Annual results announcement
Year ended 30 September 2018

SHAFTESBURY 2018 FULL YEAR RESULTS
Growth in income, earnings, dividend and NAV

Shaftesbury PLC, the Real Estate Investment Trust that owns a 15-acre portfolio in the heart of London's West End, today announces its results for the year ended 30 September 2018.

Highlights

- **The West End's global appeal and resilient, broad-based economy provide considerable insulation from headwinds affecting the national economy and consumer confidence**
- **Robust trading, footfall and occupier demand across our locations. Continuing rental growth and low vacancy**
- **84.4% of income from our three larger schemes now contracted or under offer. Uncontracted income now just 1.3% of portfolio ERV[1]**
- **Relentless management activity, strong growth in contracted income and reduced finance costs delivering increased EPRA earnings[2]**
- **EPRA earnings[2]: £51.7m, an increase of 14.4%. Profit after tax: £175.5m (2017: £301.6m), following a revaluation surplus, this year, of £123.1m (2017: £230.6m)**
- **Total dividend increased by 5.0% to 16.8p (2017: 16.0p). Total distribution for the year: £51.6m (2017: £47.1m), +9.6%**
- **EPRA NAV[2]: £9.91 (2017: £9.52), 4.1% increase, driven by portfolio valuation growth[2,3,4] of 3.8%**
- **Portfolio investment[1]: £193.1m. Acquisitions: £167.8m and capital expenditure of £25.3m on schemes across 177,200 sq. ft.**
- **ERV of space held for, or under refurbishment at 30 September 2018: £10.9m**
- **Well positioned to continue to deliver on consistent and long-term proven strategy**

Brian Bickell, Chief Executive, commented:

"It has been another year of good progress with growth in income, earnings and the value of our portfolio. Our results continue to demonstrate the appeal and qualities of our carefully-curated and iconic destinations, underwritten by the global attraction and exceptional features of London and the West End. Footfall and spending in our locations continues to be largely unaffected by the widely-reported headwinds affecting the national economy and consumer confidence.

General demand continues to be firm, buoyed by the trading conditions our tenants are reporting. Importantly, our ownership clusters enable us to curate distinctive locations and we continue to focus on growing their appeal by offering an ever-evolving experience with a variety of affordable, contemporary retail, restaurant and leisure choices. This approach supports the prosperity of our tenants and sustains demand for the competitively-priced commercial and residential accommodation we offer.

Our experienced, enthusiastic team, which brings flair and innovation to the management of our portfolio, coupled with secure finances and underpinned by the dynamism of, and prospects for, London and the West End, will continue to be the foundations of the long-term success of this exceptional business."

Statement of Comprehensive Income		**2018**	2017	Change
Reported results				
Net property income	£m	**93.8**	88.3	+6.2%
Profit after tax	£m	**175.5**	301.6	-41.8%
Basic earnings per share	Pence	**58.1**	108.1	-46.3%
Final dividend per share	Pence	**8.5**	8.1	+4.9%
Total dividends for the year	Pence	**16.8**	16.0	+5.0%
Total distribution for the year	£m	**51.6**	47.1	+9.6%
EPRA results[2]				
Earnings	£m	**51.7**	45.2	+14.4%
Earnings per share	Pence	**17.1**	16.2	+5.6%

Balance Sheet		**2018**	2017	Change
Reported				
Net assets	£m	**3,033**	2,647	+14.6%
Net asset value per share[2]	£	**9.87**	9.49	+4.0%
EPRA[2]				
Net assets	£m	**3,050**	2,665	+14.4%
Net asset value per share	£	**9.91**	9.52	+4.1%
NAV return	%	**5.8%**	8.9%	

Robust occupier demand. Good letting progress at larger schemes

- Leasing transactions[1] with a rental value of £31.4 million completed (2017: £31.1 million). Commercial lettings, lease renewals and rent reviews[1] (rental value: £23.2 million) concluded at an average 5.1% above 30 September 2017 ERV.
- At our three completed larger schemes, 84.4% of the income is now contracted or under offer. ERV of uncontracted space is now 1.3% of wholly-owned portfolio ERV.
- Excluding larger schemes, EPRA vacancy[1] at 30 September 2018: 2.7% of ERV (in line with 10-year average) of which 1.3% was under offer.

Continued growth in contracted rents, ERVs and portfolio value[1]

- Total portfolio valuation[2,3]: £3.95 billion. Valuation growth[2,3]: +3.8% (2017: +7.0%).
- Equivalent yields:
  - Wholly-owned portfolio: 3.41% (2017: 3.46%);
  - Longmartin joint venture: 3.82% (2017: 3.80%).
- Current annualised income[3]: £121.5 million (2017: £114.1 million). Like-for-like growth: +5.1% (2017: 3.9%). 10-year CAGR[4]: 5.1%.
- ERV[3] increased by £9.5 million to £154.0 million (2017: £144.5 million). Like-for-like growth: 2.4% (2017: +3.5%). CAGR[4] over 10 years: 3.9%.
- Portfolio reversionary potential[3]: £32.5 million, 26.7% above current annualised income, of which £11.8 million relates to refurbishment schemes in progress at 30 September 2018.

Further investment in our portfolio

- Acquisitions: £167.8 million, including the freehold of 72 Broadwick Street, Carnaby, six buildings in Neal Street, Seven Dials and 35/36 Great Marlborough Street, Carnaby. Other acquisitions in Carnaby, Covent Garden, Chinatown and Soho.

- Strategic forward-purchase of 90-104 Berwick Street, for £41 million (incl. costs) now expected to complete in mid- 2019, as a result of delayed completion of the vendor's redevelopment scheme.

- Redevelopment and refurbishment schemes[1] during the period across 177,200 sq. ft. (9.7% of floor space). Capital expenditure[1]: £25.3 million. Our share of capital expenditure in the Longmartin joint venture: £2.4 million.

  - Projects with an ERV of £8.1 million completed in the period. New schemes (ERV: £10.0 million) commenced.

  - 174,700 sq. ft. (representing 7.6% of ERV[6]) being held for, or under, refurbishment at 30 September 2018.

  - Secured vacant possession of 65,300 sq. ft. of space at 72 Broadwick Street. Planning application to be submitted shortly. Works expected to start in summer 2019.

  - Continuing to identify further asset management initiatives across the portfolio to increase rental potential and unlock value.

- Selective disposals of non-core assets: proceeds £13.3 million, £4.6 million above book value at 30 September 2017.

Financing arrangements to support growth and development of the business over the long term

- Share placing in December 2017 at £9.52 per share raised £260.4 million (net of expenses).

- Revolving credit facilities extended and refinanced. Earliest maturity 2022.

- Cash and available debt resources: £343.5 million, of which £92.7 million already earmarked for investment.

- Group LTV[2,3,5]: 22.8% (2017: 26.7%).

