the context of the key objectives for the financial year. It was agreed to simplify and consolidate the financial and operational metrics into one performance measure (cash flow from net property income), representing the majority of the annual bonus and capturing our near-term focus on maximising income collection, maintaining occupancy levels and controlling property costs during the current period of uncertainty. The remainder will be based on key corporate and sustainability objectives, measured over the year.

Disclosure of annual bonus targets for the year ending 30 September 2021 is deemed to be commercially sensitive. The targets will be disclosed retrospectively next year, to the extent they are no longer commercially sensitive.

Measure	Percentage weighting
Cash flow from net property income	75%
Sustainability and corporate projects	25%

LTIP

LTIP awards of 125% of salary will be granted in December 2020. Performance will be measured over a three year period which commenced on 1 October 2020. A two year post-vesting holding period will apply to these awards. In line with the policy, the Committee will consider the Group's underlying financial performance over the three year measurement period before determining the final vesting level. In the context of the decrease in our share price as a result of the impact of the pandemic, this will include an assessment of whether any potential "windfall gains" have arisen, in accordance with guidance from shareholder bodies.

The vesting of this award will be subject to three performance measures, equally weighted, as shown in the following tables. In reviewing the performance targets in the context of the current outlook for the West End and our portfolio, the Committee determined that it would be appropriate to re-calibrate the NAV performance targets range from RPI+3%-7% p.a. to 0%-5% p.a. as shown in the table below. This recalibration involved removing the reference to RPI, to simplify and align with common market practice for LTIP performance measurement. The Committee believes the re-calibrated NAV target range remains appropriately stretching in the context of the current outlook. There are no changes to the targets for the TSR or TAR measures.

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	Vesting Schedule (for this component)
Less than 0% pa	0%
0% pa	25%
Between 0% pa and 5% pa	Pro-rata on a straight line basis between 25% and 100%
5% 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 October 2020

Non-executive director fees are reviewed every two years. The last review was undertaken in 2019 and, therefore, there are no changes to non-executive director fees from 1 October 2020.

Remuneration for year ended 30 September 2020

Single total figure of remuneration for executive directors (audited)

	Salary		Benefits[2]		Pension benefit[3]		Total Fixed		Annual bonus[4]		LTIP[5]		Total Variable		Total	
	2020[1] £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020[1] £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Brian Bickell	**488**	508	**21**	23	**107**	112	**616**	643	-	440	-	-	-	440	**616**	1,083
Simon Quayle	**344**	359	**60**	57	**75**	79	**479**	495	-	311	-	-	-	311	**479**	806
Tom Welton	**344**	359	**50**	45	**75**	79	**469**	483	-	311	-	-	-	311	**469**	794
Chris Ward	**355**	358	**43**	44	**79**	80	**477**	482	-	311	-	-	-	311	**477**	793

1. All executive directors waived 20% of their salary and pension contributions for four months from 1.4.2020 as a result of the Covid-19 pandemic.
2. Benefits comprise car allowance, permanent health insurance, life insurance, health insurance and Sharesave options which have been valued on the monthly savings amount and the discount on the option price of 20% at grant.
3. 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. The Committee has determined that the pension rate for incumbent directors will also be reduced to 17.5% of salary by no later than the end of 2022, in line with shareholder guidance.
4. For 2020 each executive director could have received a bonus of 25% of the maximum (see table on page 108). However, following the exercise of Committee discretion, no bonus has been awarded in respect of 2020, see pages 101 and 108.
5. 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 30.9.2020 were not met and none of the awards vested.

Single total figure of remuneration for non-executive directors (audited)

	Fee		Committee chair/ Senior Independent Director fee		Total Fixed[2]	
	2020[1] £'000	2019 £'000	**2020[1] £'000**	2019 £'000	**2020 £'000**	2019 £'000
Jonathan Nicholls	**218**	225	**-**	-	**218**	225
Richard Akers	**56**	57	**13**	6	**69**	63
Dermot Mathias	**56**	57	**13**	10	**69**	67
Sally Walden	**56**	57	**13**	10	**69**	67
Jennelle Tilling	**56**	43	**-**	-	**56**	43
Jill Little[2]	**20**	57	**-**	4	**20**	61

1. Non-executive directors waived 20% of their fees for four months from 1.4.2020 in response to the Covid-19 pandemic.
2. Non-executive directors do not receive any variable remuneration.
3. Retired from the Board on 31.1.2020.

Annual bonus outcome for year ended 30 September 2020

Retrospective disclosure of the targets for the 2020 annual bonus scorecard is provided below.

Measure	Weighting	Target range	Achievement against target	Percentage achieved
Rental growth (KPI) Deliver growth in ERVs	17.5%	2% to 6%	The Covid-19 pandemic severely disrupted every aspect of the Group's operations from February 2020, and as a consequence, none of the 2020 operational metrics have been met. In the absence of any comprehensive or relevant annual data, the Remuneration Committee considers it is not appropriate to attribute any operation-related bonus to the four month period prior to the Covid-19 disruption.	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 31.3.2019 and then in the second half of the year against ERV at 30.9.2019	17.5%	3% to 7%		
Grow net property income (KPI) Percentage increase in property outgoings compared to percentage increase in rental income	5%	+1% to -1%		
Occupancy Maximise portfolio occupancy measured by average quarterly EPRA vacancy (**KPI**)	5%	2% to 4%		
Average vacant period across uses (**KPI**)	5%	1.5 months to 6 months (depending on use)		
Specific portfolio and internal corporate projects[1]	30%		Due to the impact of Covid-19, a number of projects were unable to progress as envisaged when the 2020 objectives were set. However, the Committee recognised progress achieved in the following areas: • Public realm projects in Seven Dials, Chinatown and Carnaby • Improved tenant data collection • Rationalising arrangements with managing agents • Improved building management cost controls • Setting a new IT strategy and implementing significant enhancements Further detailed discussion of strategic and operational performance during the year is set out on pages 1 to 69 of this Annual Report	10%
Environmental sustainability	20%		Targets were set regarding contractors' site performance, achieving improved environmental performance in refurbishment schemes, implementing changes arising from ESOS audits, progress towards setting of science-based targets and tenant engagement. Despite Covid-19 disruption, good progress was achieved across a majority of these objectives.	15%
Total	**100%**			**25%**
Impact of exercise of Committee discretion				**(25)%**
Total bonus due after application of discretion				-

All data based on wholly-owned portfolio

1. This component of the bonus measures specific portfolio and internal corporate 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.

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 exercised discretion in the award of bonuses for the year ended 30 September 2020. 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%
2020	25%	Reduced to 0%

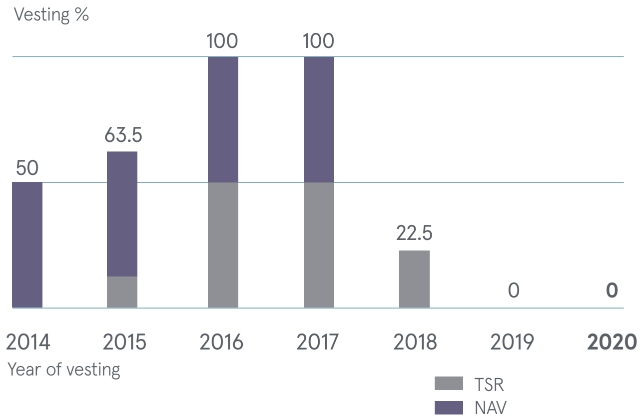
LTIP vesting for performance period to 30 September 2020

The detailed performance against targets which resulted in zero vesting of the LTIP in 2020 is as follows:

Annualised TSR of the Company's shares less annualised TSR of the FTSE 350 REIT index	Annual vesting criteria	Performance
Less than 0% pa	0%	Performance in three-year period to 30 September 2020: -48.7% (benchmark: -7.5%)
0% pa	20%	
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 20% and 100%	
5.5% pa or more	100%	Vesting outcome (for this half of the award) is **zero**

Annualised NAV growth less annualised RPI growth	Award vesting criteria	Performance
Less than 3% pa	0%	Performance in three year period to 30 September 2020: -7.8% pa versus RPI growth of 2.3% pa
3% pa	30%	
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 30% and 100%	
7% pa or more	100%	Vesting outcome (for this half of the award) is **zero**

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]	440
	LTIP[2]	656
Simon Quayle	Deferred Annual Share Bonus Scheme[1]	311
	LTIP[2]	462
Tom Welton	Deferred Annual Share Bonus Scheme[1]	311
	LTIP[2]	462
Chris Ward	Deferred Annual Share Bonus Scheme[1]	311
	LTIP[2]	481
	Sharesave[3]	15

1. Deferred Annual Share Bonus Scheme: Directors elected to take their annual bonus for the year ended 30.9.2019 in shares which were purchased in the market. The face value is calculated using the price paid per share of £9.1475. 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 11.12.2019, to determine the number of shares awarded, being £9.1095. There is a three-year performance period with a two-year post-vesting holding period.
3. Sharesave: Sharesave options are granted at a 20% discount to the market price up to the maximum monthly savings amount permitted by HMRC. Chris Ward was granted Sharesave options at £4.71 representing a 20% discount to the average share price over the five days prior to the invitation date of 19.06.2020.

Directors' shareholdings and share scheme interests at 30 September 2020 (audited)

	Shares owned outright	Shareholding requirement met[2]	Value of shares owned outright as a percentage of salary[3]	Deferred shares[4]	Shares under option not vested and subject to performance criteria[4]	Shares vested and subject to two year post-vesting holding period	Sharesave
Executive directors							
Brian Bickell	**1,292,665**[1]	Yes	1,224%	133,803	206,860	14,718	4,286
Simon Quayle	**1,120,303**	Yes	1,505%	94,465	145,940	10,379	4,286
Tom Welton	**914,421**[1]	Yes	1,229%	94,465	145,940	10,379	4,286
Chris Ward	**189,941**[1]	Yes	245%	93,773	147,495	10,151	4,541
Non-executive directors							
Jonathan Nicholls	**45,000**						
Richard Akers	**12,000**						
Dermot Mathias	**16,208**[1]						
Sally Walden	**60,000**[1]						
Jennelle Tilling	-						
Jill Little[5]	**8,364**						

1. Includes shares held by persons closely associated.
2. Based on share price at 30.9.2020 of £4.972 and salary as at 1.12.2019.
3. 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.
4. 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 to meet their income tax and employees' national insurance liability.
5. Retired from the Board on 31.1.2020 and shareholding stated as at that date.

In relation to the equity issue announced on 22 October 2020, the directors and their persons closely associated acquired the following shares, details of which were announced on 20 November 2020: Brian Bickell 12,500, Simon Quayle 12,500, Tom Welton 6,250, Chris Ward 12,500, Jonathan Nicholls 12,500, Richard Akers 2,896, Dermot Mathias 12,500, Sally Walden 1,250 and Jennelle Tilling 12,500.

Additional details on the share awards summarised in this table are provided below and on page 111, with further explanation on the operation of the plans set out in the Remuneration policy table.

1 Deferred Annual Share Bonus Scheme

			Entitlement to ordinary shares		
	Date of grant	Market price on date of grant £	At 1.10.2019	Awarded in year	At 30.9.2020[1]
Brian Bickell	12.12.2017	9.996	40,440	-	**40,440**
	3.12.2018	8.65	45,276	-	**45,276**
	12.12.2019	9.1475	-	48,087	**48,087**
			85,716	48,087	**133,803**
Simon Quayle	12.12.2017	9.996	28,556	-	**28,556**
	3.12.2018	8.65	31,965	-	**31,965**
	12.12.2019	9.1475	-	33,944	**33,944**
			60,521	33,944	**94,465**
Tom Welton	12.12.2017	9.996	28,556	-	**28,556**
	3.12.2018	8.65	31,965	-	**31,965**
	12.12.2019	9.1475	-	33,944	**33,944**
			60,521	33,944	**94,465**
Chris Ward	12.12.2017	9.996	28,226	-	**28,226**
	3.12.2018	8.65	31,603	-	**31,603**
	12.12.2019	9.1475	-	33,944	**33,944**
			59,829	33,944	**93,773**

1. Following the equity issue announced on 22.10.2020, and approved by shareholders on 17.11.2020, the shares awarded under the Deferred Annual Share Bonus Scheme have subsequently been restated to reflect the new share capital of the Company. These were technical adjustments and did not increase or decrease the value of the award. The restated figures will be reported in the 2021 Annual Report.

2 LTIP

Nil cost options are granted subject to 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 on date of grant £	Number of ordinary shares under option At 1.10.2019	Granted during year	At 30.9.2020[1]
Brian Bickell	12.12.2017[2]	9.97	63,110	-	**63,110**
	4.12.2018[3]	8.67	71,710	-	**71,710**
	12.12.2019[3]	9.15	-	72,040	**72,040**
			134,820	72,040	**206,860**
Simon Quayle	12.12.2017[2]	9.97	44,550	-	**44,550**
	4.12.2018[3]	8.67	50,620	-	**50,620**
	12.12.2019[3]	9.15	-	50,770	**50,770**
			95,170	50,770	**145,940**
Tom Welton	12.12.2017[2]	9.97	44,550	-	**44,550**
	4.12.2018[3]	8.67	50,620	-	**50,620**
	12.12.2019[3]	9.15	-	50,770	**50,770**
			95,170	50,770	**145,940**
Chris Ward	12.12.2017[2]	9.97	44,045	-	**44,045**
	4.12.2018[3]	8.67	50,620	-	**50,620**
	12.12.2019[3]	9.15	-	52,830	**52,830**
			94,665	52,830	**147,495**

1. Following the equity issue announced on 22.10.2020, and approved by shareholders on 17.11.2020, the shares granted under the LTIP have subsequently been restated to reflect the new share capital of the Company. These were technical adjustments and did not increase or decrease the value of the award. The restated figures will be reported in the 2021 Annual Report.
2. As described on page 101, the TSR and NAV performance conditions over the three years ended 30.9.2020 have not been met. These awards will therefore lapse.
3. The LTIP vesting criteria for the awards granted in 2018 and 2019 can be found in their respective Annual Reports, available on our website at www.shaftesbury.co.uk.

3 Sharesave

Options are granted at a 20% discount to the market price on the 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 1.10.2019	Granted during year	Lapsed during year	At 30.9.2020[1]	Option price[1] £	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
		4,286	-	-	**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
		4,286	-	-	**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
		4,286	-	-	**4,286**		
Chris Ward	1.7.2017	1,162	-	(1,162)	**-**	7.74	1.8.2020
	28.6.2019	1,357	-	-	**1,357**	6.63	1.8.2022
	9.7.2020	-	3,184	-	**3,184**	4.71	1.8.2025
		2,519	3,184	(1,162)	**4,541**		

1. Following the equity issue announced on 22.10.2020, and approved by shareholders on 17.11.2020, the options granted, and the option price under the Sharesave have subsequently been restated to reflect the new share capital of the Company. These were technical adjustments and did not increase or decrease the value of the award. The restated figures will be reported in the 2021 Annual Report.

Percentage change in remuneration of the Board of Directors

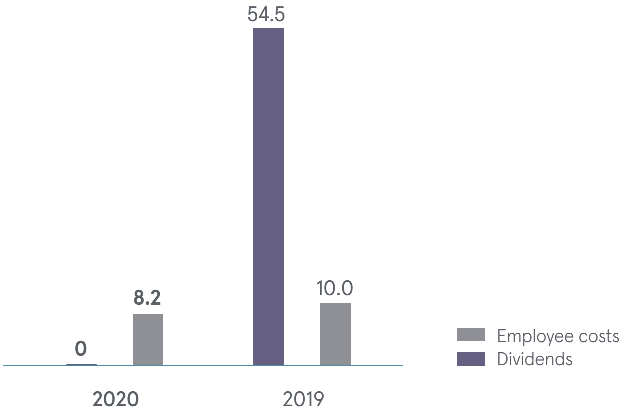
The table below shows the percentage change in remuneration of each executive and non-executive director against Shaftesbury employees as a whole between the years ended 30 September 2019 and 30 September 2020.