- Weighted average maturity of debt[3]: 10.2 years (2017: 10.3 years).

- Blended cost of debt[2,3]: 3.2% (2017: 3.3%). Marginal cost on unutilised facilities: 1.6%.

26 November 2018

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Shaftesbury PLC LEI: 213800N7LHKFNTDKAT98

1. Wholly-owned portfolio
2. An alternative performance measure ("APM"). The Group uses a number of measures to assess and explain its performance, some of which are considered to be APMs as they are not defined under IFRS. See page 26.
3. Includes 50% of the Longmartin joint venture.
4. Like-for-like
5. Based on net debt.

See Glossary of terms on pages 58 to 60.

This announcement includes inside information.

The person responsible for arranging the release of this announcement is Penny Thomas, Company Secretary.

There will be a presentation to equity analysts at 9.30 am on Tuesday 27 November 2018, at The London Stock Exchange, 10 Paternoster Square, London EC4M 7LS.

There is a live webcast of the analyst presentation, which can be accessed via the following link: http://brrmedia.news/zc32m or the Group's website www.shaftesbury.co.uk. A recording of the webcast will be available via these links later in the day. The presentation document is available on the Group's website.

Bondholders

For bondholders, there will be a conference call at 3.30pm on 29 November 2018 and a portfolio tour at 3pm on 3 December 2018. Those wishing to participate in the call or tour should contact Gill Smith on 020 7333 8118 or gill.smith@shaftesbury.co.uk.

About Shaftesbury

Shaftesbury is a Real Estate Investment Trust which owns a portfolio extending to 15 acres in the heart of London's West End. Shaftesbury focuses on retail, restaurants and leisure in highly popular, sought-after and prosperous locations mainly concentrated in Carnaby, Seven Dials and Chinatown but also include substantial ownership in East and West Covent Garden, Soho and Fitzrovia.

The portfolio comprises nearly 600 shops, restaurants, cafés and pubs, extending to 1.1 million sq. ft., 0.5 million sq. ft. of offices and 593 apartments. All our properties are close to the main West End Underground stations, which currently handle c. 228m passengers p.a., and within ten minutes' walk of the two West End transport hubs for the Elizabeth Line, at Tottenham Court Road and Bond Street, which projections indicate could be handling 200 million passengers annually by the mid-2020s.

In addition, we have a 50% interest in the Longmartin joint venture, which has a long leasehold interest, extending to 1.9 acres, in St Martin's Courtyard in Covent Garden.

Our proven management strategy is to create and foster distinctive, attractive and prosperous locations. We have an experienced management team focused on delivering our objective of long-term growth in rental income, capital values and shareholder returns. We have a strong balance sheet with conservative leverage.

Forward-looking statements

This document may contain certain 'forward-looking' statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements.

Any forward-looking statements made by, or on behalf of, Shaftesbury PLC speak only as of the date they are made and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Shaftesbury PLC does not undertake to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Information contained in this document relating to Shaftesbury PLC or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance.

Ends.

Chief Executive's Statement

Shaftesbury's performance this year

It has been another year of good progress with growth in income, earnings and the value of our portfolio. Our results continue to demonstrate the appeal and qualities of our carefully-curated and iconic destinations, underwritten by the global attraction and exceptional features of London and the West End. Footfall, spending and the demand for space in our locations continues to be largely unaffected by the widely-reported headwinds affecting the national economy and consumer confidence.

Profit after tax for the year was £175.5 million. EPRA earnings[1] this year have risen by £6.5 million to £51.7 million, which equates to an increase in EPRA earnings per share[1] of 5.6% to 17.1 pence.

Net property income increased by 6.2% to £93.8 million (2017: £88.3 million) as a result of an increase in rents receivable, reflecting income from acquisitions and like-for like growth of 6.4%, partly offset by an increase in property costs. We have benefited from the first full year of interest savings following debt restructuring in 2016 and 2017, which significantly reduced our blended finance cost.

The valuation of our portfolio[1,2] now stands at £3.95 billion, reflecting a like-for-like increase of 3.8%, of which 3.0% arose in the first half of the year. In assessing our portfolio, the valuers take into account growing contracted income, prospects for long-term growth in rental values and continuing high levels of occupancy.

The portfolio revaluation surplus, together with disposal profits, have added 39 pence to EPRA net asset value per share[1], which now stands at £9.91, an increase of 4.1%. Net asset value return[1] for the year was 5.8%.

London's economic strength and prospects

London is one of the leading global cities. It has the largest economy of any Western European city and contributes almost one quarter of UK GDP. The breadth of its economy encompasses:

- a world-leading financial and commercial centre;
- a major hub for creative industries, from technology to media;
- a globally-recognised location for education and research;
- home to world-class visual and performing arts facilities; and
- a valuable visitor economy, attracting more international tourists than any city in the western hemisphere as well as huge numbers of local and domestic visitors.

This unique combination of features means London is not solely reliant on the fortunes of the wider UK economy. Although the uncertainty surrounding the implications of Brexit for the UK economy are having an adverse impact on business and consumer confidence, London is much less affected. It continues to attract domestic and international businesses and investment, with medium-term growth projections for London out-performing national forecasts.

Focus on the West End

At the heart of the city, the West End draws over 200 million visits annually. Its huge working population provides a regular, daily customer base for its retail, restaurant and leisure businesses. Importantly, throughout the week and particularly around weekends, local, domestic and international visitors arrive in their millions to enjoy its tourist and cultural attractions as well as unrivalled shopping, dining and leisure choices. Together with its residential population, the West End offers a busy, seven-days-a-week trading environment, and a more-affluent customer base, which underpins its prosperity and appeal to businesses.

London's extensive transport infrastructure makes the West End accessible not only to Londoners, but also to the large population in the south east who commute or visit for a day out. The five main Underground stations in the West End currently handle some 225 million passengers annually. The opening of the Elizabeth Line, now expected late next year, will add 10% to London's transport capacity and will improve the West End's transport connectivity materially. All our ownerships are within a short walk of the new Tottenham Court Road and Bond Street interchanges, which are forecast to be handling 200 million passengers annually by the mid-2020s.

1 An alternative performance measure ("APM"). See page 26.
2 Including our 50% share of the Longmartin joint venture.

Leasing activity across the portfolio

With robust footfall and trading in our locations, occupier demand has been stable throughout the year. We completed leasing transactions with a rental value of £31.4 million and, excluding our larger schemes, EPRA vacancy[1,2] over the year has remained in line with our ten-year average.

The average period taken to let space, measured from the date it becomes available to the completion of a contractual commitment, has increased over the year by 4 weeks to around 2½ months. Potential occupiers have become more cautious, especially where they are contemplating substantial fit-out and rental commitments. This is particularly so where they are exposed to UK-wide consumer spending trends.