		Executive directors (% change)				Non-executive directors (% change)[5]				
Element of pay	Average employee (% change)[1]	Brian Bickell	Simon Quayle	Tom Welton	Chris Ward	Jonathan Nicholls	Richard Akers	Dermot Mathias	Sally Walden	Jennelle Tilling
Base salary/fees[2]	8.8%	-4.1%	-4.2%	-4.2%	-0.8%	-3.3%	8.4%	2.5%	2.5%	-2.6%[6]
Benefits[3]	-16.7%	-4.4%	-4.4%	-9.1%	-6.1%	N/A	N/A	N/A	N/A	N/A
Annual bonus[4]	-51.1%	-100%	-100%	-100%	-100%	N/A	N/A	N/A	N/A	N/A

1. This table shows the change in average salary, taxable benefits and bonus for all employees that were employed for the full years ended 30.9.2019 and 30.9.2020. Average employee pay has been calculated using a mean per capita on a full-time equivalent basis. These figures exclude the executive and non-executive directors.
2. Stated taking into account the 20% waivers of salary by all executive directors and of all non-executive fees for four months of the financial year as a result of the Covid-19 pandemic.
3. The Company's self funded health care costs fell in the year to 30.9.2020 resulting in a larger relative decrease in the cost of benefits for employees than directors.
4. The executive directors received no annual bonus for the year ended 30.09.2020.
5. Non-executive directors receive no benefits and do not participate in the annual bonus scheme.
6. Jennelle Tilling joined the group on 1.1.2019. The salary included in the table for the year ended 30.9.2019 has been annualised.

Note that there is no requirement to disclose a CEO pay ratio as the number of employees (39) falls significantly below the threshold of 250 employees for disclosure under this provision.

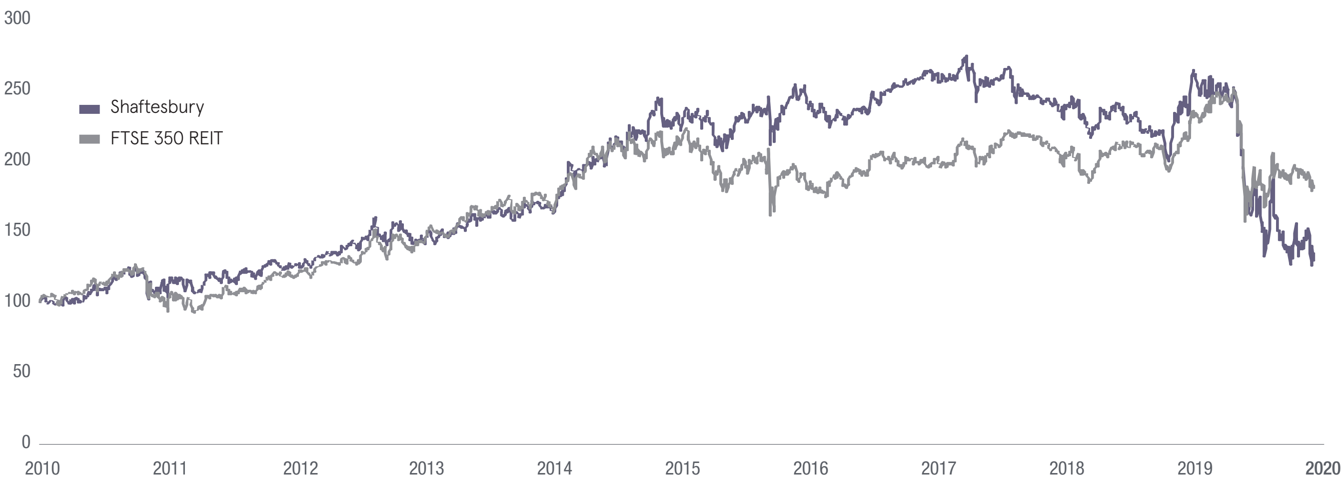
Relative importance of spend on pay (£m)



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 2020



Source: Datastream as at 30 September 2020

Ten-year chief executive single total figure of remuneration[1]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Chief Executive single total figure of remuneration (£'000)	1,650	1,198	1,075	1,455	1,523	1,954	1,830	1,191	1,083	**616**
Annual bonus payout (% maximum)	90%	40%	40%	75%	60%	60%	55%	52.5%	57.5%	**0%**
Long-term incentive award vesting (% maximum)	76.7%	100%	50%	50%	63.5%	100%	100%	22.5%	0%	**0%**

1. 2011: Jonathan Lane; 2012-2020: Brian Bickell

Shareholder voting

Shareholders voted on the Remuneration Policy at the 2019 AGM, and on the Annual Remuneration Report at the 2020 AGM. Voting by shareholders representing 90.76% and 92.59% of the issued share capital, in 2019 and 2020 respectively, on the resolutions, was as follows:

	For	% For	Against	% Against	Total votes	Withheld
2019 Remuneration policy	197,412,262	70.76	81,571,987	29.24	278,984,249	712,552
2020 Annual remuneration report	203,699,453	71.57	80,932,966	28.43	284,632,419	611,135

The Committee notes that both of these resolutions received significant votes (defined as above 20%) against. For more information on this see page 89.

On behalf of the Board

Sally Walden

Chair of the Remuneration Committee

14 December 2020

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 £36,700 (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 2020.

UK Corporate Governance Code

The Company has applied and complied with the provisions of the 2018 UK Corporate Governance Code (the Code) throughout the Company's financial year, with the exception of Provision 38. This provision requires the alignment of executive director pension contributions with the wider workforce. As explained in the Directors' remuneration report on pages 101, we have committed to align the contribution levels of the current executive directors with the workforce contribution rate (17.5%) by the end of 2022. Any new executive directors will be aligned on appointment. For full details of the Code, please refer to the FRC's website at www.frc.org.uk.

Disclosures by reference

Information that is relevant to this report including information required by the Companies Act 2006, Disclosure and Transparency Rule 7.2 and Listing Rule 9.8.4R is incorporated by reference into this report. This information can be found in the annual report as follows:

Content	Pages
Strategic report	1 to 79
Likely future developments in the business	
- Q&A with the Chief Executive	5
Employment, human rights and environmental matters	
- Our people and culture	42 to 45
- Sustainability	27 and 28
- Environment	29 to 31
Section 172 statement	40 and 41
Viability statement	78 and 79
Corporate governance	80 to 113 and 118
Directors' waiver of emoluments	101 and 107
Financial instruments	141 to 143

Company status

Shaftesbury PLC is a public limited liability company incorporated under the laws of England and Wales. It is the holding company of the Shaftesbury group of companies and has a premium listing on the London Stock Exchange main market. Shaftesbury PLC is Real Estate Investment Trust (REIT) and constituent member of the FTSE 250 Index.

Share capital

During the year, 4,922 ordinary shares were issued at nil cost on the exercise of LTIP options, and £7.74 and £7.54 on the exercise of sharesave options. At 30 September 2020, the Company's issued share capital comprised 307,417,537 ordinary shares of 25p each. Since 30 September 2020, the Company has undertaken a Firm Placing, Placing and Open Offer and Offer for Subscription which has increased the Company's issued share capital. Information regarding this capital raise may be seen below under the heading "Events after the Balance Sheet date".

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. In accordance with the Articles of Association, the Company may impose restrictions on, amongst other things, the size of a holding to preserve its REIT status. 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.

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 30 September 2020, 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
Capital & Counties Properties PLC[2]	**80,721,003**	**26.26**	Direct
Norges Bank	**77,034,285**	**25.06**	Direct

1. As at date of notification.
2. As at 14.12.2020, Capital & Counties Properties PLC held 96,971,003 ordinary shares (25.24%).

Purchase of own shares

The Company was granted authority at the 2020 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2021 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 2020 to 14 December 2020.

Results and dividends

The results for the year ended 30 September 2020 are set out in the Group statement of comprehensive income.

✚ *Group statement of comprehensive income: page 128*

In light of Covid-19 operating challenges and uncertainty regarding their duration, the Board decided not to declare a dividend in respect of the year ended 30 September 2020.

Events after the Balance Sheet date

On 22 October 2020, the Company announced a proposed Firm Placing, Placing, Open Offer and Offer for Subscription (the Capital Raise). The Company raised gross proceeds of £307 million from the Capital Raise, which was approved at a general meeting of the Company on 17 November 2020. 76.75 million new shares were issued and, as a result, at 14 December 2020, the Company's issued share capital comprised 384,167,537 ordinary shares of 25p each. For more information, see page 149.

In respect of the capital raise, Capital & Counties Properties PLC ("Capco") and Norges Bank ("Norges") were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity issue in respect of 16,250,000 and 19,245,032 shares respectively, for a total consideration of approximately £65 million and £77 million respectively. In respect of Capco, this transaction was disclosed via the Regulatory News Service on 22 October 2020, in accordance with LR11.1.10R.

In respect of Norges, the issue of shares was a transaction of sufficient size to require shareholder approval under chapter 11 of the Listing Rules as announced via the Regulatory News Service on 22 October 2020. This approval was granted at the Extraordinary General Meeting on 17 November 2020. 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.

On 27 November 2020, the Group cancelled its £125.0 million revolving credit facility, which was undrawn. On 27 November 2020, the Group repaid £100.0 million of drawings against its remaining revolving credit facility, which remains available to be re-drawn, provided the Group remains compliant with all requirements in the loan agreement, including the financial covenants. On 20 November 2020, the Group secured an extension to the interest cover covenant waiver in respect of this facility from January 2021 to October 2021. In consideration for this extension, the Group placed a further £1.0 million on deposit with the lender for the duration of the waiver.

On 19 November 2020, the Group secured an extension to the interest cover covenant waiver in respect of its £250.0 million term loan from April 2021 to January 2022. In consideration for this extension, the Group placed a further £4.4 million on deposit with the lender for the duration of the waiver.

✚ *Financing: pages 67 and 68*

On 14 December 2020, in response to rising Covid-19 infection rates, the Government announced that London and parts of the Home Counties would be moving to Tier 3 restrictions, beginning from 16 December until further notice. This will have an adverse impact on both our hospitality and retail occupiers' ability to trade and will therefore likely have an adverse impact on near-term rent collection.

✚ *Covid-19: impact and response: pages 7 and 8*

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.

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 2020 and up to the date of approval 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 which is incorporated by reference to this report and can be found at pages 110 and 111.

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.

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.

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.

Going concern

Given the significant uncertainties resulting from the impact of Covid-19 on the economic environment in which the Group operates, the directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the consolidated financial statements for the year ended 30 September 2020.

✚ *Covid-19: impact and response: pages 6 to 9*

In October 2020, having assessed the Group's financial position in light of the implications of the Covid-19 pandemic for its short- and medium-term prospects, the Board determined that it was in the long-term interests of the Group to raise equity to ensure the Group maintains a strong financial base and is positioned to return to long-term growth as pandemic issues recede.

On 22 October 2020, the Board announced its intention to issue up to 76.75 million shares by means of a Firm Placing, a Placing and Open Offer and an Offer for Subscription. The equity issue was approved by an Extraordinary General Meeting of the Company on 17 November 2020 and 76.75 million shares were admitted for trading the following day. Net proceeds from the equity raise were £294.4 million.

✚ *Financing: page 67*

The Group's going concern assessment covers the period from the date of authorisation of these consolidated financial statements to 31 March 2022 (the going concern period), and takes into account its liquidity, committed expenditure, and likely ongoing levels of costs.

In preparing the assessment of going concern, the Board has considered a severe but plausible downside scenario, which assumes continued low levels of rent collection, increased vacancy, existing capital commitments are satisfied and there are no acquisitions or disposals. It also assumed surplus unsecured property is charged to individual loans and factored in decreases in property values of up to 40%.

The Group anticipates that Government Covid-19 containment measures will continue to adversely affect its occupiers' ability to trade through to spring 2021 and that footfall may not recover to pre-pandemic levels within the going concern period.

These continued restrictions are expected to lead to continued reduced levels of rent collection and increased EPRA vacancy throughout the going concern period as well as declining estimated rental values and asset values.

As a consequence, under the downside scenario, it is likely that the Group will not meet interest cover covenants throughout the whole of the going concern period. However, on all drawn debt facilities it has either secured waivers or has cure rights:

- The Group has secured interest cover waivers from its two term loan lenders for periods ending July 2021 and January 2022 respectively. The facilities have cash cure rights for all testing dates in the going concern period not covered by existing waivers and the Group anticipates sufficient available cash to make any necessary deposits.
- The Group was compliant with its mortgage bonds' interest cover covenants at 30 September 2020 and expects to remain compliant during the going concern period. Should it be required, the Group has the ability to top-up the charged asset pool with additional assets with sufficient contractual income from its pool of unsecured properties.

- Since 30 September 2020, the Group has cancelled its shortest maturity revolving credit facility (£125 million, maturing May 2022) and has repaid all drawings under its remaining revolving credit facility (£100 million, maturing February 2023). In its downside scenario, the Group forecasts that it will have sufficient cash throughout the going concern period, such that it does not anticipate being reliant on the undrawn facility for liquidity and could cancel it if interest cover covenant waivers were not available.

There are no debt maturities until February 2023.

✚ *Financing: pages 68 and 69*

At 30 September 2020, the Group's loan-to-value ratio was 31.5%. Pro forma for the receipt of the proceeds of the equity raise this falls to 22.1%. The Group's individual debt arrangements have specifically charged assets as security, although the relative amounts of collateral against each arrangement are not uniform. However, as part of the Group's finance strategy, it has a pool of unsecured properties which can be used to top-up debt security pools, if necessary, to comply with loan-to-value covenants. The cancellation of the £125 million revolving credit facility has released additional assets to this pool. Through charging these unsecured properties, the Group estimates that it could withstand a 41% decrease in valuations before reaching the limit of its loan-to-value covenants. If it were to cancel the remaining revolving credit facility and release its assets to be charged against other loans, this tolerance would increase to 48%.

Under the Group's severe but plausible downside scenario, the Group has sufficient liquidity for the going concern period assuming that values do not decline beyond the tolerance levels noted above. The Board, therefore, has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

Political donations

The Company did not make any political donations during the year (2019: nil).

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 emissions

We report our greenhouse gas emissions (GHG) and energy consumption in compliance with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our scope 1 and 2 emissions statements cover the reporting period 1 October 2019 to 30 September 2020 and are detailed in the table below. Scope 1 is defined as direct emissions that include any gas data for landlord-controlled parts and fugitive emissions from air conditioning are included where it is our responsibility within the managed portfolio. Scope 2 is defined as indirect energy emissions which include purchased electricity throughout the Group's operations within landlord-controlled parts. The figures relate to landlord controlled common parts such as staircases and the numbers are therefore minimal. Electricity used in refurbishment projects has been included where material.

2019-20 Energy consumption and GHG emissions

Overall, energy consumption has reduced year-on-year reflecting fluctuations in occupier numbers and occupancy primarily attributed to the effects of Covid-19 and its impacts on the economy in central London. A total of 4,361,669 kWh has been consumed in the portfolio in 2020 (2019: 4,477,290 kWh). This includes all landlord controlled areas as well as energy consumed on refurbishment projects.

Due to the increased use of renewable energy in the national grid, Scope 1 and 2 GHG in the portfolio decreased by over 9.5% from 1,077 tonnes in financial year 2019 to 975 tonnes. With respect to market-based emissions, all of the wholly owned portfolio within operational control has used green tariff electricity with resulting zero emissions. A small amount of electricity was purchased as part of the refurbishment schemes and at the Longmartin joint venture which is not green tariff and is quantified below for 2020.

	UK GHG emissions 2020 (tCO_2e)	UK GHG emissions 2019 (tCO_2e)	UK Energy consumption 2020 (kWh)	UK Energy consumption 2019 (kWh)
Scope 1[1]	**211**	**191**		
Natural gas	199	185	1,081,475.7	1,009,666.5
Refrigerant losses	12	6		
Scope 2 location-based (electricity)	**764**	**886**	3,280,193.6	3,467,623.9
Scope 2 market-based (electricity)	**160**	**n/d**[2]		
Total (location-based)	**975**	**1,077**		
Intensity metric	tCO_2e/£M	tCO_2e/£M	kWh/£M	kWh/£M
Total emissions and energy/ £M revenue	**7.8**	**8.5**	**35,033**	**35,282**

1. Shaftesbury does not have any fleet or company cars hence no emissions are reported from transport fuel or other energy sources in scope 1 as not applicable.
2. This figure was not reported in 2019.

Energy efficiency actions undertaken in the 2019-20 reporting year

As in previous years, we continue to progressively increase the coverage of LED lighting in our properties and undertake ongoing improvements and upgrades through the programme of refurbishment.

We also completed the second phase assessment in accordance with the Government Energy Savings Opportunities Scheme (ESOS).

In addition to the continued progress of the above, other actions recommended the ESOS assessors include:

- reviewing existing energy management practices in specific buildings; and
- further engaging with tenants and staff to increase awareness and identify opportunities for savings.

In total, a potential saving of 200 tonnes of GHG is anticipated once all the recommendations are implemented. Further details are contained within the Sustainability Data Report on pages 27 and 28.