At our three completed larger schemes, 84.4% of the income is now contracted or under offer. Our mixed use scheme at 57 Broadwick Street, Carnaby, was fully let during the year and we completed the letting of Thomas Neal's Warehouse, in Seven Dials, in November 2018. At our retail and restaurant scheme at Central Cross, Chinatown, 47% of the income is now contracted and a further 23% is under offer. The ERV of space available or under offer is £1.9 million, representing just 1.3% of total portfolio ERV. Whilst the pace of these lettings has impacted on revenue growth in the year ended 30 September 2018, they will now be making a useful contribution to earnings in the current financial year.

Improving the portfolio

During the year, schemes to improve our buildings extended to 177,200 sq. ft. Capital expenditure totalled £25.3 million. Having completed the development of the three larger schemes we commenced in 2015, and in response to sustained demand for the space we typically have to offer, over recent months we have taken opportunities to accelerate a number of schemes. Whilst these will temper revenue growth until they become income-producing, they will bring long-term benefits to our portfolio. At year end, the ERV of space held for, or under refurbishment totalled £10.9 million (7.6% of ERV[2]) and extended to 174,700 sq. ft.

In September 2018, we secured vacant possession of 65,300 sq. ft. of space at 72 Broadwick Street, Carnaby. Shortly we will submit a planning application to introduce new uses and reconfigure the building and currently expect to start our works in summer 2019.

Ensuring the appeal of our iconic West End locations evolves

Creating prosperous environments for our tenants is fundamental to sustained growth in rental income and, in turn, the value of our portfolio. Our long-term strategy focuses on curating distinctive, lively destinations in the West End, attracting footfall and spending to support our retail, restaurant and leisure occupiers. We deliberately focus on an innovative mid-market offer, to appeal to the broadest customer base. Promoting our areas to the widest audience of potential visitors and customers is an essential aspect of our strategy. The environments we create are also important in attracting office occupiers and residents for our apartments.

In recent years, we have seen considerable growth in interest and spending on innovative, casual dining and leisure concepts. It is now widely-acknowledged that a varied and interesting food and beverage offer, particularly where there is very high visitor footfall, is a significant attraction in its own right and draws potential customers for retailers. We are the largest single owner of restaurants, cafés and licensed premises in the West End, and their importance as a source of rental income has grown from 28% to 35% of ERV[2] over the last 10 years.

Our largest cluster of restaurants is in Chinatown, where we have a rolling programme to introduce new food concepts from mainland China and across the Far East. Carnaby's casual dining and leisure offer, which now accounts for 21% of its income, continues to draw increasing footfall from lunchtime to late evening, throughout the week.

Adapting to the changing retail environment

With consumer spending patterns, tastes and expectations changing at an ever-faster rate, often heavily influenced by social media, we recognise the importance of ensuring our locations respond to these trends through our choice of occupiers and, where appropriate, changing uses. We seek out, trial and support new concepts, both domestic and international, and have always adopted a leasing strategy which provides flexibility for tenants as well as ourselves. Importantly, rental levels in our busy locations are very competitive compared with nearby streets.

Whilst our shops usually have an online presence, we are starting to see internet-based retailers taking physical space in our locations to promote their brand identities.

1 Wholly-owned portfolio.
2 % of total ERV.

Additions to the portfolio

We seek to buy buildings which have a predominance of valuable restaurant or retail uses on lower floors already, or where we see potential to achieve this. We focus on high-footfall West End locations, close to our existing holdings, where we can see prospects for long-term rental growth. Our asset management strategy often brings compound benefits to our existing holdings. Ownerships in our locations are fragmented and buildings we seek are likely to be privately, rather than institutionally, owned.

Growing macroeconomic uncertainties have not had any discernible impact on the West End investment market during the year or on the availability of assets to buy. Existing owners tend to have a long-term outlook, valuing the security these investments provide, and, in the absence of financial or personal pressures, they remain reluctant to sell. For the same reasons, other investors – domestic and international – are keen and competitive buyers of the limited number of buildings which come to the market.

Despite this supply/demand imbalance, we have secured additions to the portfolio totalling £167.8 million. Our largest acquisition was 72 Broadwick Street, in December 2017, for £92.1 million, which has given us control of a 0.5-acre site in the centre of Carnaby.

The forward-purchase of a long-leasehold interest in 90-104 Berwick Street, Soho, which we contracted in August 2017 for £41 million, including costs, has been delayed. The vendor has advised that their redevelopment scheme, which we will acquire once complete, is behind schedule and will not be handed over to us until mid-2019. This strategic acquisition will increase our ownership to around 50% of Berwick Street's frontages.

We do not expect to see an increase in the availability of properties to acquire in the foreseeable future. However, we have a forensic knowledge of the local market and a focus on purchases which meet our strict criteria, based on their potential and benefits they may bring to our extensive holdings over the long term. Together with readily-available finance, this gives us an advantage in a highly-competitive environment.

We are always keen to add to our ownerships. However, our main focus is to crystallise the income potential of the buildings we already own, whilst creating opportunities to grow their income-generating potential further.

Financing

Our financing strategy has always been based on maintaining a mix of equity and external finance, with debt arrangements which we believe are prudent and support our long-term investment and asset management horizons.

We monitor gearing levels, taking into account current financial commitments, as well as the need for funding to grow and invest in our portfolio, which often requires us to act quickly when opportunities arise. In light of recent and prospective investment commitments, in December 2017, the Board resolved that it was the appropriate time to raise additional equity to ensure gearing did not increase to a level which would constrain future portfolio activity or increase financing risk. A well-supported equity placing was carried out, issuing new shares on a non pre-emptive basis equivalent to 9.98% of share capital at £9.52, raising £260.4 million, net of expenses.

In 2016 and 2017, we took important steps to restructure our debt finance, taking advantage of low long-term interest rates to retire expensive legacy finance and hedging. This initiative was completed in early 2018 with the restructure and extension of our two remaining revolving bank facilities. Our earliest debt maturities are now in 2022 and 2023, with a spread of expiries out to 2035.

We are now very well placed to continue our long-term investment strategy, with capacity to raise additional long-term debt finance when appropriate, without the risk of being hampered by adverse equity market conditions. At the year end, gearing[2,3,4] stood at 29.5% and our loan-to-value ratio[1,2,3] was 22.8%. Cash and available debt resources stood at £343.5 million, of which £92.7 million is already earmarked for investment.

As a result of voting at the 2018 AGM, we currently do not have authority from shareholders to carry out non pre-emptive share issues. Should the need arise, this does not preclude issuing equity on a pre-emptive basis through, for example, a rights issue or open offer.

1 An alternative performance measure ("APM"). See page 26.
2 Including our 50% share of the Longmartin joint venture.
3 Based on net debt.
4 Based on EPRA net assets.

Engagement with our community

We operate in the heart of the West End. By value, some 84% of our portfolio falls within the jurisdiction of the City of Westminster, with the remainder in the London Borough of Camden. We work with both local authorities across a range of activities. Day-to-day, we augment their management services such as street cleaning and security. Also, we work with neighbouring long-term owners and Business Improvement Districts to help address wider West End issues such as air quality, biodiversity and freight and waste consolidation.

We identify and collaborate with the local authorities on projects to improve the public realm around our areas. Schemes this year included a major new public square at Newport Place, Chinatown and the repaving of Earlham Street West in Seven Dials, both of which have improved the streetscapes materially and are already bringing increasing footfall.

We are based in the community in which we operate and strive to be a responsible, accessible corporate citizen. Our extensive engagement with the local community provides financial support and advice for a wide range of local community groups and charities as well as arts organisations. We hosted 30 organisations at our community partner's networking breakfast this year, which was addressed by the Leader of Westminster City Council.

We have evaluated our community investment, comprising the value of time we devote to community activities and contributions, both in kind and in cash, at £0.9 million this year.

Our people

The successful delivery of our strategy is supported by an experienced team, who are committed to ensuring its implementation continues to evolve to meet the challenges and opportunities of change across not only our business, but the local and wider environment in which we operate.

We operate our business with a staff of just 30 employees but we are supported by over 200 out-sourced advisors across a wide-range of professional disciplines, as well as contractors and on-site personnel. We have a comprehensive code of standards to which these organisations are required to adhere to, including matters such as sustainability and sourcing of materials, health and safety, London Living Wage commitments, Modern Slavery Act obligations and diversity. Importantly, we benefit not only from the knowledge and experience our external advisors bring, but also their enthusiasm and support for our business and values.

Outlook

Uncertainty surrounding our departure from the EU and future trading and other arrangements with the EU27, together with structural changes in traditional national retailing patterns, continue to affect nationwide business confidence and investment, economic growth and consumer spending. However, the global attractions of London and the West End to businesses and huge numbers of local, domestic and international visitors, together with their broad-based economies, create an operating environment which is insulated from the impact of national headwinds and has good long-term growth prospects.

Although we are seeing longer letting periods for the largest space we have to offer, general demand continues to be firm, buoyed by the trading conditions our tenants are reporting. Importantly, our ownership clusters enable us to curate distinctive locations and we continue to focus on growing their appeal by offering an ever-evolving experience with a variety of affordable, contemporary retail, restaurant and leisure choices. This approach supports the prosperity of our tenants and sustains demand for the competitively-priced commercial and residential accommodation we offer.

Our experienced, enthusiastic team, which brings flair and innovation to the management of our portfolio, coupled with secure finances and underpinned by the dynamism of, and prospects for, London and the West End, have always been, and will continue to be, the foundations of the long-term success of this exceptional business.

Brian Bickell
Chief Executive

26 November 2018

Valuation

£3.95bn	3.8%	2.4%
Portfolio valuation[1,3]	Valuation growth[1,2]	ERV growth[1,2]

Portfolio valuation[1]

Our portfolio, including our 50% share of the Longmartin joint venture, has been valued at 30 September 2018 at £3.95 billion, an increase of £304.9 million over the year.

After allowing for acquisitions, disposals and capital expenditure, the revaluation surplus[1] was £118.1 million.

This surplus reflects:

- strong investor demand for well-located assets with the prospect of high occupancy, growth in rents and cash flows, yet limited exposure to obsolescence;
- the benefits of our asset management activity delivering increased contracted income and improved ERV, with the incremental benefits often having a compound effect across nearby holdings;
- the relative affordability of our rents in our high footfall locations compared with nearby streets; and
- robust occupier demand in our carefully-curated locations and the resilience this provides against the headwinds that are impacting wider UK high street rents and occupancy.

Like-for-like valuation growth was 3.8%, comprising 4.2% in the wholly-owned portfolio, partly offset by a decline of 2.4% in the Longmartin joint venture.

Continued investor demand and limited supply

Our portfolio, in the heart of the West End, has a history of delivering sustained rental growth and sector outperformance over the long term. Unsurprisingly, existing owners of the types of buildings we seek to acquire remain reluctant to sell in this especially prosperous and resilient area, severely limiting the availability of assets to buy.

Macroeconomic uncertainty is continuing to focus institutional and private investors on less cyclical locations and secure income streams. This, together with a limited supply of investment opportunities, means that when assets become available, competition is intense.

The equivalent yield attributed by our valuers to our wholly-owned portfolio reduced by 5 basis points in the six months to 31 March 2018 and remained flat over the following six months at 3.41% (2017: 3.46%).

The valuation of the geared long leasehold interest held by the Longmartin joint venture fell over the year by 2.4%, of which 1.9% was reported in the first half. The equivalent yield has remained broadly flat at 3.82% (2017: 3.80%). However, during the year, our valuers have reduced their estimate of retail ERVs on Long Acre by 8.5%, of which 5% was reported in our interim results. This reflects a lack of recent letting evidence and a potential increase in availability of large shops in this "high street" location, where rental tones have increased significantly over recent years. Additionally, the valuation takes into account the short-term impact of securing vacant possession of space for our planned restaurant scheme in St Martin's Courtyard.

Potential for greater value

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 underpins the long-term prospects for rental growth.

1 Including our 50% share of the Longmartin joint venture. See presentation of financial information on page 18.
2 Like-for-like. See Glossary for definition.
3 Portfolio excluding a non-core asset acquired as part of a portfolio.

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 financial statements, which has been prepared in accordance with RICS guidelines.

	Fair value £m	% of portfolio	Annualised current income £m	ERV £m	Topped-up net initial yield %	Equivalent yield %
Carnaby	1,424.7	36%	44.8	57.2	2.96%	3.56%
Covent Garden	1,013.7	26%	30.2	37.6	2.78%	3.26%
Chinatown	837.2	21%	24.1	31.6	2.67%	3.34%
Soho	300.8	7%	9.4	11.6	2.90%	3.44%
Fitzrovia	148.2	4%	4.9	5.7	2.83%	3.31%
Wholly-owned portfolio[4]	**3,724.6**	**94%**	**113.4**	**143.7**	**2.84%**	**3.41%**
Longmartin joint venture[3]	224.6	6%	8.1	10.3	3.16%	3.82%
Total portfolio[1,4]	**3,949.2**	**100%**	**121.5**	**154.0**		

Village	2018 Valuation growth[2]	5-year CAGR[2]
Carnaby	3.9%	12.1%
Covent Garden	4.0%	9.6%
Chinatown	4.2%	9.4%
Soho	6.2%	10.8%
Fitzrovia	4.5%	11.0%
Wholly-owned portfolio[4]	**4.2%**	**10.6%**
Longmartin joint venture[3]	-2.4%	8.6%
Total portfolio[1,4]	**3.8%**	**10.5%**

1 Including our 50% share of the Longmartin joint venture. See presentation of financial information on page 18.
2 Like-for-like. See Glossary for definition.
3 Our 50% share.
4 Portfolio excluding non-core asset acquired as part of a portfolio. See note 8 for a reconciliation to the financial statements.