We are reporting on two emission intensities: performance against turnover and common parts floor areas. Common parts floor areas includes 126 reported properties. The emissions intensity figure was 39.5 kgCO2e/m2 (0.039 tonnes CO2e/m2), a decrease from last year's 46 kgCO2e/m² (0.046 tonnes CO2e/m2). Against turnover, the intensity has reduced from 8.5 tonnes per £million of total revenue to 7.8 tonnes per £million of total revenue.

We have this year increased the extent of coverage of our Scope 3 data which is detailed in our Sustainability Data Report. This enables us to better understand carbon emissions across our value chain and will be increased further over the forthcoming reporting year.

Methodology

The energy and carbon statements disclosed in this report have been calculated using an operational control reporting boundary and in accordance with the following standards:

- WRI/WBCSD (2004). Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard - Revised Edition;
- WRI/WBCSD (2015). Greenhouse Gas Protocol: Scope 2 Guidance for market-based reporting; and
- Department for Environment, Food & Rural Affairs and Department for Business, Energy & Industrial Strategy (2019): Environmental reporting guidelines: Including Streamlined Energy and Carbon Reporting requirements'.

We have applied the appropriate greenhouse gas conversion factors from UK Department for Business, Energy and Industrial Strategy (BEIS) 2020.

Third Party Data Verification

Avieco (formerly Carbon Smart) has conducted the verification of our GHG emissions statements for the stated period. They have 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 the Group has sole ownership and operational control. The verification engagement assessed the year-on-year performance change and the intensity metric (tCO2e/annual turnover) compared to financial year 2019.

Based on the verification procedures detailed in the full statement on our website, Avieco found no evidence to suggest that our GHG inventory is not materially correct and prepared in accordance with the internal reporting methodologies and WBCSD & WRI GHG corporate and scope 3 standards.

2021 annual general meeting

The 2021 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.

The Board takes the well-being of the Company's employees and shareholders very seriously, The Government has introduced measures to deal with the pandemic which include guidance on social distancing and restrictions on non-essential travel and public gatherings, which affect the manner in which the AGM can be conducted. The Board regrets that to ensure shareholders' safety, shareholders will not be permitted to attend the AGM in person. However, shareholders will be offered the opportunity to participate remotely, ask questions and vote electronically. Full details of the manner in which the AGM will be operated can be found in the Notice of Meeting. The AGM will be held on 25 February 2021 at 11:00 am.

Independent auditors

A resolution for the re-appointment of Ernst & Young LLP as auditors to the Company will be proposed at the 2021 AGM. The Board, on the advice of the Audit Committee, recommends their re-appointment.

By Order of the Board

Desna Martin
Company Secretary

Shaftesbury PLC
Incorporated, registered and domiciled
in England and Wales number 1999238
22 Ganton Street
Carnaby
London W1F 7FD

14 December 2020

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 pages 55 and 56 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;
- 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
- Strategic Report contained on pages 1 to 79 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

14 December 2020

Chris Ward
Finance Director

14 December 2020

Independent auditor's report
To the members of Shaftesbury PLC

Opinion

In our opinion:

- Shaftesbury PLC's Group financial statements and Parent company financial statements (the ''financial statements'') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 30 September 2020 and of the Group's loss 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 Parent 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.

What we have audited

We have audited the financial statements of Shaftesbury PLC (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2020 which comprise:

	Group	Parent company
Balance Sheet	✔	✔
Statement of Comprehensive Income	✔	
Cash flow statement	✔	✔
Statement of changes in equity	✔	✔
Related notes 1 to 28, including a summary of significant accounting policies	✔	✔

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, 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 Parent 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 73 to 77 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 73 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 132 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 pages 78 to 79 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 • Revenue recognition including the timing of revenue recognition, and the treatment of rents and incentives • Provisions for expected credit losses on rent receivables and lease incentives • Going concern
Audit scope	• The Group operates in London's West End and consists of a single reporting segment across eleven 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: £33m which represents 1% of total assets. • Specific Group Materiality: £3.4m which represents 5% of the average operating profit over 3 years before investment property valuation movements and net finance costs.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

This year we have removed one key audit matter 'Litigation and claims' following the withdrawal of the legal proceedings that were issued by a former substantial shareholder. We have identified two new key audit matters 'Provisions for expected credit loss on rents receivable and lease incentives' and 'Going concern'. The impact of the Covid-19 pandemic on the Group and its tenants has meant the audit partner and other senior members of the audit team spent a significant amount of time assessing the key assumptions and judgements in these two areas.

Risk: The valuation of investment property

£3,137.4m (plus £175.0m being the Group's share in the Longmartin joint venture)

Refer to the Audit Committee Report (page 98); Accounting policies (page 150); and Note 10 of the Consolidated Financial Statements (pages 135 to 136)

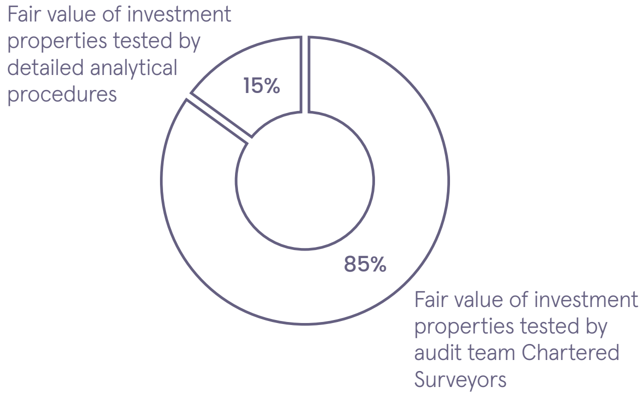
The valuation of investment property, which includes properties held in the joint venture, requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable assumptions used in these judgements (such as in respect of estimated rental value (ERV) and yield profile applied) could result in a material misstatement of the statement of comprehensive income and balance sheet.

There is also a risk that management may unduly influence the significant judgements and estimates in respect of property valuations in order to achieve 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 met with the external valuers, Cushman & Wakefield and Knight Frank, to understand the methodology used, and the basis for assumptions adopted including yields, ERVs, void periods, and tenant incentives.
- We assessed how the valuers have reflected the impact of Covid-19 in the valuations. We assessed the assumptions around rent collection levels in the short term, taking into account potential further government action, trading restrictions and the risk of tenant failure. We challenged these assumptions and looked for contra indicators in other evidence we obtained during the audit including:
  - recent rent collection data from tenants and subsequent cash receipts
  - the level of waivers and concessions granted to tenants by the Group
  - management's assessment of the recoverability of tenant-related balances, and performing a search for known Company Voluntary Arrangements and tenants with financial issues



- 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 85% 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 assessed the other assumptions applied by the external valuers, such as the estimated rental values and corroborated these to the rental tones set by relevant open market lettings, rent renewals and market reports.
- Together with our Chartered Surveyors, we obtained the sources of information used by the external valuers. We searched for available market evidence by researching leasing and investment transactional evidence from property transaction databases and market reports, looking for contra indicators to challenge the yields and ERVs adopted.
- In respect of the properties not in the sample tested by our Chartered Surveyors (15% 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 evaluated the competence of the external valuers which included consideration of their qualifications and expertise, as well as their independence.
- 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.
- 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 risk associated with the significant projects, including potential additional costs resulting from development delays caused by Covid-19.
- 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.

Key observations communicated to the Audit Committee
We audited the inputs, assumptions and reviewed the methodology used by the external valuers. We assessed the impact of Covid-19 and the risk of reduced collections of rental income, the assumptions around void periods and lease incentives.

A higher degree of estimation and judgement has been applied in the valuation in the current year, in particular in assessing the ERVs and yields, resulting from a fall in the volume of letting and transactional evidence.

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 and we did not identify evidence of undue management influence or bias.

We concluded 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 2020.

Risk: Revenue recognition, including the timing of revenue recognition, and the treatment of rents and incentives

£102.5m of rental income (FY19: £115.0m), £11.9m adjustment for lease incentives (FY19: £2.3m)

Refer to the Audit Committee Report (page 98); Accounting policies (page 150); and Note 5 of the Consolidated Financial Statements (page 134)

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, the IFRS rent adjustment for lease incentives, or the treatment of operating lease modifications resulting from Covid-19 which relate to the current year.

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, including identifying rent free periods, turnover rents, break dates and other incentives.
- We performed substantive analytical procedures and found that the rental income recognised by the Group, and each of the operating companies, was materially consistent with our expectations developed from rents in the tenancy schedules, allowing for lease incentives, credit notes and voids.
- 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 IFRS 16 Leases.
- We verified the completeness of the lease incentives recorded, by confirming that all leases with lease incentives from our detailed testing of the tenancy schedule have been included in the calculation.
- In response to the operating lease modifications arising from Covid-19 we:
  - Updated our understanding of the controls in place to identify and record the operating lease modifications.
  - Obtained, and tested the completeness of, a schedule of credits notes raised by managing agents. We verified that these operating lease modifications were correctly accounted for and that the rental income was correctly straight-lined over the lease term.
  - On a sample basis, we tested rent waivers and concessions to supporting evidence such as invoices or credit notes to verify the accuracy of management's operating lease modification calculations.
  - We assessed the 'effective date' of the operating lease modifications with reference to available evidence of the agreement between landlord and tenant.
- In respect of the deferred income recognised at year end we:
  - Performed analytical procedures to confirm the deferred income balance is materially within our expectations, based on the timing of invoicing.
  - Substantively tested a sample of balances by agreeing the timing of rent recognised to invoices or rent agreements.
  - For a sample of deferred income balances, we considered the likelihood of collectability for each tenant.
- We have assessed the adequacy of the disclosures in the financial statements and whether they appropriately reflect the impact of Covid-19 on the revenue recognition of the Group.
- 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 assessed the accuracy and completeness of the accounting for operating lease modifications, in response to Covid-19.

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: Provisions for expected credit losses on rent receivables and lease incentives

£14.3m provision for expected credit losses on rent receivables (FY19: £1.5m) and £8.2m for lease incentives (FY19: £0m)

Refer to the Audit Committee Report (page 98); Accounting policies (page 151); and Notes 11, 14 and 18 of the Consolidated Financial Statements (pages 136, 138 and 142)

Provisions for expected credit losses on rent receivables and lease incentives requires estimation using historical and forecast information available at the balance sheet date. In the current year, this estimation is more complex with rapidly changing events brought on by the Covid-19 pandemic and government action restricting the trading of the Group's tenants. There is a risk that the provision recognised in the financial statements is not in accordance with IFRS 9 and does not accurately reflect the credit risk to the Group at the year end.

The provision for expected credit losses on rent receivables is an estimation of the likelihood that tenants will settle unpaid rents owing to Shaftesbury at 30 September 2020. The provision for expected credit losses on lease incentives requires an assessment of whether the lease contract is likely to remain in place until the planned end of the lease term.

Our response to the risk
We performed procedures to address the heightened risk of non-payment of rent receivables and the risk of future tenant default in the current environment, including:

- We obtained an understanding of the Group's controls over the calculation of the provisions, including management's assessment of the risk of non-payment and risk of future tenant default, to ensure the controls were designed and implemented correctly.
- We performed additional procedures to assess the financial health of the Group's tenants. These procedures included: obtaining a list of known Company Voluntary Arrangements, performing press searches for evidence of tenant financial difficulty, holding discussions with the external valuers and with the Group's property surveyors and reviewing tenancy information and rent collection data to identify those tenants with a higher risk of default. We assessed whether those higher risk tenants had been appropriately provided for at the year end, in both the provision for expected credit losses on rent receivables and lease incentives.
- We assessed the significant assumptions adopted by management in the provision for expected credit losses on rent receivables and lease incentives. The most significant of these being the probability of default for the tenants, based on their risk profile. We challenged this assumption in light of other information we obtained during the audit including the rent collection assumptions made by external valuers, and by management in their going concern assessment.
- Given the high degree of estimation uncertainty, we performed sensitivity analysis on the probability of default in order to derive a range of reasonable outcomes for the provision for expected credit losses on rent receivables and lease incentives.
- We assessed the credit risk assessment prepared by management. We validated the tenant deposits in place, obtaining confirmations of balances held by the managing agents.
- We tested the completeness of the expected credit loss provision by comparing the tenants included in the provision workings to audited tenancy schedules and to the audited lease incentive schedule.
- We tested the clerical accuracy of the provision workings and verified that the provision was calculated in accordance with management's policy. For any exceptions to this policy, we obtained supporting evidence to validate the provision amount.
- We assessed the adequacy of the disclosures in the financial statements for the provision for expected credit losses on rent receivables and lease incentives.

Key observations communicated to the Audit Committee
We audited the provision for expected credit losses on rent receivables and lease incentives.

We assessed the risk of tenant default and non-collection of rents as a result of current market conditions. We searched for indicators of tenant financial distress and considered whether the risk of default was appropriately considered in the provisions. We have also considered the consistency of management's estimates about future rent collections with other information we obtained during the audit.

We have tested the key inputs to the provisions including the existence of available rent deposits which reduce the Group's exposure to credit losses.

We conclude that the provision for expected credit losses on rent receivables and lease incentives recognised is fairly stated as at 30 September 2020, and that the disclosures in the financial statements are in accordance with IFRS.

Risk: Going concern

The Group's financial statements are prepared on the going concern basis of accounting. This basis is dependent on a number of factors, including the Group's forecast financial performance and liquidity levels, and the Group's ability to continue to operate within the financial covenants of its debt facilities.

Refer to the Audit Committee Report (page 98) and Note 1 of the Consolidated Financial Statements (page 132)

The Covid-19 pandemic has impacted tenants' ability to trade, and in turn the Group's rent collection. As a consequence, the Group identified that it was likely it would not meet interest cover covenants throughout the whole of the going concern period which may adversely impact the Group's ability to continue to operate as a going concern. Subsequent to the year end, the Group has raised equity with net proceeds of £294.4m following approval by shareholders of certain resolutions to execute the transaction on 18 November 2020, and agreed waiver extensions for covenant on its drawn debt facilities where they had been assessed as being required.

The debt facilities also have loan-to-value covenants. While the fall in the value of investment properties has reduced the headroom, the Group expects to continue to remain in compliance with these covenants.

There is also a risk that management has not adequately disclosed the results of its going concern assessment in the financial statements.

Our response to the risk

- We obtained an understanding of the process followed by management to prepare the Group's going concern assessment which we obtained a copy of, including identifying the key assumptions which influenced the cash flow forecasts.
- We obtained the cash flow forecasts prepared by management showing three scenarios including a severe but plausible downside scenario. We tested the mathematical accuracy of the forecast models.
- We challenged the appropriateness of the forecasts by assessing historical forecasting accuracy, comparing assumptions to historic performance and our knowledge of current trading conditions and circumstances. We applied further sensitivities to stress test the liquidity of the Group over the going concern period.
- We agreed key terms in the financing arrangements such as loan maturity dates, covenants and cure rights to the underlying agreements. We obtained copies of the waivers received from lenders and assessed whether their terms were consistent with the assumptions made in management's going concern assessment.
- We recalculated covenant calculations using the forecasts and evaluated whether the covenants would be met during the going concern period. We considered the assessment of our Chartered Surveyors of the likelihood of future falls in property values which would result in future breaches of loan to value covenants. We assessed the effectiveness of mitigating actions available to management (in particular the cure rights) to avoid breaching the covenants where a waiver is not already in place.
- We read board minutes to identify any matters that may impact the going concern assessment.
- We read the disclosures in the financial statements in relation to going concern with a view to assessing whether they adequately disclose the risks, the potential outcomes and the availability of effective mitigating actions.

Key observations communicated to the Audit Committee
Based on the results of our audit procedures, we agreed with management's conclusion that it is appropriate to prepare the financial statements on a going concern basis and that there is no material uncertainty related to the Group's ability to continue as a going concern.

This included assessing that:

- the Group has sufficient liquidity over the going concern period;
- the Group has obtained waivers for forecast interest cover covenant breaches;
- in the severe but plausible downside scenario where interest cover covenants are forecast to be breached after the expiry of existing interest cover waivers, the Group has sufficient liquidity to cure these breaches through the going concern period; and
- the Group has sufficient unencumbered assets to remain in compliance with the loan to value covenants on its facilities.

We concluded that the disclosures in respect of going concern are appropriate and accurately describe the position we understand as a result of our audit procedures.

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.

As a result of the most recent UK lockdown and the government's recommendation to work from home, the year end audit procedures were completed remotely. We held regular meetings with management via video call to assist in obtaining appropriate evidence to express an opinion on the Group financial statements.

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	£33m	£25m	£1.7m
Specific *Applicable for account balances not related to investment properties, loans and borrowings.*	5% of the average operating profit over 3 years before investment property valuation movements and net finance costs	£3.4m	£2.6m	£170k

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.

Overall materiality

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 total assets as at 31 March 2020.