Reversionary potential

Converting our portfolio's reversionary potential into contracted income and cash flow, while further increasing rental values, are key drivers to long-term value creation. Our leasing and active asset management activity during the year has, once again, delivered growth in both annualised current income and ERV.

At 30 September 2018, annualised current income stood at £121.5 million, following a like-for-like increase of 5.1% over the year.

Total ERV, which is based on today's rental tones, and largely reflects rental evidence established through leasing transactions, was estimated by our valuers at £154.0 million. Excluding the impact of acquisitions and disposals, which contributed £6.0 million (net), like-for-like growth was 2.4%.

Rental growth	Annualised current income[1] £m	ERV[1] £m	Reversionary potential[1] £m
At 30 September 2017	114.1	144.5	30.4
Acquisitions	1.9	6.4	4.5
Disposals	(0.3)	(0.4)	(0.1)
Like-for-like growth[2]	5.8	3.5	(2.3)
At 30 September 2018	**121.5**	**154.0**	**32.5**
Like-for-like growth[2]	**5.1%**	**2.4%**	

1 Including our 50% share of the Longmartin joint venture. See presentation of financial information on page 18.
2 Like-for-like. See Glossary for definition.

The total reversion now stands at £32.5 million, 26.7% above annualised current income. The components of this reversionary potential are shown below. We remain confident that, through our proven long-term management strategy, we shall not only continue to convert this rental potential into cash flow, but also deliver further long-term growth in rental values.

Components of the reversionary potential[1]

	Wholly-owned £m	Longmartin £m	Total £m	How it will be realised
Contracted income	3.7	0.4	**4.1**	Expiry of rent-free periods
EPRA vacancy	6.6	0.7	**7.3**	Letting of available space
Space held for, or under, refurbishment	10.9	0.9	**11.8**	Completion and letting of schemes
Under-rented leases	9.0	0.3	**9.3**	Through the normal cycle of rent reviews, lease renewals and lettings. This is typically converted to income over a 3 – 5 year period.
	30.2	**2.3**	**32.5**	

1 Including our 50% share of the Longmartin joint venture. See presentation of financial information on page 18.

Leasing and occupancy

Leasing

During the year, we concluded lettings, lease renewals and rent reviews in the wholly-owned portfolio with a rental value of £31.4 million (2017: £31.1 million), equating to 21.9% of ERV.

Commercial leasing transactions totalled £23.2 million (2017: £23.8 million) and residential lettings and renewals amounted to £8.2 million (2017: £7.3 million). Rents for commercial uses were, on average, 5.1% above ERV at 30 September 2017, providing useful evidence for our valuers.

At 30 September 2018, space with a rental value of £3.7 million was under offer.

Leasing activity during the year[1]

	2018 £m	
Commercial		
Lettings and renewals	**14.5**	+4.0% vs September 2017 ERV
Rent reviews	**8.7**	+25.4% vs previous rent (5-year CAGR: +4.6%)
	23.2	+5.1% vs September 2017 ERV
Residential		
Lettings and renewals	**8.2**	-0.1% vs previous rent
Total	**31.4**	

1 Wholly-owned portfolio.

For further discussion on the uses within our portfolio see pages 51 to 56.

Progress at our completed larger schemes

57 Broadwick Street, Carnaby (1.7% of ERV[1]) – 100% let[2]

We completed and let this mixed-use scheme, at the eastern entrance to Carnaby, during the year. On the lower floors, where we created new retail and restaurant space, we have introduced an online retailer who wanted a presence in Carnaby, and a new restaurant concept.

Thomas Neal's Warehouse (0.6% of ERV[1]) – 100% let[2]

In the heart of Seven Dials, Thomas Neal's Warehouse is a unique flagship retail unit extending to 22,800 sq. ft. including 3,000 sq. ft. of restaurant space. In autumn 2017, we agreed terms with an international retailer over the whole space but in August 2018 they withdrew. At 30 September 2018, this unit was under offer again, and recently we have completed the lease. Opening in summer 2019, this food hall concept will further strengthen Seven Dials as a popular and distinctive retail and leisure destination.

Central Cross, Chinatown (2.6% of ERV[1]) – 70% let or under offer, 30% available[2]

Located at the eastern gateway to Chinatown, our scheme provides 28,500 sq. ft. of retail space and 20,400 sq. ft. of restaurant and café accommodation. At 30 September 2018, 76% of the scheme was let or under offer. Subsequently, we have placed another unit under offer, but one offer has been withdrawn. At 26 November 2018, the scheme was 70% let or under offer:

- Eight of the nine restaurant, café and leisure units (ERV: £1.8 million) had been let and one (ERV: £0.3 million) was under offer.
- Two retail units (ERV: £0.5 million) were under offer and three units (ERV: £1.1 million), extending to 19,400 sq. ft., were available and are being marketed.

1 Wholly-owned portfolio.
2 Letting status at 26 November 2018.

EPRA vacancy[1]

EPRA vacancy decreased by 1.4% to 4.6% of total ERV over the year, following letting progress at our larger schemes. Excluding these larger schemes, EPRA vacancy was 2.7%, of which 1.3% was under offer.

EPRA vacancy[1] at 30 September 2018

	Restaurants, cafés and leisure £m	Shops £m	Offices £m	Residential £m	Total £m	% of total ERV 2018 %	2017 %
Larger schemes[2]							
Under offer	-	1.9	-	-	1.9	1.3%	0.2%
Available-to-let	0.3	0.6	-	-	0.9	0.6%	3.3%
	0.3	**2.5**	**-**	**-**	**2.8**	**1.9%**	3.5%
Other vacancy							
Under offer	0.2	1.4	0.1	0.1	1.8	1.3%	0.8%
Available-to-let	0.2	1.2	0.5	0.1	2.0	1.4%	1.7%
	0.4	**2.6**	**0.6**	**0.2**	**3.8**	**2.7%**	2.5%
Total							
Under offer	0.2	3.3	0.1	0.1	3.7	2.6%	1.0%
Available-to-let	0.5	1.8	0.5	0.1	2.9	2.0%	5.0%
	0.7	**5.1**	**0.6**	**0.2**	**6.6**	**4.6%**	6.0%
Area (£'000 sq. ft.)	**8**	**79**	**9**	**4**	**100**		110

1 Wholly-owned portfolio.
2 Thomas Neal's Warehouse and Central Cross.

Other vacancy

Excluding larger schemes, available-to-let vacancy comprised nine shops (ERV: £1.2 million), 8,000 sq. ft. of office space (ERV: £0.5 million), one restaurant and one café (ERV: £0.2 million) and two apartments (ERV: £0.1 million). Space under offer included eight shops, two restaurants, 1,500 sq. ft. of offices and three flats.