During the course of our audit, we reassessed our initial materiality. As a result, there was a decrease in our overall materiality reflecting the valuation loss on investment properties between the time we set initial materiality and 30 September 2020. Our materiality basis and threshold have remained consistent with planning. In the prior year audit we adopted an overall materiality of £40m based on 1% of total assets.

Specific materiality

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.

In the prior year, we adopted a specific materiality of £4.0m based on 5% of operating profit before investment property valuation movements and net finance costs.

Considering the impact of Covid-19 on the Group and the reduction in operating profit for the current year, we reconsidered the basis of our specific materiality. For the current year, we reduced the specific materiality we apply to the income statement and working capital balances and have set specific materiality on a normalised basis, being 5% of the average operating profit before investment property valuation movements and net finance costs for 2018, 2019 and 2020. The adoption of a normalised basis in setting materiality reflects our assessment of what a user considers to be material to the financial statements. This has resulted in a lower specific materiality being adopted of £3.4m.

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 is 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% (2019: 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 properties, loans and borrowings in excess of £1.7m, as well as uncorrected audit differences in excess of £170k 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 planning 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 118 and 154 to 165, 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 118** – 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 96 to 99** – 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 114** – 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.

Opinion 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 Parent 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 118, 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 Parent 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 Parent 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 (IFRS, 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 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 Companies risk register, 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 5 years, covering the years ended 30 September 2016 to 30 September 2020. Our audit engagement letter was refreshed on 26 May 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit. As disclosed in the Company's Audit Committee report, we have obtained an exemption from the FRC in respect of the non-audit services provided to the Group in 2020, which exceeded the 70% non-audit services fee cap. We confirm that there are appropriate safeguards in place and that we remain independent.
- The audit opinion is consistent with the additional report to the Audit Committee explaining the results of our audit.

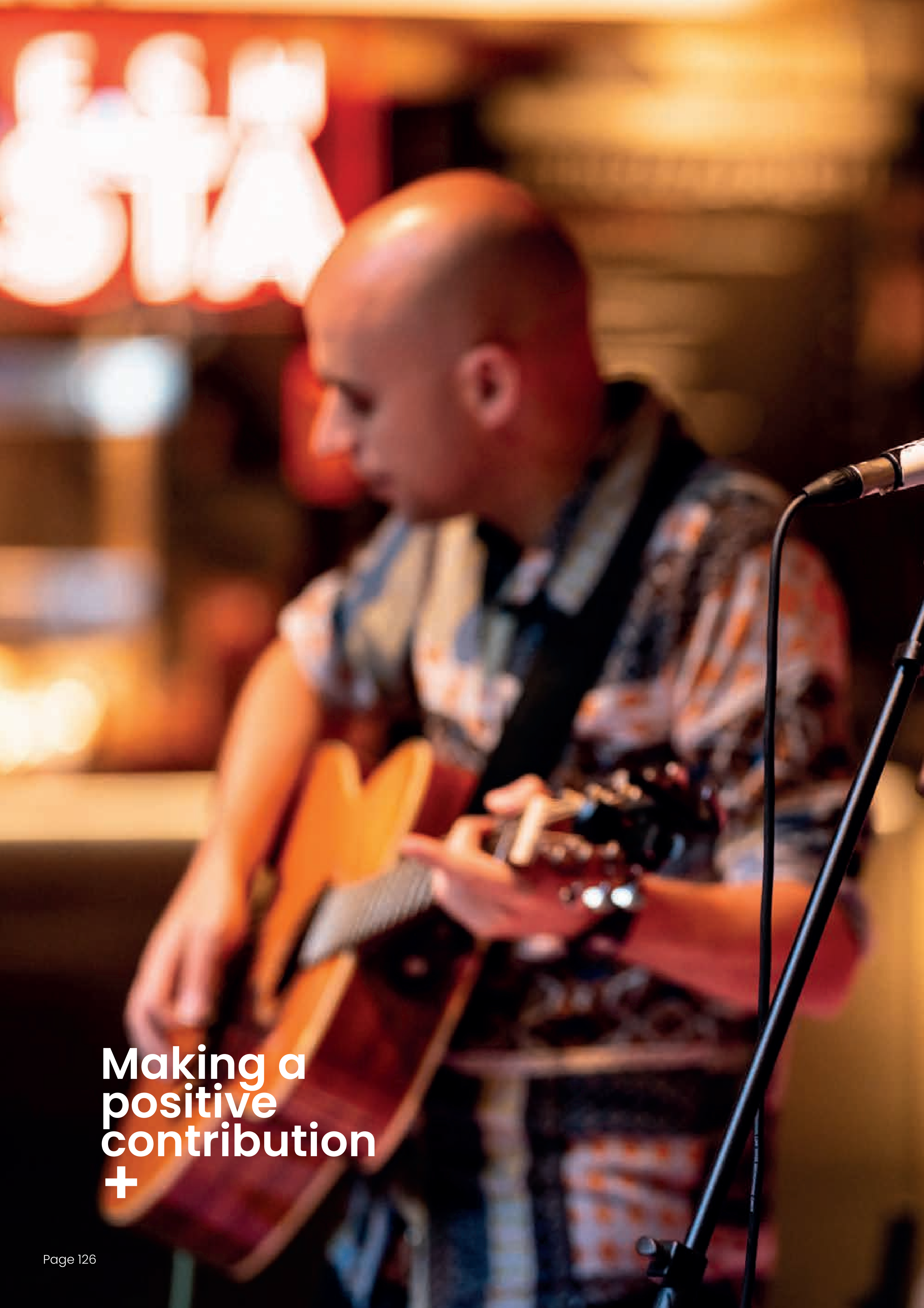
Use of our report

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
14 December 2020

1. The maintenance and integrity of the Shaftesbury PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Making a positive contribution +

Financial statements

Group statement of comprehensive income
For the year ended 30 September 2020

	Notes	2020 £m	2019 £m
Revenue		**124.5**	126.9
Expected credit losses		**(13.0)**	-
Impairment charges		**(8.9)**	-
Property charges		**(28.3)**	(28.9)
Net property income	5	**74.3**	98.0
Administrative expenses	6	**(14.4)**	(15.2)
Operating profit before investment property disposals and valuation movements		**59.9**	82.8
Profit on disposal of investment properties	7	**0.3**	2.8
Net revaluation deficit on investment properties	10	**(698.5)**	(15.3)
Operating (loss)/profit		**(638.3)**	70.3
Finance income		**0.7**	1.0
Finance costs	8	**(32.5)**	(31.5)
Share of post-tax loss from joint venture	12	**(29.4)**	(13.8)
(Loss)/profit before tax		**(699.5)**	26.0
Tax charge for the year	9	**-**	-
(Loss)/profit and total comprehensive (loss)/income for the year		**(699.5)**	26.0
(Loss)/earnings per share:	24		
Basic and diluted		**(227.5)p**	8.5p

Balance sheets
As at 30 September 2020

		Group		Company	
	Notes	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Non-current assets					
Investment properties	10	**3,115.5**	3,765.9	**–**	–
Accrued income	11	**16.3**	13.1	**–**	–
Investment in joint venture	12	**96.8**	127.6	**59.0**	59.0
Property, plant and equipment		**1.2**	1.4	**5.4**	1.4
Other receivables	15	**3.7**	3.7	**–**	–
Investment in subsidiaries	13	**–**	–	**1,226.8**	1,238.3
		3,233.5	3,911.7	**1,291.2**	1,298.7
Current assets					
Trade and other receivables	14	**45.0**	35.1	**161.5**	47.8
Cash and cash equivalents	15	**72.8**	54.0	**61.5**	36.9
Total assets		**3,351.3**	4,000.8	**1,514.2**	1,383.4
Current liabilities					
Trade and other payables	16	**19.7**	43.8	**4.4**	10.4
Non-current liabilities					
Trade and other payables	16	**–**	–	**3.8**	–
Borrowings	17	**1,051.0**	949.8	**99.0**	(1.3)
Total liabilities		**1,070.7**	993.6	**107.2**	9.1
Net assets		**2,280.6**	3,007.2	**1,407.0**	1,374.3
Equity					
Share capital	19	**76.9**	76.9	**76.9**	76.9
Share premium	20	**378.6**	378.6	**378.6**	378.6
Share-based payments reserve	20	**1.3**	1.3	**1.3**	1.3
Retained earnings	20	**1,823.8**	2,550.4	**950.2**	917.5
Total equity		**2,280.6**	3,007.2	**1,407.0**	1,374.3

The Company made a profit of £59.8 million (2019: £57.9 million) in the year.

On behalf of the Board who approved and authorised for issue the financial statements on pages 128 to 151 on 14 December 2020.

Brian Bickell
Chief Executive

Chris Ward
Finance Director

Financial statements

Cash flow statements
For the year ended 30 September 2020

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Operating activities					
Cash generated from/(used in) operating activities	23	**33.5**	79.8	**(17.0)**	(16.4)
Interest received		**0.4**	1.0	**0.3**	0.9
Interest paid		**(31.4)**	(30.2)	**(2.6)**	(1.5)
Net cash from/(used in) operating activities		**2.5**	50.6	**(19.3)**	(17.0)
Investing activities					
Investment property acquisitions		**(13.3)**	(47.2)	**-**	-
Investment property disposals	7	**0.3**	14.3	**-**	-
Capital expenditure on investment properties		**(31.2)**	(28.2)	**-**	-
Purchase of property, plant and equipment		**(0.1)**	(0.5)	**(0.1)**	(0.5)
Increase in cash held in restricted accounts	15	**(8.7)**	-	**(1.3)**	-
Dividends received from joint venture		**1.4**	2.5	**1.4**	2.5
Increase in loans to joint venture		**(4.3)**	(3.3)	**(4.3)**	(3.3)
Amounts received from subsidiaries		**-**	-	**40.2**	67.4
Amounts provided to subsidiaries		**-**	-	**(64.2)**	(60.1)
Net cash (used in)/from investing activities		**(55.9)**	(62.4)	**(28.3)**	6.0
Financing activities					
Proceeds from exercise of share options		**-**	0.2	**-**	0.2
Proceeds from borrowings	17	**150.0**	-	**150.0**	-
Repayment of borrowings	17	**(50.0)**	-	**(50.0)**	-
Equity dividends paid	22	**(27.8)**	(52.9)	**(27.8)**	(52.9)
Net cash from/(used in) financing activities		**72.2**	(52.7)	**72.2**	(52.7)
Net change in cash and cash equivalents		**18.8**	(64.5)	**24.6**	(63.7)
Cash and cash equivalents at the beginning of the year	15	**54.0**	118.5	**36.9**	100.6
Cash and cash equivalents at the end of the year	15	**72.8**	54.0	**61.5**	36.9

Statements of changes in equity
For the year ended 30 September 2020

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
Group						
At 1 October 2019		**76.9**	**378.6**	**1.3**	**2,550.4**	**3,007.2**
Loss and total comprehensive loss for the year		**–**	**–**	**–**	**(699.5)**	**(699.5)**
Dividends paid	22	**–**	**–**	**–**	**(27.8)**	**(27.8)**
Share-based payments		**–**	**–**	**0.7**	**–**	**0.7**
Release on exercise of share options		**–**	**–**	**(0.7)**	**0.7**	**–**
At 30 September 2020		**76.9**	**378.6**	**1.3**	**1,823.8**	**2,280.6**
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	22	–	–	–	(52.9)	(52.9)
Exercise of share options	19	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
Company						
At 1 October 2019		**76.9**	**378.6**	**1.3**	**917.5**	**1,374.3**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**59.8**	**59.8**
Dividends paid	22	**–**	**–**	**–**	**(27.8)**	**(27.8)**
Share-based payments		**–**	**–**	**0.7**	**–**	**0.7**
Release on exercise of share options		**–**	**–**	**(0.7)**	**0.7**	**–**
At 30 September 2020		**76.9**	**378.6**	**1.3**	**950.2**	**1,407.0**
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	22	–	–	–	(52.9)	(52.9)
Exercise of share options	19	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

The Company's distributable reserves are disclosed in note 20 to the financial statements.

Notes to the financial statements
For the year ended 30 September 2020

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 117.

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 £59.8 million (2019: £57.9 million) in the year.

Going concern

Given the significant uncertainties resulting from the impact of Covid-19 on the economic environment in which the Group operates, the directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the consolidated financial statements for the year ended 30 September 2020.

✚ *Covid-19: impact and response: page 6*

In October 2020, having assessed the Group's financial position in light of the implications of the Covid-19 pandemic for its short- and medium-term prospects, the Board determined that it was in the long-term interests of the Group to raise equity to ensure the Group maintains a strong financial base and is positioned to return to long-term growth as pandemic issues recede.

On 22 October 2020, the Board announced its intention to issue up to 76.75 million shares by means of a Firm Placing, a Placing and Open Offer and an Offer for Subscription. The equity issue was approved by an Extraordinary General Meeting of the Company on 17 November 2020 and 76.75 million shares were admitted for trading the following day. Net proceeds from the equity raise were £294.4 million.

✚ *Financing: page 67*

The Group's going concern assessment covers the period from the date of authorisation of these consolidated financial statements to 31 March 2022 (the "going concern period"), and takes into account its liquidity, committed expenditure, and likely ongoing levels of costs.

In preparing the assessment of going concern, the Board has considered a severe but plausible downside scenario, which assumes continued low levels of rent collection, increased vacancy, existing capital commitments are satisfied and there are no acquisitions or disposals. It also assumed surplus unsecured property is charged to individual loans and factored in decreases in property values of up to 40%.

The Group anticipates that Government Covid-19 containment measures will continue to adversely affect its occupiers' ability to trade through to spring 2021 and that footfall may not recover to pre-pandemic levels within the going concern period.

These continued restrictions are expected to lead to continued reduced levels of rent collection and increased EPRA vacancy throughout the going concern period as well as declining estimated rental values and asset values.

As a consequence, under the downside scenario, it is likely that the Group will not meet interest cover covenants throughout the whole of the going concern period. However, on all drawn debt facilities it has either secured waivers or has cure rights:

- The Group has secured interest cover waivers from its two term loan lenders for periods ending July 2021 and January 2022 respectively. The facilities have cash cure rights for all testing dates in the going concern period not covered by existing waivers and the Group anticipates sufficient available cash to make any necessary deposits.
- The Group was compliant with its mortgage bonds' interest cover covenants at 30 September 2020 and expects to remain compliant during the going concern period. Should it be required, the Group has the ability to top-up the charged asset pool with additional assets with sufficient contractual income from its pool of unsecured properties.
- Since 30 September 2020, the Group has cancelled its shortest maturity revolving credit facility (£125 million, maturing May 2022) and has repaid all drawings under its remaining revolving credit facility (£100 million, maturing February 2023). In its downside scenario, the Group forecasts that it will have sufficient cash throughout the going concern period, such that it does not anticipate being reliant on the undrawn facility for liquidity and could cancel it if interest cover covenant waivers were not available.

There are no debt maturities until February 2023.

✚ *Financing: page 67*

At 30 September 2020, the Group's loan-to-value ratio was 31.5%. Pro forma for the receipt of the proceeds of the equity raise this falls to 22.1%. The Group's individual debt arrangements have specifically charged assets as security, although the relative amounts of collateral against each arrangement are not uniform. However, as part of the Group's finance strategy, it has a pool of unsecured properties which can be used to top-up debt security pools, if necessary, to comply with loan-to-value covenants. The cancellation of the £125 million revolving credit facility has released additional assets to this pool. Through charging these unsecured properties, the Group estimates that it could withstand a 41% decrease in valuations before reaching the limit of its loan-to-value covenants. If it were to cancel the remaining revolving credit facility and release its assets to be charged against other loans, this tolerance would increase to 48%.

Under the Group's severe but plausible downside scenario, the Group has sufficient liquidity for the going concern period assuming that values do not decline beyond the tolerance levels noted above. The Board, therefore, has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Changes in accounting policies

The Group's significant accounting policies are disclosed in note 28. 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 2019, and did not have a significant impact on the 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)

The Group and Company adopted IFRS 16 on 1 October 2019, using the modified retrospective approach. Comparatives for the 2019 financial year have not been restated. 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.

2. Changes in accounting policies continued

As the Group is primarily a lessor, this standard had no significant impact on the Group financial statements.

The Company leases its head office accommodation from a subsidiary company. As a result, the Company has recognised a right-of-use asset and lease liability, which were both initially measured at £4.6 million, being the present value of the £5.5 million remaining lease payments, discounted at a rate of 3.75%, at 1 October 2019.

The impact on the Company Balance Sheet on transition at 1 October 2019 is shown below:

	At 1 Oct 2019 (£m)	At 30 Sept 2020 (£m)
Property, plant & equipment (right-of-use asset)	4.6	4.2
Current trade & other payables (lease liability)	0.4	0.4
Non-current trade & other payables (lease liability)	4.2	3.8

The right-of-use asset was initially measured at an amount equal to the lease liability. As a result, there was no impact on opening retained earnings at 1 October 2019.

In applying IFRS 16 for the first time, the Group and Company have used the following practical expedient permitted by the standard:

- Exclusion of initial direct costs for the measurement of the right-of-use asset.

Whilst judgement and estimates were required in the initial adoption of IFRS 16, these were not considered significant.

Standards relevant to the Group but not yet effective

The following amendments to existing standards were relevant to the Group, are not yet effective, and have not been adopted early. They are not expected to have a significant impact on the financial statements:

- IFRS 9, IAS 39 and IFRS 7 (amendments) – Interest rate benchmark reform
- IAS 1 and IAS 8 (amendments) – Definition of material
- IFRS 3 (amendment) – Definition of a business
- IFRS 16 (amendment) - Covid-19 related rent concessions

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 areas of estimation uncertainty

Investment property valuation

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.

Valuations 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 require estimates to be made, including, but not limited to, market yields, ERVs, void periods and, currently, the likely short-term impact of rent concessions. These estimates are based on assumptions made by the valuers. The most significant assumptions are those in respect of market yields and ERVs, which are summarised in the Basis of Valuation on pages 158 to 159 and are in accordance with the RICS Valuation - Global Standards. Given the inherent subjectivity, the valuations 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. 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.

Given market disruption as a result of the onset of the Covid-19 pandemic, the valuation reports at 31 March 2020 included statements highlighting a material valuation uncertainty, which was consistent with market practice and not specific to the Group. By 30 September 2020, the valuers had removed the material uncertainty clauses from their valuation reports.

In recognition of the potential for market conditions to move rapidly in response to changes in the control, or future spread, of Covid-19, the external valuers have highlighted the importance of the valuation date in their reports. It is their view that, as at the valuation date, transaction volumes and other relevant evidence had returned to levels where an adequate quantum of market evidence existed upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuations at 30 September 2020 were not subject to 'material valuation uncertainty'.

Further information on the approach taken by the valuers in valuing the portfolio and a sensitivity analysis on equivalent yields and ERV, which are the most significant assumptions impacting the fair values, is set out in note 10 to the financial statements.

Provisions for expected credit losses on rent receivables, impairment of lease incentives and prepaid letting expenses

During the year, tenant default risk has increased with occupiers suffering operational and financial challenges as a result of the pandemic. The Group has supported its occupiers through a package of measures including deferrals and waivers of rent obligations. Rent collections have been significantly below normal levels.

+ *Covid-19: impact and response: page 6*
+ *Portfolio activity report: page 59*

In preparing the financial statements, estimates are made in assessing expected credit losses in respect of rent receivables, lease incentives and prepaid letting expenses. In normal circumstances, these estimates draw on historical information, such as recent payment history. However, in the current market with greater uncertainty, the focus is more on forecast information, taking into account expectations about trading levels, footfall and tenants' ability to pay rental arrears and, with respect to lease incentives and prepaid letting expenses, whether it is likely tenants will serve out the remainder of the contractual terms of their leases. In assessing provisions, the Group identifies risk factors associated with each use (food and beverage, retail, office and residential).

The Group assesses the likely recovery of rent receivables for potential provisions, which are estimated using a forward-looking expected credit loss model for each receivable from an occupier. In determining the provision, the Group considers both recent payment history and future expectations of occupiers' ability to pay or possible default in order to recognise a lifetime expected credit loss allowance.

Where the credit loss relates to revenue already recognised in the Income Statement, the expected credit loss allowance is recognised in the Income Statement. Expected credit losses totalling £13.0 million were charged to the Income Statement in the year (2019: £nil).

Accrued income from lease incentives and prepaid letting expenses are subject to impairment review at each period end. In determining the impairment provision, the Group reviews leases on an individual basis, making a provision based on an expected credit loss model, using information available about the likelihood of a lease terminating earlier than the date of contractual break or expiry.

The provision for expected credit loss in the year has increased to £14.3 million, reflecting the increased credit risk (see note 14). The provisions against lease incentives and prepaid letting expenses have increased to £8.2 million (see note 11) and £0.7 million respectively.

For further information in respect of the estimation of these provisions see note 18.

The directors did not make any significant judgements in the preparation of these financial statements, which is consistent with the prior year.

The two key estimates made in the current year financial statements are investment property valuation and the provision for expected credit losses for rent receivables and the impairment of lease incentives and prepaid letting expenses. The estimate for provisions was not a key estimate in the prior year, because the provision for credit losses and impairment was not material.

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 156 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. Net property income

	2020 £m	2019 £m
Rental income (excluding lease incentives)	**102.5**	115.0
Adjustment for lease incentives	**11.9**	2.3
Rental income	**114.4**	117.3
Service charge income	**10.1**	9.6
Revenue	**124.5**	126.9
Expected credit losses	**(13.0)**	-
Impairment charges	**(8.9)**	-
	102.6	126.9
Service charge expenses	**(10.1)**	(9.6)
Other property charges	**(18.2)**	(19.3)
Property charges	**(28.3)**	(28.9)
	74.3	98.0

Impairment charges of £8.9 million (2019: £nil) include £8.2 million (2019: £nil) for tenant lease incentive balances and £0.7 million (2019: £nil) for prepaid letting expense balances.

Property charges include £1.7 million (2019: £2.0 million) in respect of investment properties that were vacant during the year.

6. Administrative expenses

	2020 £m	2019 £m
Employee costs	**8.2**	10.0
Depreciation	**0.3**	0.4
Other head office costs	**6.0**	4.9
	14.5	15.3
Less: administrative fees received from the joint venture	**(0.1)**	(0.1)
	14.4	15.2

Employee costs (including the directors)	2020 £m	2019 £m
Wages and salaries	**6.3**	7.2
Social security costs	**0.3**	0.9
Other pension costs	**0.3**	0.4
Equity-settled remuneration	**1.3**	1.5
	8.2	10.0

Included within equity-settled remuneration is a charge of £1.0 million (2019: £1.2 million) for the LTIP and SAYE schemes. Note 21 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 26.

Average monthly number of employees	2020 number	2019 number
Executive directors	**4**	4
Head office and property management	**33**	27
Estate management	**1**	1
	38	32

6. Administrative expenses continued

Auditor remuneration	2020 £000	2019 £000
Audit of the Company	**99**	71
Audit of the Group	**228**	128
Total fees for audit services	**327**	199
Audit related assurance services - half year review	**45**	26
Other assurance services	**234**	5
Total assurance services	**279**	31
Other non-audit services	**293**	-
Total fees for non-audit services	**572**	31
Total fees	**899**	230

The auditor provided no taxation services to the Group in 2020 (2019: £nil). The auditor acted as reporting accountants in connection with the Company's equity raise that completed on 18 November 2020. Total non-audit fees payable to Ernst & Young for permissible non-audit services relating to the equity issuance are £790,000. Of this, £516,000 relates to fees payable at the end of the year and are presented in the table above.

Total fees for non-audit services represented 175% (2019: 16%) of the total fees for audit services. See page 99 of the Audit Committee Report which sets out further considerations in respect of the audit and non-audit fees for the year.

7. Profit on disposal of investment properties

	2020 £m	2019 £m
Net sale proceeds	**0.3**	14.3
Book value at date of sale	**–**	(11.5)
	0.3	2.8

Disposal profits in 2020 relate to residential long leasehold tenure extensions granted in the year.

8. Finance costs

	2020 £m	2019 £m
Mortgage bond interest	**13.9**	13.9
Bank and other interest	**17.4**	16.4
Issue cost amortisation	**1.2**	1.2
	32.5	31.5

9. 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.

10. Investment properties

	2020 £m	2019 £m
At 1 October	**3,765.9**	3,714.8
Acquisitions	**13.3**	47.0
Disposals	**–**	(11.5)
Refurbishment and other capital expenditure	**34.8**	30.9
Net revaluation deficit on investment properties	**(698.5)**	(15.3)
Book value at 30 September	**3,115.5**	3,765.9
Fair value at 30 September:		
Properties valued by Cushman & Wakefield	**3,137.4**	3,784.2
Lease incentives and costs included in receivables	**(21.9)**	(18.3)
Book value at 30 September	**3,115.5**	3,765.9

The investment properties valuation comprises:

	2020 £m	2019 £m
Freehold properties	**2,929.0**	3,531.2
Leasehold properties	**208.4**	253.0
	3,137.4	3,784.2

Investment properties were valued at 30 September 2020 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 Valuation UK National Supplement (the "RICS Red Book") 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.

10. Investment properties continued

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 158 to 159. 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 (2019: 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 96 to 99.

A summary of the Cushman & Wakefield report can be found on pages 160 to 161.

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, and provided other advice to Shaftesbury PLC. Non-valuation fees represented 34% 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 133, 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.

Cushman & Wakefield included the following statement in their report at 30 September 2020:

> "The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. Local lockdowns are being deployed as necessary, significant further outbreaks have emerged in parts of the UK and a "second wave" is now widely considered to be taking place in many countries in Europe.
>
> "The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.
>
> "For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 we highlight the importance of the valuation date."

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. The sensitivity analysis has been expanded this year, widening the movement in ERV's and yields, given the increased level of estimation uncertainty.

	Change in ERV					
	-25% £m	**-20% £m**	**-15% £m**	**-10% £m**	**-5% £m**	**+5% £m**
(Decrease)/increase in the fair value	(681.5)	(548.3)	(415.2)	(282.2)	(148.7)	126.2

	Change in Yield					
	-0.25% £m	**+0.25% £m**	**+0.5% £m**	**+0.75% £m**	**+1.0% £m**	**+1.25% £m**
Increase/(decrease) in the fair value	236.0	(199.6)	(379.4)	(538.3)	(680.5)	(808.2)

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 2020, the Group had capital commitments of £31.0 million (2019: £82.4 million). This included £31.0 million relating to future capital expenditure for the enhancement of the Group's investment properties (2019: £43.4 million). At 30 September 2019, it also included £39.0 million relating to the forward purchase of a long leasehold interest. The vendor failed to meet its obligations to complete the sale and at 30 September 2020, we were no longer contractually committed. See pages 59 to 62 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 17.

11. Accrued income

	2020 £m	2019 £m
Accrued income in respect of lease incentives	**20.6**	16.1
Less: included in trade and other receivables (note 14)	**(4.3)**	(3.0)
	16.3	13.1

At 30 September 2020, the Group held impairment provisions totalling £8.2 million (2019: £nil) against lease incentive balances. See note 3 for further information.

12. Investment in joint venture

	2020 £m	2019 £m
Group		
At 1 October	**127.6**	143.9
Share of losses	**(29.4)**	(13.8)
Dividends received	**(1.4)**	(2.5)
Book value at 30 September	**96.8**	127.6

	2020 £m	2019 £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 117. Control of Longmartin Properties Limited is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

At 30 September 2020, the joint venture had capital commitments of £0.1 million (2019: £5.2 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:

	2020 £m	2019 £m
Statement of Comprehensive Income		
Rental income	**15.3**	15.0
Service charge income	**1.9**	1.8
Revenue	**17.2**	16.8
Expected credit losses	**(0.4)**	–
Impairment charges	**(0.8)**	–
	16.0	16.8
Other property charges	**(2.9)**	(2.2)
Service charge expenses	**(1.9)**	(1.8)
Property charges	**(4.8)**	(4.0)
Net property income	**11.2**	12.8
Administrative expenses	**(0.3)**	(0.2)
Operating profit before investment property valuation movements	**10.9**	12.6
Net revaluation deficit on investment properties	**(71.7)**	(38.5)
Operating loss	**(60.8)**	(25.9)
Finance costs	**(7.3)**	(6.8)
Loss before tax	**(68.1)**	(32.7)
Current tax	**(0.9)**	(1.2)
Deferred tax	**10.2**	6.3
Tax credit for the year	**9.3**	5.1
Loss and total comprehensive loss for the year	**(58.8)**	(27.6)
Loss attributable to the Group	**(29.4)**	(13.8)

	2020 £m	2019 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**358.0**	426.3
Accrued income	**1.8**	1.7
Other receivables	**1.3**	1.3
	361.1	429.3
Cash and cash equivalents	**4.3**	1.2
Other current assets	**5.7**	4.1
Total assets	**371.1**	434.6
Current liabilities	**30.0**	21.7
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**27.5**	37.7
Total liabilities	**177.5**	179.4
Net assets	**193.6**	255.2
Net assets attributable to the Group	**96.8**	127.6

13. Investment in subsidiaries

	2020 £m	2019 £m
Shares in Group undertakings		
At 1 October	**1,238.3**	1,160.9
Additional share capital issued by subsidiaries	**–**	77.4
Impairment of shares in subsidiaries	**(11.5)**	–
At 30 September	**1,226.8**	1,238.3

During the year, Helcon Limited and Shaftesbury WE Limited (formerly Shaftesbury West End Limited) distributed £12.5 million to the Company. Following this, the Company impaired its investment in these subsidiaries. The distributions were settled by intercompany indebtedness.

In 2019, a number of subsidiaries issued share capital to the Company. All transactions were settled through intercompany indebtedness.

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]

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
Shaftesbury West End Limited (formerly Shaftesbury Investments 1 Limited)
Chinatown London Limited
Helcon Limited[2]
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
Shaftesbury WE Limited[2] (formerly Shaftesbury West End 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 117.

14. Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	**26.0**	18.3	**–**	–
Provision for expected credit losses	**(14.3)**	(1.5)	**–**	–
	11.7	16.8	**–**	–
Accrued income in respect of lease incentives (note 11)	**4.3**	3.0	**–**	–
Amounts due from subsidiaries	**–**	–	**144.6**	37.5
Amounts due from joint venture	**11.8**	7.2	**11.8**	7.2
Other taxation	**2.9**	–	**1.4**	2.0
Prepayments	**1.9**	7.6	**0.5**	0.6
Other receivables	**12.4**	0.5	**3.2**	0.5
	45.0	35.1	**161.5**	47.8

Trade receivables represent amounts due from tenants. Within this balance is £3.6 million (2019: £3.4 million) owed for service charges.

See note 18 for further information on the provision for expected credit losses.

Cash deposits totalling £14.3 million (2019: £20.7 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.

15. Cash and cash equivalents

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Cash at bank	**72.8**	54.0	**61.5**	36.9
Restricted cash (included in other receivables):				
Non-current other receivables	**3.7**	3.7	**–**	–
Current other receivables	**8.7**	–	**1.3**	–
	12.4	3.7	**1.3**	–

Restricted cash relates to cash held on deposit as security for certain secured term loans and secured bank facilities, and where there are certain conditions restricting their use.

16. Trade and other payables

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Due within one year				
Deferred rental income	**3.4**	23.0	**–**	–
Accruals and deferred service charge income	**1.1**	5.1	**–**	–
	4.5	28.1	**–**	–
Trade payables and accruals in respect of capital expenditure	**4.8**	3.5	**–**	–
Amounts due to subsidiaries	**–**	–	**–**	5.5
Other taxation and social security	**0.5**	2.9	**0.5**	1.2
Other payables and accruals	**9.9**	9.3	**3.5**	3.7
Lease liabilities (note 2)	**–**	–	**0.4**	–
Total trade and other payables due within one year	**19.7**	43.8	**4.4**	10.4
Due after one year				
Lease liabilities (note 2)	**–**	–	**3.8**	–
Total other payables due after one year	**–**	–	**3.8**	–

All deferred service charge income of the prior year was recognised as income in the current year.