In the Longmartin joint venture, four shops (8,400 sq. ft.), one apartment and 5,700 sq. ft. of office space were available. The ERV of our 50% share of this space was £0.7 million, of which £0.3 million was under offer.

Acquisitions

Whilst the availability of assets to buy continues to be limited, during the year, we secured acquisitions totalling £167.8 million.

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

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

72 Broadwick Street, Carnaby

In early December 2017, we acquired the freehold of 72 Broadwick Street, situated at the important eastern gateway to Carnaby, for £92.1 million.

The Group already owned an ungeared long leasehold interest over 13,900 sq. ft. of retail and café space in the lower floors of the building. Acquiring the freehold gave us control over this important 0.5 acre site, which, on purchase, provided 54,100 sq. ft. of office accommodation, eleven apartments extending to 11,200 sq. ft. and a large basement car park.

In September 2018, we secured vacant possession of the office and residential space, and held a public consultation on our plans for this building, which include:

- introducing new retail, restaurant and leisure uses;
- relocating the office and residential entrances;
- refurbishing and extending the remaining office space; and
- reconfiguring and upgrading the residential accommodation.

We will be submitting a formal planning application shortly and, subject to receiving the necessary consents, expect to start our works in summer 2019. Ahead of this, we have commenced stripping out the space.

We estimate our enhanced scheme will take two years at a cost of around £30 million.

Neal Street, Seven Dials

In late December 2017, we acquired six shops on Neal Street, Seven Dials, for £24.4 million. Adjacent to existing holdings, these buildings increase our ownership of frontages on the northern section of Neal Street to around 70%.

Situated close to the Tottenham Court Road Crossrail hub, we expect the northern end of Neal Street to see material footfall growth once the Elizabeth Line service starts next year. Current rental tones on this part of the street are significantly lower than at the southern end. However, with the benefit of growing footfall and our careful curation, we expect this differential in rents will narrow significantly over the medium term.

Great Marlborough Street, Carnaby

In March 2018, we purchased the freehold of 35 and 36 Great Marlborough Street, for £22.5 million. Located at the busy northern gateway to Carnaby, the buildings comprise two food retail units (3,000 sq. ft.) and 4,250 sq. ft. of office accommodation on the upper floors.

We are discussing plans with Westminster City Council to improve the street-scape in the vicinity, which, together with our wider estate management strategy, will improve medium-term rental growth prospects for this part of Carnaby.

Other acquisitions

Other acquisitions during the year totalled £28.8 million. These additions to our portfolio in Carnaby, Covent Garden, Chinatown and Soho comprised one restaurant, one café, one bar, one shop, 9,200 sq. ft. of office space and one apartment. These offer the potential for good rental and capital growth through short and medium-term asset management initiatives.

90-104 Berwick Street, Soho (forward purchase)

The redevelopment of 90-104 Berwick Street, Soho, which we have contracted to purchase once it has been completed, has been delayed. We now anticipate completing the acquisition of this long leasehold interest, for £41 million, including acquisition costs, in mid-2019.

Located at the southern end of Berwick Street, the development will provide 12,500 sq. ft. of retail, a 5,500 sq. ft. supermarket, a 2,000 sq. ft. restaurant and a 110-bedroom hotel. Both the hotel and supermarket have been pre-let, representing two thirds of the expected income from the property. Following this acquisition, we will own around 50% of Berwick Street's frontages.

Asset management activity

Schemes during the year extended to 177,200 sq. ft. (9.7% of wholly-owned floor space). Capital expenditure totalled £25.3 million, representing 0.7% of wholly-owned portfolio value. This included £4.8 million in respect of 57 Broadwick Street, Carnaby.

Vacant space[1] held for, or under, refurbishment at 30 September 2018

	Restaurants, cafés and leisure £m	Shops £m	Offices £m	Residential £m	Total £m	% of total ERV 2018 %	% of total ERV 2017 %
Larger schemes[2]	0.1	-	3.5	0.4	**4.0**	**2.8%**	1.7%
Other schemes	2.9	0.6	2.5	0.9	**6.9**	**4.8%**	4.9%
	3.0	**0.6**	**6.0**	**1.3**	**10.9**	**7.6%**	6.6%
Area ('000 sq. ft.)	41	11	93	30	175		124

1 Wholly-owned portfolio.
2 2018: 72 Broadwick Street; 2017: 57 Broadwick Street.

At 30 September 2018, vacant space held for, or under, refurbishment extended to 174,700 sq. ft. and represented 7.6% of ERV. This included 65,300 sq. ft. at 72 Broadwick Street, where we recently secured vacant possession.

During the year, schemes with an ERV of £8.1 million completed, including 57 Broadwick Street, Carnaby. New schemes with an ERV of £10.0 million commenced, of which our larger scheme at 72 Broadwick Street, Carnaby, accounted for £4.0 million. Our current schemes are not expected to make a significant contribution to revenue in the year ending 30 September 2019.

Other schemes

Excluding 72 Broadwick Street, we had 47 other schemes underway at 30 September 2018, extending to 109,400 sq. ft. and representing 4.8% of ERV. These included 39,600 sq. ft. of restaurants and cafés (ERV: £2.9 million), 10,900 sq. ft. of shops (ERV: £0.6 million), 39,500 sq. ft. of office space (ERV: £2.5 million), and 32 apartments either being created or upgraded (ERV: £0.9 million). These included some medium-sized schemes, as set out below.

Scheme	Description	Estimated cost £m	Costs to date £m	Estimated completion
1 Gerrard Place, Chinatown	Reconfiguration to create two restaurants, including active frontage in Horse & Dolphin Yard, and 9 apartments	6.4	1.1	Autumn 2019
45/49 Charing Cross Road, Chinatown	Reconfiguration and extension to provide new flagship restaurant space at this gateway to Chinatown and five apartments	3.6	0.8	Summer 2019
50 Marshall Street, Carnaby	Creation of retail unit and refurbishment and extension of office space.	5.0	-	Summer 2020
1 Little Marlborough Street, Carnaby	Office extension and refurbishment	2.6	0.6	Summer 2019

Longmartin

In the Longmartin joint venture, our share of capital expenditure in the period was £2.4 million. At 30 September 2018, the ERV of our 50% share of space held for refurbishment was £0.9 million. This included:

- Our mixed-use commercial scheme on the corner of Long Acre and Upper St Martin's Lane, currently on track to complete in spring 2019. Our share of the cost is £4.6 million of which £3.1 million has been spent to date.
- A scheme to improve St Martin's Courtyard, including creating two new restaurants whilst reconfiguring a third, which we will commence shortly. Expected to complete in autumn 2019, our share of the cost is £3.7 million.

Public realm improvements

During the year, the scheme to improve the pedestrian environment on the west section of Earlham Street completed. Together with the recently-completed improvements to Cambridge Circus, we are seeing increased footfall already, and expect this to grow further once the Elizabeth Line opens.