17. Borrowings

Group

	2020			2019		
	Nominal value £m	**Unamortised issue costs £m**	**Book value £m**	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	**575.0**	**(4.4)**	**570.6**	575.0	(4.9)	570.1
Secured bank facilities	**100.0**	**(1.0)**	**99.0**	–	(1.3)	(1.3)
Secured term loans	**384.8**	**(3.4)**	**381.4**	384.8	(3.8)	381.0
Total Group borrowings	**1,059.8**	**(8.8)**	**1,051.0**	959.8	(10.0)	949.8

Details of the Group's current financial position are discussed on pages 67 to 69.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £2,697.9 million (2019: £3,088.9 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			
	1.10.2019 £m	**Inflows £m**	**Outflows £m**	**Non-cash items £m**	**30.9.2020 £m**
Non-current borrowings					
Mortgage bonds	575.0	–	–	–	575.0
Secured bank facilities	–	150.0	(50.0)	–	100.0
Secured term loans	384.8	–	–	–	384.8
Loan issue costs	(10.0)	–	–	1.2	(8.8)
	949.8	150.0	(50.0)	1.2	1,051.0
Loan issue costs[1]	10.0	–	–	(1.2)	8.8
Cash & cash equivalents (note 15)	(54.0)	(185.6)	166.8	–	(72.8)
Net debt at 30 September 2020	905.8	(35.6)	116.8	–	987.0

1. Loan issue costs are eliminated in the calculation of net debt.

17. Borrowings continued

	1.10.2018 £m	Cash flows 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 15)	(118.5)	(97.8)	162.3	–	(54.0)
Net debt at 30 September 2019	841.3	(97.8)	162.3	–	905.8

1. Loan issue costs are eliminated in the calculation of net debt.

Availability and maturity of borrowings

	2020 Committed £m	**Drawn £m**	**Undrawn £m**	2019 Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**100.0**	**125.0**	225.0	–	225.0
Repayable between 5 and 10 years	**554.8**	**554.8**	**–**	424.8	424.8	–
Repayable after 10 years	**405.0**	**405.0**	**–**	535.0	535.0	–
	1,184.8	**1,059.8**	**125.0**	1,184.8	959.8	225.0

Interest rate profile of interest bearing borrowings

	2020 Debt £m	**Interest rate**	2019 Debt £m	Interest rate
Secured bank facilities	**100.0**	**1.66%**	–	–
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		**2.87%**		2.99%

The Group and Company also incur non-utilisation fees on undrawn facilities. At 30 September 2020, the weighted average charge on the undrawn facilities of £125.0 million (2019: £225.0 million) for the Group and Company was 0.68% (2019: 0.66%).

The weighted average credit margin on the Group and Company's secured bank facilities was 1.46% (2019: 1.46%).

Company

	2020 Nominal value £m	**Unamortised issue costs £m**	**Book value £m**	2019 Nominal value £m	Unamortised issue costs £m	Book value £m
Secured bank facilities	**100.0**	**(1.0)**	**99.0**	–	(1.3)	(1.3)
Total Company borrowings	**100.0**	**(1.0)**	**99.0**	–	(1.3)	(1.3)

Net debt reconciliation

	1.10.2019 £m	**Cash flows Inflows £m**	**Outflows £m**	**Non-cash items £m**	**30.9.2020 £m**
Non-current borrowings					
Secured bank facilities	**–**	**150.0**	**(50.0)**	**–**	**100.0**
Loan issue costs	**(1.3)**	**–**	**–**	**0.3**	**(1.0)**
	(1.3)	**150.0**	**(50.0)**	**0.3**	**99.0**
Loan issue costs[1]	**1.3**	**–**	**–**	**(0.3)**	**1.0**
Cash & cash equivalents (note 15)	**(36.9)**	**(191.9)**	**167.3**	**–**	**(61.5)**
Net debt at 30 September 2020	**(36.9)**	**(41.9)**	**117.3**	**–**	**38.5**

1. Loan issue costs are eliminated in the calculation of net debt.

17. Borrowings continued

		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 15)	(100.6)	(71.0)	134.7	–	(36.9)
Net debt at 30 September 2019	(100.6)	(71.0)	134.7	–	(36.9)

1. Loan issue costs are eliminated in the calculation of net debt.

Availability and maturity of borrowings

	2020			2019		
	Committed £m	**Drawn £m**	**Undrawn £m**	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**100.0**	**125.0**	225.0	–	225.0

18. Financial instruments

Categories of financial instruments (book value)	**2020 £m**	2019 £m
Group		
Financial assets		
Trade and other receivables (note 14)	**11.7**	16.8
Amounts due from joint venture (note 14)	**11.8**	7.2
Other receivables (note 15)	**3.7**	3.7
Cash and cash equivalents (note 15)	**72.8**	54.0
Current other receivables (note 14)	**12.4**	0.5
	112.4	82.2
Financial liabilities		
Trade and other payables – due within one year (note 16)	**(14.7)**	(12.8)
Interest bearing borrowings (note 17)	**(1,051.0)**	(949.8)
	(1,065.7)	(962.6)
Net financial instruments	**(953.3)**	(880.4)
Company		
Financial assets		
Amounts due from subsidiaries (note 14)	**144.6**	37.5
Amounts due from joint venture (note 14)	**11.8**	7.2
Cash and cash equivalents (note 15)	**61.5**	36.9
Current other receivables (note 14)	**3.2**	0.5
	221.1	82.1
Financial liabilities		
Trade and other payables – due within one year (note 16)	**(3.5)**	(3.7)
Amounts due to subsidiaries (note 16)	**–**	(5.5)
Interest bearing borrowings (note 17)	**(99.0)**	1.3
	(102.5)	(7.9)
Net financial instruments	**118.6**	74.2

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 £988.9 million (2019: £1,042.9 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.

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. The Group's secured bank facilities mature in 2022 and 2023. See note 27 for refinancing transactions completed post year end.

18. Financial instruments continued

Group

30 September 2020	**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 17)	**1,051.0**	**1,059.8**	**–**	**–**	**100.0**	**554.8**	**405.0**
Interest	**2.9**	**289.4**	**30.4**	**30.4**	**86.8**	**112.4**	**29.4**
Total	**1,053.9**	**1,349.2**	**30.4**	**30.4**	**186.8**	**667.2**	**434.4**

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 17)	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

Company

30 September 2020	**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 17)	**99.0**	**100.0**	**–**	**–**	**100.0**	**–**	**–**
Interest	**–**	**4.0**	**1.7**	**1.7**	**0.6**	**–**	**–**
Total	**99.0**	**104.0**	**1.7**	**1.7**	**100.6**	**–**	**–**

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 17)	(1.3)	–	–	–	–	–	–
Interest	0.1	0.1	0.1	–	–	–	–
Total	(1.2)	0.1	0.1	–	–	–	–

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 71 to 77. 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 defines default as the failure to meet contractual obligations as such obligations fall due. Generally, default risk is managed through a large and diverse tenant base so that tenant credit risk is widely spread.

The Group reviews the creditworthiness of potential tenants prior to entering into contractual arrangements. 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 14.

During the year, tenant default risk, and hence credit risk associated with our tenants, has increased with occupiers suffering operational and financial challenges as a result of the pandemic. The Group has supported its occupiers through a package of measures including deferrals and waivers of rent obligations. Rent collections have been significantly below normal levels.

+ *Covid-19: impact and response: page 6*
+ *Portfolio activity report: page 59*

Tenant default risk has been elevated to a principal risk for the Group.

+ *Principal risks and uncertainties: page 73*

In respect of tenant arrears, the Group identified risk factors associated with each use (food and beverage, retail, office and residential) and calculated provisions taking into account the type of use, rent deposits held and rent collections, on a tenant-by-tenant basis. The Group was able to utilise £2.3 million of the £14.3 million tenant rent deposits held at 30 September 2020 to offset unpaid rent receivables. Absent the assumed use of tenant deposits held at 30 September 2020 as collateral against arrears at that date, the maximum exposure to credit risk for the Group was £9.4 million. Tenant arrears are derecognised when there is no longer a reasonable expectation of collection.

18. Financial instruments continued

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.

The Company's credit risk management, objectives and policies are consistent with those of the Group.

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 17 and the Group's share capital and reserves are set out in notes 19 and 20 and 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.

During the year, reduced rent collections and low visibility over near-term income put pressure on interest cover covenants in certain of the Group's debt arrangements and waivers from lenders were secured, where necessary. Since 30 September 2020, these waivers have been extended. The Board assessed the Group's financial and liquidity position in light of the impact of the pandemic and considered a range of options to optimise the Group's long-term capital structure including disposals, bond issuance, repayment of existing debt facilities and options for raising capital. In November 2020, the Group issued equity, raising net proceeds of £294.4 million. The equity issue has ensured the Group maintains a strong financial base, is positioned to return to long-term growth as pandemic issues recede and, should conditions improve, has capacity for portfolio investment (see note 27).

The Group's capital structure and financing strategy are discussed in the Strategic Report on pages 67 to 69.

Financing risk is set out in further detail in "principal risks and uncertainties" on page 77.

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 and planned commitments. The Group's liquidity position and requirements were considered as part of the assessment noted in capital risk management (above).

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 Board keeps the Group's interest rate risk under review, particularly in light of expectations of future interest rate movements.

The Group's policy is to minimise interest rate risk through long-term fixed rate debt. At 30 September 2020, 91% of the Group's drawn borrowings were fixed rate. Following the equity issue in November 2020, the Group cancelled one of its revolving credit facilities and repaid its other revolving credit facility. Both facilities bore variable rate interest. Following this, the Group's drawn debt arrangements were all fixed rate. 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.

19. Share capital

Group and Company	2020 number million	2019 number million	2020 £m	2019 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**307.4**	307.3	**76.9**	76.8
Exercise of share options	**–**	0.1	**–**	0.1
At 30 September	**307.4**	307.4	**76.9**	76.9

See note 27 for information on the equity raise completed post year end.

20. Reserves

The Statement of Changes in Equity is set out on page 131.

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 2020 include amounts distributable of £261.4 million (2019: £228.4 million).

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21. 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 105.

LTIP and SAYE schemes

The following share options granted to executive directors and employees were outstanding at 30 September 2020:

Date of grant	At 1.10.2019	Awarded	Exercised	Lapsed	At 30.9.2020	Exercisable 30.9.2020	Option exercise price	Weighted average price at exercise	Exercise period
SAYE									
03.07.2015	4,754	–	–	(2,161)	2,593	2,593	£6.94	–	2020-2021
01.07.2016	12,144	–	–	(6,072)	6,072	–	£7.41	–	2021-2022
30.06.2017	12,397	–	(348)	(3,372)	8,677	6,740	£7.74	9.29	2020-2023
29.06.2018	10,455	–	(297)	(10,158)	–	–	£7.57	9.29	–
28.06.2019	26,998	–	–	(18,313)	8,685	–	£6.63	–	2022-2025
09.07.2020	–	117,557	–	–	117,557	–	£4.71	–	2023-2026
LTIP									
02.12.2015	4,277	–	(4,277)	–	–	–	Nil	8.89	2019
08.02.2016	45,627	–	–	–	45,627	–	Nil	–	2020-2021
12.12.2016	391,600	–	–	(391,600)	–	–	Nil	–	–
12.12.2017[1]	379,026	–	–	(32,966)	346,060	–	Nil	–	–
04.12.2018	438,190	–	–	(39,750)	398,440	–	Nil	–	2021-2024
12.12.2019	–	500,160	–	(38,700)	461,460	–	Nil	–	2022-2025
24.07.2020	–	256,350	–	–	256,350	–	Nil	–	2022-2023
	1,325,468	**874,067**	**(4,922)**	**(543,092)**	**1,651,521**	9,333			

1. 346,060 share options will lapse at the vesting date in December 2020.
2. Following the equity issue announced on 22 October 2020, and approved by shareholders on 17 November 2020, the shares granted under the schemes above have subsequently been restated to reflect the new share capital of the Company. These were technical adjustments and did not increase or decrease the value of the award. The restated figures will be reported in the 2021 Annual Report.

	At 1.10.2019	Awarded	Exercised	Lapsed	At 30.9.2020
Weighted average exercise price	0.36	0.63	1.00	0.52	0.45
Weighted average remaining contractual life	2.72				2.66

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	LTIP
Grant date	09.07.20	09.07.20	12.12.19	24.07.20
Share price at date of grant	£5.15	£5.15	£9.32	£4.80
Exercise price	£4.71	£4.71	Nil	Nil
Expected life of award (years)	3	5	3 or 5	2 or 3
Share return volatility (per annum)	29%	25%	17%	n/a
Risk free discount rate (per annum)	-0.1%	-0.1%	0.6%	n/a
Index return volatility (FTSE 350 REIT Index)	–	–	18%	n/a
Correlation between the Company's shares and those in the FTSE 350 REIT Index	–	–	81%	n/a
Dividend yield	1.7%	1.7%	–	n/a

	SAYE 3 Year	SAYE 5 Year	LTIP (TSR)	LTIP (NAV)	LTIP (TAR)
Fair values:					
SAYE	£1.10	£1.08	–	–	–
No holding period	–	–	£3.82	£9.32	£9.32
Contingent holding period	–	–	£3.70	£9.04	£9.04
Two year holding period	–	–	£3.59	£8.76	£8.76

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 in the year under the LTIP are described in the Annual Remuneration Report on page 107.

21. Share-based remuneration continued

Deferred annual share bonus scheme

	2020 Shares	2019 Shares
At 1 October	**616,042**	598,868
Awarded	**164,771**	205,640
Exercised	**(212,669)**	(188,466)
At 30 September	**568,144**	616,042

22. Dividends

	Pence per share			
	PID	Ordinary	2020 £m	2019 £m
Final dividend for:				
Year ended 30 September 2019	5.25p	3.75p	**27.8**	–
Year ended 30 September 2018	–	8.5p	**–**	26.2
Interim dividend for:				
Year ended 30 September 2019	8.7p	–	**–**	26.7
Dividends paid in the year			**27.8**	52.9

The Board announced on 25 September 2020 that no final dividend would be declared in respect of the year ended 30 September 2020. The Board intends to resume dividend payments as soon as it considers prudent, maintaining its policy of sustainable dividend growth over the long-term. The pace of the post-pandemic income recovery and our REIT PID obligations, will be key factors in the Board's near-term decisions on declaring dividends. See page 65 of the Strategic Report for further commentary on our dividend policy.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 568,144 (2019: 616,042) ordinary shares during the year.

23. Cash flows from operating activities

	Group		Company	
Operating activities	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Profit before tax	**(699.5)**	26.0	**59.8**	57.9
Adjusted for:				
Lease incentives recognised	**(3.7)**	(2.3)	**–**	–
Share-based payments	**0.7**	0.9	**0.7**	0.9
Depreciation (note 6)	**0.3**	0.4	**0.3**	0.4
Net revaluation deficit on investment properties (note 10)	**698.5**	15.3	**–**	–
Profit on disposal of investment properties (note 7)	**(0.3)**	(2.8)	**–**	–
Net finance costs	**31.8**	30.5	**2.3**	0.9
Administrative charges, finance charges, and dividends received from subsidiaries settled through intercompany indebtedness	**–**	–	**(87.3)**	(71.9)
Impairment of subsidiaries (note 13)	**–**	–	**11.5**	–
Dividends received from joint venture (note 12)	**–**	–	**(1.4)**	(2.5)
Share of post-tax loss from joint venture (note 12)	**29.4**	13.8	**–**	–
Cash flows from operations before changes in working capital	**57.2**	81.8	**(14.1)**	(14.3)
Changes in working capital:				
Change in trade and other receivables	**1.5**	(4.1)	**(0.7)**	(2.3)
Change in trade and other payables	**(25.2)**	2.1	**(2.2)**	0.2
Cash generated from/(used in) operating activities	**33.5**	79.8	**(17.0)**	(16.4)

See note 17 for the cash flow movement in net debt.

24. Performance measures

Earnings per share

	2020			2019		
	Loss after tax £m	**Number of shares[1] million**	**Loss per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
Basic	**(699.5)**	**307.4**	**(227.5)**	26.0	307.4	8.5
Dilutive effect of share options	**–**	**–**	**–**	–	0.2	–
Diluted	**(699.5)**	**307.4**	**(227.5)**	26.0	307.6	8.5

1. Weighted average

For the year ended 30 September 2020, potential ordinary shares are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

EPRA earnings per share

The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2020			2019		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
Basic	**(699.5)**	**307.4**	**(227.5)**	26.0	307.4	8.5
EPRA adjustments:						
Net revaluation deficit on investment properties (note 10)	**698.5**		**227.2**	15.3		5.0
Profit on disposal of investment properties (note 8)	**(0.3)**		**(0.1)**	(2.8)		(0.9)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**35.8**		**11.6**	19.2		6.2
Deferred tax	**(5.1)**		**(1.6)**	(3.1)		(1.0)
EPRA earnings	**29.4**	**307.4**	**9.6**	54.6	307.4	17.8

1. Weighted average

Like-for-like rental growth

	2020 £m	2019 £m
Rental income in current year	**114.4**	117.3
Adjusted for impact of:		
Impact of acquisitions	**(1.7)**	(2.5)
Impact of disposals	**–**	–
Like-for-like rental income in current year (A)	**112.7**	114.8
Rental income in previous year	**117.3**	112.8
Adjusted for impact of:		
Impact of acquisitions	**(0.5)**	(3.0)
Impact of disposals	**–**	(0.4)
Like-for-like rental income in previous year (B)	**116.8**	109.4
Like-for like (decline)/growth in rental income (A/B-1)	**(3.5%)**	4.9%

Adjusted EPRA earnings per share

	2020			2019		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
EPRA earnings	**29.4**	**307.4**	**9.6**	54.6	307.4	17.8
Charge for share options (note 6)	**1.0**		**0.3**	1.2		0.4
Adjusted EPRA earnings	**30.4**	**307.4**	**9.9**	55.8	307.4	18.2

1. Weighted average

24. Performance measures continued

Net asset value per share

	2020			2019		
	Net assets £m	**Number of ordinary shares million**	**Net asset value per share £**	Net assets £m	Number of ordinary shares million	Net asset value per share £
Basic	**2,280.6**	**307.4**	**7.42**	3,007.2	307.4	9.78
Dilutive effect of share options	**0.7**	**0.6**		0.5	0.3	
Diluted	**2,281.3**	**308.0**	**7.41**	3,007.7	307.7	9.77

In October 2019, EPRA introduced three new measures of net asset value in its Best Practices Recommendations: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). These are effective from 1 October 2020 but have been presented below with a comparison to the current measures, EPRA NAV and EPRA NNNAV.