Westminster City Council's extensive public realm scheme encompassing Newport Place and Newport Court, which we have funded, is now complete and has transformed the eastern end of Chinatown. The new part-pedestrianised public square in Newport Place will provide a focal point for visitors, and, subject to planning and licensing, will provide the opportunity for al fresco dining for the first time in Chinatown.

Financial results

Reported results

+6.2%	-41.8%	-46.3%	+5.0%
£93.8m	**£175.5m**	**58.1p**	**16.8p**
Net property income	Profit after tax	Basic EPS	Dividends per share

EPRA[1] results

+14.4%	+5.6%	+4.1%	
£51.7m	**17.1p**	**£9.91**	**+5.8%**
EPRA earnings	EPRA EPS	EPRA NAV	NAV return

1 An alternative performance measure ("APM"). See page 26.

Presentation of financial information

EPRA measures

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, making adjustments set out by EPRA in its Best Practice and Policy Recommendations.

EPRA earnings are a measure of the level of underlying operating results and an indication of the extent to which current dividend payments are supported by recurring earnings. In our case, EPRA earnings exclude portfolio valuation movements, profits on disposal of investment properties and deferred tax arising in our Longmartin joint venture. In 2017, it also excluded fair value movements in respect of interest rate swaps, until they were cancelled in September 2017.

EPRA NAV is a sector-recognised benchmark, which 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 in the Longmartin joint venture.

Net asset value return measures shareholder value creation, taking into account the growth in EPRA NAV together with dividends paid in the year.

Investment properties and debt

Our property portfolio is a combination of properties which are wholly-owned by the Group and our 50% share of property held in the Longmartin joint venture.

The financial statements, prepared under IFRS, include the Group's interest in its joint venture as one-line items in the Income Statement and Balance Sheet. The analysis that follows is based on the IFRS financial statements. Internally, management consider the valuation of properties and our debt position on a proportionally consolidated basis, including our 50% share of the joint venture. Consequently, the analysis of the valuation on pages 9 to 11 and the finance review on pages 23 to 25 are presented on this proportionally consolidated basis.

We consider that this presentation better explains to stakeholders the Group's activities and financial position. Measures presented on a proportional consolidation basis are alternative performance measures (APMs) as they are not defined under IFRS.

Further details on APMs used in this preliminary announcement, and how they reconcile to IFRS, are set out on page 26.

Income statement

	2018 £m	2017 £m
Net property income	**93.8**	88.3
Administrative expenses	**(13.7)**	(14.1)
Valuation gains and disposal profits	**127.7**	231.7
Operating profit	**207.8**	305.9
Net finance costs	**(31.2)**	(32.7)
Interest rate swaps fair value movements	**-**	22.0
Share of Longmartin post-tax results	**(1.1)**	6.4
Profit before tax	**175.5**	301.6
Tax	**-**	-
Reported earnings for the year	**175.5**	301.6
Basic earnings per share	**58.1p**	108.1p
EPRA earnings[1]	**51.7**	45.2
EPRA earnings per share[1]	**17.1p**	16.2p

Profit after tax

Profit after tax for the year was £175.5 million (2017: £301.6 million) and basic earnings per share was 58.1p (2017: 108.1p). The decrease in profit after tax was largely due to a lower revaluation surplus in the wholly-owned portfolio this year. Together with disposal profits, this contributed £127.7 million (2017: £231.7 million).

Additionally, earnings were boosted last year by a gain on the fair value of interest rate swaps of £22.0 million. These swaps were cancelled in September 2017.

Higher net property income, lower administrative costs, and reduced net finance costs, together, increased profit after tax by £7.4 million. This was partly offset by a post-tax loss in the Longmartin joint venture, our share of which reduced earnings by £1.1 million in 2018, compared with a profit in 2017 of £6.4 million. The results of the joint venture are set out on page 38.

EPRA earnings[1]

EPRA earnings increased by 14.4% to £51.7 million (2017: £45.2 million) and EPRA earnings per share grew 5.6% to 17.1p (2017: 16.2p). The smaller relative increase in EPRA earnings per share, compared with that for EPRA earnings, reflects the additional shares in issue following the equity placing in December 2017.

EPRA earnings are reconciled to profit after tax in note 19 to the financial statements.

The increase in EPRA earnings was driven principally by growth in net property income and lower net finance costs, partly offset by lower net property income in the Longmartin joint venture, largely due to scheme vacancy.

EPRA earnings[1]	£m
2017	45.2
Increase in net property income	5.5
Lower administrative expenses	0.4
Lower finance costs	1.5
Reduction in Longmartin contribution	(0.9)
2018	**51.7**

1 An alternative performance measure ("APM"). See page 26.

Net property income

Rents receivable increased by 9.1% to £112.8 million (2017: £103.4 million), reflecting continued conversion of our portfolio's reversionary potential into contracted cash flow, together with the impact of acquisitions. Excluding acquisitions and disposals, the like-for-like increase was 6.4%. Turnover-related rental top-ups made a useful contribution, totalling £1.1 million (2017: £0.7 million). Acquisitions accounted for £3.3 million of the increase, while disposals reduced rents receivable by £0.4 million compared with last year.

Rents receivable	£m
2017	103.4
Acquisitions	3.3
Disposals	(0.4)
Like-for-like growth	6.5
2018	**112.8**

Irrecoverable property charges were £19.0 million (2017: £15.1 million). The increase in property operating costs reflects:

- growing our promotional and social media activities, an essential aspect of our strategy to drive footfall and spending;
- a high incidence of repairs and maintenance projects in the year, the cost of which is only partly recoverable through service charges;
- increases in estate management costs; and
- buying in leases to allow us to improve our tenant mix.

Net property income was £93.8 million, up 6.2% (2017: £88.3 million).

Administrative expenses

Administrative expenses amounted to £13.7 million (2017: £14.1 million). Despite increased headcount, employee costs were £1.4 million lower than in 2017, due to decreased charges for variable compensation. Other administrative costs were £1.0 million higher than last year, largely as a result of increased professional fees and irrecoverable VAT.

Valuation gains and disposal profits

Our wholly-owned portfolio's revaluation surplus was £123.1 million (2017: £230.6 million), representing like-for-like valuation growth of 4.2% (2017: 7.5%), principally driven by a like-for-like increase in ERV of 2.6% (2017: 3.4%) and yield compression of five basis points (2017: 11 basis points compression).

Disposals of non-core properties generated net proceeds, after sale costs, of £13.3 million (2017: £13.4 million) and a surplus over 2017 book value of £4.6 million (2017: £1.1 million). These included three shops, 1,875 sq. ft. of office space and three apartments, as well as nine lease extension premiums received from residential long leaseholders.