	2020				
	Existing measures		New measures		
	EPRA NAV £m	**EPRA NNNAV £m**	**EPRA NRV £m**	**EPRA NTA £m**	**EPRA NDV £**
IFRS net assets	2,280.6	2,280.6	2,280.6	2,280.6	2,280.6
Dilutive effect of share options[1]	0.7	0.7	0.7	0.7	0.7
Deferred tax[2]	8.5	–	8.5	8.5	–
Difference between fair value and carrying value of debt:					
Secured term loans[3]	–	(48.0)	–	–	(48.0)
Mortgage bonds	–	11.4	–	–	11.4
Investment property purchasers' costs	–	–	222.5	–	–
Total	**2,289.8**	**2,244.7**	**2,512.3**	**2,289.8**	**2,244.7**
Number of diluted shares (million)	**308.0**	**308.0**	308.0	308.0	308.0
Diluted net assets per share (£)	**7.43**	**7.29**	**8.16**	**7.43**	**7.29**

	2019				
	Existing measures		New measures		
	EPRA NAV £m	EPRA NNNAV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS net assets	3,007.2	3,007.2	3,007.2	3,007.2	3,007.2
Dilutive effect of share options[1]	0.5	0.5	0.5	0.5	0.5
Deferred tax[2]	13.6	–	13.6	13.6	–
Difference between fair value and carrying value of debt:					
Secured term loans[3]	–	(75.8)	–	–	(75.8)
Mortgage bonds	–	(17.9)	–	–	(17.9)
Investment property purchasers' costs	–	–	272.9	–	–
Total	3,021.3	2,914.0	3,294.2	3,021.3	2,914.0
Number of diluted shares (million)	307.7	307.7	307.7	307.7	307.7
Diluted net assets per share (£)	9.82	9.47	10.71	9.82	9.47

1. Increase in shareholders' equity, which would arise on the exercise of share options.
2. Our 50% share of deferred tax in the joint venture.
3. Includes the wholly-owned Group's secured term loans and our 50% share of secured term loans in the joint venture.

Total accounting return (TAR)

	2020 pence	2019 pence
Opening EPRA NAV (A)	**982.0**	991.0
Closing EPRA NAV	**743.0**	982.0
Decrease in the year	**(239.0)**	(9.0)
Dividends paid in the year	**9.0**	17.2
TAR (B)	**(230.0)**	8.2
TAR % (B/A)	**(23.4)%**	0.8%

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24. Performance measures continued

Financing ratios

	2020 £m	2019 £m
Loan-to-value and gearing		
Nominal value of debt	**1,059.8**	959.8
Cash and cash equivalents	**(72.8)**	(54.0)
Net debt (A)	**987.0**	905.8
Fair value of investment properties (B)	**3,137.4**	3,784.2
Loan-to-value (A/B)	**31.5%**	23.9%
EPRA net assets (C)	**2,289.8**	3,021.3
Gearing (A/C)	**43.1%**	30.0%
Interest cover		
Operating profit before investment property disposals and valuation movements (A)	**59.9**	82.8
Finance costs	**32.5**	31.5
Finance income	**(0.7)**	(1.0)
Net finance costs (B)	**31.8**	30.5
Interest cover (A/B)	**1.9x**	2.7x
Cost of debt		
Blended cost of drawn borrowings	**2.9%**	3.0%
Commitment fees on undrawn secured bank facilities	**0.7%**	0.7%
Blended cost of debt	**2.9%**	3.2%

We are no longer presenting financing ratios including our joint venture on a proportionally consolidated basis. We now consider that it is appropriate to separately report the joint venture's activity, valuation and capital structure. We believe this presentation provides a clearer analysis and is consistent with the financial statements. Consequently, gearing and loan-to-value ratios have been restated at 30 September 2019.

See page 156 for explanations on why we use these performance measures.

25. 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:

	2020 £m	2019 £m
Not later than one year	**91.9**	110.2
Later than one year but not later than five years	**259.1**	274.6
Later than five years	**263.6**	329.8
	614.6	714.6

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 14 to 17.

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:

	2020 £m	2019 £m
Not later than one year	**0.6**	0.6
Later than one year but not later than five years	**2.3**	2.3
Later than five years	**2.0**	2.6
	4.9	5.5

The Company leases its head office accommodation from a wholly-owned subsidiary.

26. Related party transactions

Transactions during the year between the Company, its subsidiaries and the joint venture are disclosed below:

	2020 £m	2019 £m
Transactions with subsidiaries:		
Administrative fees receivable	**11.1**	11.8
Dividends receivable	**72.6**	58.0
Interest receivable	**3.2**	2.1
Interest payable	**0.2**	0.5
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Dividends receivable	**1.4**	2.5
Interest receivable	**0.4**	0.3

Amounts due from subsidiaries and the joint venture are disclosed in note 14 and amounts due to subsidiaries are disclosed in note 16. 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 106 to 113, and below, there were no other transactions with directors.

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 106 to 113.

Directors' emoluments	2020 £m	2019 £m
Short-term employee benefits	**2.9**	3.0
Other long-term benefits	**–**	0.9
Share-based payments	**0.6**	0.9
	3.5	4.8

27. Post Balance Sheet events

On 22 October 2020, the Company announced details of an issue of equity with gross proceeds of £307.0 million, comprising £297.0 million by way of a Firm Placing, Placing and Open Offer, and £10.0 million by way of an Offer for Subscription. The purpose of the equity issue was to ensure the Group maintains a strong financial base, is positioned to return to long-term growth as pandemic issues recede and, should conditions improve, has capacity for portfolio investment.

On 18 November 2020, the Company issued 76.75 million shares, representing approximately 25% of its issued share capital, at £4 per share. After issue costs of £12.6 million, the net proceeds were £294.4 million. Issue costs which were contingent on completion of the equity issuance were not provided for at 30 September 2020. Following the share issue, the Company's issued share capital was 384,167,537.

In respect of the equity issue, Capital & Counties Properties PLC ("Capco") and Norges Bank ("Norges") were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity issue in respect of 16,250,000 and 19,245,032 shares respectively, for a total consideration of approximately £65 million and £77 million respectively. In respect of Capco, this transaction was disclosed via the Regulatory News Service on 22 October 2020, in accordance with LR11.1.10R. In respect of Norges, the issue of shares was a transaction of sufficient size to require shareholder approval under chapter 11 of the Listing Rules as announced via the Regulatory News Service on 22 October 2020. This approval was granted at the Extraordinary General Meeting on 17 November 2020. 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.

On 27 November 2020, the Group cancelled its £125.0 million revolving credit facility, which was undrawn. On 27 November 2020, the Group repaid £100.0 million of drawings against its remaining revolving credit facility, which remains available to be re-drawn, provided the Group remains compliant with all requirements in the loan agreement, including the financial covenants. On 20 November 2020, the Group secured an extension to the interest cover covenant waiver in respect of this facility from January 2021 to October 2021. In consideration for this extension, the Group placed a further £1.0 million on deposit with the lender for the duration of the waiver.

On 19 November 2020, the Group secured an extension to the interest cover covenant waiver in respect of its £250.0 million term loan from April 2021 to January 2022. In consideration for this extension, the Group placed a further £4.4 million on deposit with the lender for the duration of the waiver.

On 14 December 2020, in response to rising Covid-19 infection rates, the Government announced that London and parts of the Home Counties would be moving to Tier 3 restrictions, beginning from 16 December until further notice. This will have an adverse impact on both our hospitality and retail occupiers' ability to trade and will therefore likely have an adverse impact on near-term rent collection.

See pages 67 and 69 in the Strategic Report for further information on Post Balance Sheet events.

28. 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

Net property income comprises rental income, service charge income, property expenses, service charge expenses, expected credit losses on rent receivables and impairment of lease incentives.

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.

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

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.

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.

28. Significant accounting policies continued

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 are recognised at fair value and subsequently held at amortised cost, less any provision for impairment.

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.

The Group assesses expected credit losses for trade receivables and impairment on lease incentives on a forward-looking basis. See note 3 and note 18 for further information.

Trade payables are recognised at fair value and subsequently held at amortised cost.

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.

Making a positive contribution +

Other information

Climate risk and opportunity

We have outlined our current approach to identifying and managing our most significant climate change risks and opportunities. We consider this to be an iterative process and we will continue to improve our understanding of risks and evolve our disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

Governance - Disclose the organisation's governance around climate-related risks and opportunities	
Board oversight of climate-related risks and opportunities	Annually, the sustainability strategy and associated policies and action plan are considered by the Board for the year ahead. Progress against the strategy and material changes to climate change risks are considered as an agenda item at Board meetings.
Management's role in assessing and managing climate-related risks and opportunities	We have a Sustainability Committee chaired by our CEO. The Committee has oversight of climate-related risks including policy, regulatory and legal risk. It reports directly to the Board and the Risk Committee. The Committee includes members of the Strategy and Operations Committee, our retained sustainability advisor, Company Secretary and Head of Sustainability.
Strategy - Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material	
Climate-related risks and opportunities identified over the short, medium, and long term	As a property company we are exposed to a wide range of climate-related risks. Our portfolio is wholly located in the West End of London which limits the scope of the risks we face. Principal considerations include: **Short term (0-1 years):** • Challenges of meeting Minimum Energy Efficiency Standards (MEES) for both domestic and non-domestic buildings, especially for many of the period buildings in our portfolio. • Current and prospective tenants are increasingly concerned about the energy efficiency and sustainability credentials of the buildings that they occupy. • Opportunity to demonstrate the carbon benefits of our policy of retaining and refurbishing buildings. **Medium term (1-5 years):** • The continuing evolution of planning requirements and tenant expectations for sustainable buildings, which will require a continued investment in our portfolio. • Issues relating to achieving the required rate of decarbonisation of our portfolio. This will need to give consideration to the age of our buildings and the significant proportion of the portfolio not within our operational control as it is occupied by tenants. **Long term (5-30 years):** • We are committed to the West End of London and therefore consider climate change over longer-term time horizons as critical to the success of our business. • Chronic physical risks are expected to have a greater impact with hotter and drier summers likely. Extreme weather will need to be addressed through the refurbishment of our buildings to ensure that they continue to meet occupier requirements. • We also acknowledge the impact of indirect physical risks such as flooding in other areas of London that could limit the capacity of the regional transport system. The impact of climate risks on our supply chain should also be considered in more detail. • Shaftesbury, in common with all organisations, needs to address the UK Government's objective of achieving net zero carbon by 2050 and local government targets in advance of this date.
Impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	• The identified climate-related risks impact our approach to the procurement and refurbishment of buildings, the ongoing management of our villages and the development of our sustainability strategy. • Our refurbishment programme, which typically covers around 10% of the portfolio each year, addresses many of the key risks that we have identified. • Targets have been set for the minimum EPC of new refurbishment projects and BREEAM certification on larger projects to increase efficiency. • We have committed to setting a science based target for annual carbon emissions reductions and will set a net zero carbon target. • We monitor energy consumption within our landlord-controlled space, such as common parts of buildings, and identify measures which can reduce energy consumption. • We are committed to procuring green tariff electricity across our landlord consumption in the managed portfolio and increasing this to tenant areas and refurbishment projects. • We are also committed to increasing green space which will play an important role in adapting to climate change.
Resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	• Our strategy is to invest for the long term in the West End, continually improving our portfolio and setting high environmental standards for refurbishment projects that deliver efficient buildings. • Through this strategy, we increase the resilience of our portfolio to extreme weather events, changes in energy efficiency regulation and demand for sustainable buildings. • We are committed to developing science based targets that will be in line with a lower than 2-degree scenario. • Related policies and procedures are set out in our Sustainability Action Plan, available on our website.

Risk Management - Disclose how the organisation identifies, assesses, and manages climate-related risks	
Processes for identifying and assessing climate-related risks	Climate change risks are assessed by the Sustainability Committee, the Risk Committee and the Board. The Risk Committee meets twice a year and is chaired by our Finance Director. The Committee reviews key potential risks to the business, both operational and financial, including sustainability-related issues. Climate change is considered a significant emerging risk by the Committee. Climate risks have been initially identified by reviewing the UK Met Office climate scenarios for Central London and other publically available information. We participate in the Carbon Disclosure Project (CDP) and have retained our B rating in 2020. Details can be found on the CDP website.
The organisation's processes for managing climate-related risks	Our approach to climate change is embedded in our policies, targets and KPIs. We are setting a science based target for carbon emissions reductions, which will be the foundation of our carbon emissions reduction strategy over the next 10 years. Performance against sustainability KPIs is considered in the calculation of executive and management financial remuneration.
Processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	The Head of Sustainability is a member of the Risk Committee and is responsible for highlighting climate risks in the context of wider business risk discussions.
Metrics and targets - Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Alongside our Annual Report, we publish a detailed Sustainability Data Report and Sustainability Action Plan. These documents, which detail annual targets and performance, can be found on our website. Key metrics used to help us understand our carbon impact and resilience of the portfolio to climate risks include: • Achieve BREEAM 'Very Good' for all developments and/or refurbishment schemes of a capital value above £1 million • Aim for an EPC Grade B rating on all new-build projects • Refurbishment schemes over £250,000 to achieve minimum Grade C EPC rating • 3% absolute annual reduction in landlord-controlled energy consumption • Aim for a 5% like-for-like reduction in landlord-controlled energy consumption against the previous year Performance against a range of sustainability targets form part of the annual compensation review process.
Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Our scope 1, 2 and 3 emissions are reported in line with EPRA and detailed in our Sustainability Data Report and summarised in our Streamlined Energy and Carbon Report on pages 116 and 117.
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have calculated science based targets and submitted to the Science Based Targets Initiative for their review. We will publish details once they have been approved.

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. EPRA performance measures are a set of standard disclosures for the property industry, as defined by EPRA in its Best Practices 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 24 and Financial results (page 65)
Adjusted EPRA earnings per share	Profit and total comprehensive income for the year	Note 24 and Financial results (page 65)
Like-for-like growth/decline/decrease in rental income	Revenue	Note 24 and Financial results (page 64)
Net asset value per share	Net assets attributable to shareholders	Note 24
Diluted net asset value per share	Net assets attributable to shareholders	Note 24
EPRA net assets and NAV	Net assets	Note 24 and Financial results (page 65)
EPRA NTA	Net assets	Note 24 and Financial results (page 66)
EPRA NDV	Net assets	Note 24 and Financial results (page 66)
EPRA NRV	Net assets	Note 24 and Financial results (page 66)
Total Accounting Return	N/A	Note 24 and Financial results (page 65)
Valuation growth/decline	Net surplus/deficit on revaluation of investment properties	Portfolio valuation report (page 56)
Net debt	Borrowings less cash and cash equivalents	Note 24 and Financial results (page 66)
Loan-to-value	N/A	Note 24 and Financing (page 69)
Gearing	N/A	Note 24 and Financing (page 69)
Blended cost of debt	N/A	Note 24 and Financing (page 69)
Interest cover	N/A	Note 24 and Financing (page 69)

Where this report uses like-for-like comparisons, these are defined within the Glossary. Note that Adjusted EPRA earnings per share had been described as Adjusted earnings per share in previous years. Since it had always been based on EPRA earnings per share, we have changed its description this year to make it more clear.

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	2020	2019
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	146	**£29.4m**	£54.6m
Earnings per share	EPRA earnings per weighted average number of ordinary shares	146	**9.6p**	17.8p
Net assets	Net assets adjusted to remove deferred tax arising in our joint venture	147	**£2,289.8m**	£3,021.3m
NAV per share	Diluted EPRA net assets per share	147	**£7.43**	£9.82
Triple net assets	EPRA net assets adjusted to include the fair value of debt	147	**£2,244.7m**	£2,914.0m
Triple NAV (NNNAV)	Diluted triple net assets per share	147	**£7.29**	£9.47
EPRA NTA per share	Diluted net assets per share adjusted to remove deferred tax arising in our joint venture	147	**£7.43**	£9.82
EPRA NDV per share	Diluted net assets per share adjusted to include the excess of fair value of debt over book value	147	**£7.29**	£9.47
EPRA NRV per share	Diluted net assets per share adjusted to remove deferred tax arising in our joint venture but to add back investment property purchasers' costs	147	**£8.16**	£10.71
Net Initial Yield (NIY)	Current annualised rental income less non-recoverable property costs as a % of property valuation plus assumed purchasers' costs	159	**3.0%**	2.70%
Topped-up NIY	NIY adjusted to reflect expiry of rent-free periods and stepped rents	159	**3.1%**	2.89%
Vacancy	ERV of vacant space as a % of ERV of all properties	60	**10.2%**	3.7%
Cost ratio	Total costs as a % of gross rental income - including direct vacancy cost	157	**28.1%**	28.6%
	Total costs as a % of gross rental income - excluding direct vacancy cost	157	**26.5%**	26.8%

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	2020 £m	2019 £m
Gross rental income			
Revenue	5	**124.5**	126.9
Less: service charge income	5	**(10.1)**	(9.6)
Share of joint venture rental income	12	**7.6**	7.5
		122.0	124.8
Cost			
Property charges	5	**28.3**	28.9
Less: service charge expenses	5	**(10.1)**	(9.6)
Share of joint venture property expenses	12	**1.5**	1.1
Administrative expenses	6	**14.4**	15.2
Capitalised property and administrative expenses		**-**	-
Share of joint venture administrative expenses	12	**0.2**	0.1
Total costs		**34.3**	35.7
Vacant property costs	5	**(1.7)**	(2.0)
Share of joint venture vacant property costs		**(0.3)**	(0.3)
Total costs excluding vacant property costs		**32.3**	33.4
EPRA cost ratio (including vacant property costs)		**28.1%**	28.6%
EPRA cost ratio (excluding vacant property costs)		**26.5%**	26.8%

1. We do not capitalise property nor administrative expenses.
2. The above figures exclude expected credit losses and impairment charges in 2020.

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 location and occupier use, is set out on pages 158 to 159.

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 135.

At 30 September 2020, we had 782 commercial and 440 residential leases, with no individual tenant representing a material amount of our current annualised income. The ten largest commercial tenants represented just 9.7% 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 158 to 159 sets out details of income and rental values by location and occupier use.

EPRA vacancy by occupier use is set out on page 60.

Like-for-like growth/(decrease) in annualised current income and ERV is set out on pages 57 and 58. Like-for-like decrease in rental income is set out on page 64.

Development disclosures

Our wholly-owned portfolio is mostly 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, with an average annual spend of around 1% of portfolio value. Included in this are numerous small schemes, and generally no one scheme is material.

At 30 September 2020, we had one larger scheme, details of which are set out on page 61. An overview of assets held for, or undergoing, refurbishment is set out on pages 61 to 62.

EPRA capital expenditure

	2020 £m	2019 £m
Group		
Acquisitions	**13.3**	47.0
Investment property capital expenditure		
- On acquisitions during the year	**-**	-
- On like-for-like portfolio	**34.8**	30.9
Joint venture (our 50% share)		
Investment property capital expenditure	**1.6**	3.7
	49.7	81.6

Details of acquisitions and capital expenditure in the year are set out on pages 61 to 62.

Portfolio analysis

At 30 September 2020		Note	Carnaby	Covent Garden	Chinatown	Soho
Portfolio	Fair value (£m)	1	1,212.3	840.8	700.6	258.7
	% of total fair value		37%	25%	21%	8%
	Current income (£m)	2	41.7	28.8	24.7	10.4
	ERV (£m)	3	58.0	35.4	30.1	11.3
Food, beverage and leisure	Number		70	96	91	35
	Area – sq. ft.		169	201	209	65
	% of current income	4	24%	44%	66%	42%
	% of ERV	4	24%	37%	62%	39%
	Average unexpired lease length – years	5	8	7	9	9
Shops	Number		99	99	49	38
	Area – sq. ft.		173	131	82	45
	% of current income	4	44%	27%	18%	29%
	% of ERV	4	38%	29%	20%	26%
	Average unexpired lease length – years	5	3	4	4	3
Offices	Area – sq. ft.		274	89	25	41
	% of current income	4	27%	11%	4%	15%
	% of ERV	4	32%	15%	4%	19%
	Average unexpired lease length – years	5	3	3	3	1
Residential	Number		117	222	159	70
	Area – sq. ft.		68	137	103	37
	% of current passing rent	4	5%	18%	12%	14%
	% of ERV	4	6%	19%	14%	16%

1 Shaftesbury Group's 50% share

Basis of valuation

At 30 September 2020	Note	Carnaby	Covent Garden	Chinatown	Soho
Overall initial yield	7	3.0%	3.0%	3.1%	3.5%
Topped-up initial yield	8	3.1%	3.0%	3.2%	3.6%
Overall equivalent yield	9	4.2%	3.6%	3.8%	3.8%
Tone of restaurant equivalent yields	10	4.0% - 4.5%	3.8% - 4.4%	4.0% - 4.5%	3.9% - 4.2%
Tone of restaurant ERVs - £ per sq. ft.	10	£120 - £145	£55 - £175	£250 - £400 (ZA)	£110 - £135
Tone of retail equivalent yields	10	4.0% - 4.3%	3.5% - 4.3%	4.0% - 4.5%	4.0% - 4.7%
Tone of retail ERVs - ITZA £ per sq. ft.	10	£120 - £500	£85 - £325	£150 - £365	£145 - £290
Tone of office equivalent yields	10	4.3% - 4.5%	4.0% - 4.5%	4.5% - 4.8%	4.5%
Tone of office ERVs - £ per sq. ft.	10	£58 - £90	£40 - £68	£40 - £65	£45 - £73
Average residential ERVs - £ per sq. ft. per annum	10	£51	£50	£42	£48

Fitzrovia	Wholly owned portfolio	Longmartin joint venture[1]
125.0	3,137.4	175.0
4%	95%	5%
4.3	109.9	6.2
5.5	140.3	8.8
25	317	10
52	696	46
60%	41%	7%
48%	37%	18%
6	8	14
9	294	20
15	446	64
17%	31%	29%
16%	30%	26%
3	3	2
10	439	102
4%	16%	47%
8%	20%	42%
1	2	4
56	624	75
27	372	55
19%	12%	17%
28%	13%	14%

Fitzrovia	Wholly owned portfolio	Longmartin joint venture
2.9%	3.0%	2.8%
2.9%	3.1%	3.8%
3.8%	3.9%	4.1%
3.8% - 4.2%		4.3% - 4.8%
£85 - £120		£70 - £265
3.9% - 4.8%		4.3% - 4.8%
£100 - £200		£94 - £450
4.5% - 4.7%		4.0% - 4.5%
£40 - £63		£63 - £80
£56		£43

Notes

1. The fair values at 30 September 2020 (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, 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 so 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 22nd May 2020 (the "Engagement") we have undertaken a valuation of the various commercial and residential freehold and long leasehold property interests as at 30th September 2020 (the "Valuation Date") held by Shaftesbury Carnaby PLC, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown PLC, Shaftesbury Soho Limited, Shaftesbury AV Limited and Shaftesbury CL 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 29th October 2020 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between January and March 2020 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 2019 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 2020 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 as referred to in 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 2020, 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 £30,809,600 and details of the individual sums are included in our Reports.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. Local lockdowns are being deployed as necessary, significant further outbreaks have emerged in parts of the UK and a "second wave" is now widely considered to be taking place in many countries in Europe.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

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 2020, 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 29th October 2020, were as follows:

Freehold Properties	£2,928,955,000 (Two billion, nine hundred and twenty-eight million, nine hundred and fifty-five thousand pounds)
Long leasehold Properties	£208,420,000 (Two hundred and eight million, four hundred and twenty thousand pounds)
Total	£3,137,375,000 (Three billion, one hundred and thirty-seven million, three hundred and seventy-five thousand pounds)

A long lease is one with an unexpired term in excess of 50 years.

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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

Debt covenants

Set out below is a high-level summary of the financial covenants in our debt agreements. It does not describe every detail in the agreements.

Interest cover

	Frequency of testing	Summary of measure	Min	Comments
Bonds	Half yearly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the bonds.	1.15x	Calculation is based on the annualised income accruing at the testing date, or due to accrue within three months. Security top-up (or purchase and cancel sufficient bonds) to 1.25x required if ICR falls below 1.15x.
Term loans	Quarterly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the loans.	1.4x - 1.5x	3-month backward looking test based on actual receipts. 12-month projected test. Cure rights available. Waivers until July 2021 (£134.8m term loan) and January 2022 (£250m term loan).
Revolving credit facility[1]	Quarterly	Consolidated net rental income plus dividends from the joint venture to consolidated net interest.	1.5x	Based on Group half year and full year reported information, and management accounts in the interim quarters. Waiver until October 2021.

1. Ignoring our £125m facility which was terminated in November 2020.

Loan-to-value

	Frequency of testing	Summary of measure	Max	Comments
Bonds	Half yearly	Nominal value of bonds to valuation of specifically secured assets.	66.67%	Security top-up (or purchase and cancel sufficient bonds) to 60.0% required if LTV exceeds 66.67%.
Term loans	Quarterly	Debt to valuation of specifically secured assets.	60% - 70%	Cure rights available. Cash waterfall applies if LTV > 65%.
Revolving credit facility[1]	Quarterly	Amounts drawn to valuation of specifically secured assets.	66.67%	Cure rights available. Draw stop at 50% during term of ICR waiver.

1. Ignoring our £125m facility which was terminated in November 2020.

The revolving credit facility also contains a Group gearing covenant, where the ratio of consolidated borrowings to consolidated tangible net worth cannot exceed 1.75x.

Longmartin term loan

	Frequency of testing	Summary of measure	Max	Comments
Interest cover	Quarterly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the loan.	1.3x	3-month backward looking test based on actual receipts. 12-month projected test. Cure rights available. Waiver to April 2021.
Loan-to-value	Quarterly	Debt to valuation of specifically secured assets.	60%	Cure rights available.

Shareholder information

Corporate timetable

Financial Calendar

Annual General Meeting and AGM statement	25 February 2021
2020 half year results	May 2021

Dividends and bond interest

Bond interest	31 March and 30 September 2021

The timing of the next dividend payment is to be determined.

Shareholder enquiries

All enquiries relating to holdings of shares or bonds in Shaftesbury PLC, including notification of change of address, queries regarding dividends and interest payments, or the loss of a certificate, should be addressed to the Company's registrar. Contact details for the registrar are outlined below.

All enquiries relating to the capital raise announced on 22 October 2020, or any other enquiry that requires the attention of the Company, should be sent to investor.relations@shaftesbury.co.uk.

Company website

The Company has a corporate website, which maintains a digital version of the most recent Annual Report and financial statements, as well as other information. Other information includes announcements made by the Company and the current share price of the Company. The site can be found at www.shaftesbury.co.uk.

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. As announced in the Trading Statement of 25 September 2020, the Board has not recommended a final 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).

Equiniti can also be contacted by email. Emails should be sent to customer@equiniti.com.

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

Desna Martin, FCA
22 Ganton Street
Carnaby
London W1F 7FD

Glossary of terms

2018 Code
The FRC's UK Corporate Governance Code 2018, which applied to the Company from 1 October 2019.

Adjusted EPRA earnings
EPRA earnings adjusted to add back the non-cash accounting charge for equity-settled remuneration.

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.

Best Practices Recommendations (BPR)
Standards set out by EPRA to provide comparable reporting between investment property companies.

Business Improvement District (BID)
A defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

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.

Carbon emissions
In the context of this report this is shorthand for greenhouse gas emissions.

Compound Annual Growth Rate (CAGR)
The year-on-year growth rate of an investment over a specified period of time.

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.

Direct energy consumption
Emissions from sources that are owned or controlled by the reporting company.

Dow Jones Sustainability Index
A family of indices evaluating the sustainability performance of publicly listed companies.

DTR
The Financial Conduct Authority's Disclosure and Transparency Rules.

Embodied Carbon
The total greenhouse gas (GHG) emissions generated to build or refurbish an asset. This includes emissions from extraction, manufacture/processing, transportation and assembly.

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 deferred tax on property valuation surpluses. It includes additional equity if all vested share options were exercised.

EPRA Net Disposal Value (NDV)
The value of net tangible assets, assuming an orderly sale of the business' assets, achieving fair values as reported in the Balance Sheet. It includes deductions for liabilities that would crystallise in this scenario, including deferred tax and the difference between the fair value and carrying value of financial liabilities. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA Net Reinstatement Value (NRV)
The value of net assets on a long-term basis, assuming no disposals. Assets and liabilities that are not expected to crystallise in normal circumstances, such as deferred taxes on property valuation surpluses, are excluded. It is a reflection of what would be needed to recreate the company. Purchasers' costs which have been deducted in arriving at the fair value of investment properties are added back. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

Net Tangible Assets (NTA)
A measure of net assets which recognises that companies buy and sell assets and therefore takes into account deferred tax liabilities on sales, unless there is no intention to sell in the long run. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA NAV
EPRA net assets per share, including the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA NNNAV
EPRA NAV amended to include the fair value of financial instruments and debt.

EPRA sBPR
EPRA Best Practice Recommendations on Sustainability Reporting.

EPRA triple net assets
EPRA net assets amended to include the fair value of financial instruments and debt.

EPRA vacancy
The rental value of vacant property available (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.

ESOS
Energy Savings Opportunity Scheme.

Estimated Rental Value (ERV)
The market rental value of properties, 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.

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.

FTSE4Good
A series of benchmarks and tradable indexes for ESG investors, which was launched in 2001.

GHG
Greenhouse gas emissions.

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.

Gearing
Nominal value of Group borrowings expressed as a percentage of EPRA net assets.

IFRS
International Financial Reporting Standards.

Initial yield
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.

Interest cover
Operating profit before investment property disposals and valuation movements, divided by finance costs net of finance income.

Internal Rate of Return (IRR)
The rate of return that if used as a discount rate and applied to the projected cash flows that would result in a net present value of zero.

Key Performance Indicator (KPI)
Activities aligned to business objectives against which the performance of the Group is assessed.

Leasing activity
The rental value secured across the wholly-owned property portfolio of the Group from lettings, rent reviews and lease renewals during a period.

Like-for-like growth in rental income
The increase in rental income 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)
Net debt 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.

London Living Wage
An hourly rate of pay, calculated independently to reflect the high cost of living in the capital.

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 debt
The nominal value of the Group's borrowings less cash and cash equivalents.

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 Zero Carbon
When relevant GHG emissions attributable to operations of the business are minimised and outstanding emissions are balanced by removing an equivalent amount from the atmosphere.

Paris Agreement
An agreement by participating countries to combat climate change and adapt to its effects. The central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

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.

Scope 1 emissions
Direct GHG emissions from owned or controlled sources such as gas used for heating.

Scope 2 emissions
Indirect GHG emissions from the generation of purchased energy such as electricity.

Scope 3 emissions
All indirect GHG emissions (not included in scope 2) that occur in the value chain of the reporting company.

Science Based Targets
A carbon emissions target that it is in line with the scale of reductions determined to be required to prevent the worst effects of climate change.

SDG
UN Sustainable Development Goals.

Sharesave or SAYE (Save-As-You-Earn)
A savings-related share option scheme. Employees are granted options to acquire shares at the end of a three or five-year vesting period using savings accumulated through salary sacrifice.

TCFD
Task Force for Climate-related Financial Disclosure.

Topped-up net initial yield
Net initial yield at the valuation date as if the contracted rent in respect of leases which are subject to contractual rent free periods is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.

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.

Underlying EPRA vacancy
The rental value of available to let vacant property (excluding property which is held for, or undergoing, refurbishment and EPRA vacancy due to exceptional larger refurbishment schemes) expressed as a percentage of ERV of the Group's wholly-owned property portfolio. It is measured at the reporting date and, when reported for a reporting period, it is presented as the quarterly average during that period.

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.

Weighted average vacant period
The average time that space has been available to let (excluding property which is held for, or undergoing, refurbishment and EPRA vacancy due to exceptional larger refurbishment schemes) across the wholly-owned portfolio from the start of the period to the reporting date, weighted by the ERV of that space.

Design: **SG Design** (sg-design.co.uk)
Print: **Park Communications** on FSC® certified paper

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

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