Net finance costs

Net finance costs decreased by £1.5 million to £31.2 million (2017: £32.7 million). This reflects the benefits of reduced borrowing costs following the refinancing last year, together with lower net debt and higher interest income following the equity placing in December 2017. These savings were partly offset by an accelerated write-off of previously unamortised loan issue costs, totalling £0.3 million, following the refinancing of our bank facilities in February 2018.

Tax

As a REIT, the Group's activities are largely exempt from corporation tax. As a result, there is no tax charge in the year (2017: £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 £29.2 million (2017: £18.1 million). In addition, our share of taxes, including corporation tax, levied on, or collected by, the Longmartin joint venture was £1.8 million (2017: £0.9 million).

Share of Longmartin post-tax results

Following the reduction in the valuation of Longmartin's investment property (see page 9), the joint venture delivered a loss after tax for the year, our 50% share of which was £1.1 million (2017: profit of £6.4 million).

Our share of the revaluation deficit was £5.0 million, compared with a surplus last year of £2.6 million. Excluding this revaluation loss and the related deferred tax credit, our share of EPRA earnings[1] from the Longmartin joint venture decreased by £0.9 million to £2.8 million (2017: £3.7 million). This reduction was largely due to scheme-related vacancy during the year and the benefit, last year, of back-rents following rent review settlements.

Dividends

The Board has recommended a final dividend of 8.5 pence per share, an increase of 4.9% on last year's final dividend (2017: 8.1 pence). This brings the total dividend for the year to 16.8 pence per share, an increase of 5.0% on 2017 (16.0 pence).

This increase reflects growth in net property income and earnings enhancements from last year's refinancing. Total dividends for the year are covered 1.02 times by EPRA earnings per share[1] and 1.03 times by adjusted earnings per share[1], after adding back the non-cash accounting share option charge of £0.6 million (2017: £1.4 million).

The total distribution for the year will be £51.6 million, 9.6% higher than last year (2017: £47.1 million). This reflects the increased dividend per share and the greater number of shares now in issue, and is fully covered by adjusted EPRA earnings[1] of £52.3 million.

If approved at the 2019 AGM, the final dividend will be paid on 15 February 2019 as an ordinary dividend.

Balance Sheet

	2018 £m	2017 £m
Investment properties	**3,714.8**	3,407.3
Investment in joint venture	**143.9**	148.0
Net debt	**(841.3)**	(914.2)
Other net assets	**15.6**	5.8
Net assets	**3,033.0**	2,646.9
NAV per share[1]	**£9.87**	£9.49
EPRA NAV per share[1]	**£9.91**	£9.52
Net asset value return[1]	**5.8%**	8.9%

Net assets

Net assets increased by £386.1 million, predominantly due to the equity placing in December 2017, which added £260.4 million, and profit after tax of £175.5 million, partly offset by dividends paid which totalled £50.6 million.

EPRA NAV

EPRA NAV per share[1] increased by 39p (4.1%) to £9.91 during the year (2017: £9.52). Revaluation surpluses, including disposal profits, added 39p, comprising 41p from the wholly-owned portfolio less our share of the revaluation deficit in the Longmartin joint venture. EPRA earnings of 17.1p per share largely were offset by dividends paid (16.4p per share). EPRA NAV is reconciled to net assets in note 19 to the financial statements.

EPRA NAV[1]	**Pence per share**
2017	952
EPRA earnings	17
Dividends	(16)
Revaluation surplus and disposal profits	39
Share placing/rounding	(1)
2018	**991**

1 An alternative performance measure ("APM"). See page 26.

Cash flows and net debt

Net debt decreased by £72.9 million to £841.3 million (2017: £914.2 million). The major cash flows were:

- net proceeds from the share placing of £260.4 million.
- net capital investment in our portfolio of £181.1 million.
- operating cash inflow totalling £46.3 million.
- dividends paid amounting to £50.6 million.

Net cash flows from investing activities in respect of the Longmartin joint venture were nil, following receipt of dividends totalling £3.0 million, offset by an equal amount advanced under the shareholder loan agreement.

Financial management

22.8%	2.6x	3.2%	10.2 years
Loan-to-value[1,3,4]	Interest cover[1,4]	Blended cost of debt[1,2,4]	Weighted average debt maturity[1]

1 Including our 50% share of Longmartin debt. See presentation of financial information on page 18.
2 Including non-utilisation fees on undrawn bank facilities.
3 Based on net debt.
4 An alternative performance measure ("APM"). See page 26.

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

Key aspects of our debt arrangements are:

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

Share issue

On 6 December 2017, we strengthened our equity base, through a non pre-emptive issue of 27,855,508 million new ordinary shares, representing approximately 9.98% of our issued share capital at the time. The shares were issued at £9.52 per share, which equated to EPRA NAV at 30 September 2017 and represented a discount of 4.9% to the closing price of £10.01 per existing ordinary share on 5 December 2017. After issue costs of £4.8 million, net proceeds were £260.4 million, representing a total discount of approximately 6.59%.

The placing was to finance:

- the acquisition of 72 Broadwick Street, Carnaby, and additional anticipated capital expenditure;
- the forward purchase of a long-leasehold interest in 90-104 Berwick Street; and
- other property acquisitions, totalling £9.0 million, in the preceding six months.

The remainder of the proceeds were raised to provide financial capacity for further acquisitions, as opportunities arise, and to fund value-enhancing schemes.

At 30 September 2018, all of the net proceeds had been spent or earmarked for acquisitions and schemes.

Use of proceeds at 30 September 2018

	£m
Gross proceeds	265.2
Issue costs	(4.8)
Net proceeds	**260.4**
Amounts deployed to date	
Acquisitions	
− Completed in the 6 months preceding the placing and £2m deposit for 90-104 Berwick Street	11.0
− Completed since the share issue	167.8
Capital expenditure to date	17.4
	196.2
Amounts earmarked for investment	
− 90-104 Berwick Street (net of deposit)	39.0
− Contribution to anticipated capital expenditure for our enhanced scheme at 72 Broadwick Street	25.2
	64.2
Total deployed or earmarked for deployment	**260.4**

Related party disclosures relevant to the share issue are set out in note 16 to the financial statements. We had not issued shares for cash on a non pre-emptive basis during the three-year period preceding December 2017.

Refinancing bank facilities

In February 2018, we restructured our revolving bank facilities with arrangements as follows:

- £125 million facility extended from 2020 to 2022.
- new £100 million facility maturing in 2023, replacing a £150 million facility which was due to mature in November 2018.

In line with our approach to financial management, as we invest further in our portfolio, we shall utilise these facilities and raise additional new debt facilities to support our long-term strategy, whilst maintaining a balance between equity and debt which avoids the risks inherent in excessive leverage for this business.

Finance summary	**2018 £m**	2017 £m
Reported net debt	**841.3**	914.2
Net debt (including 50% share of the Longmartin joint venture)[1,2]	**900.0**	973.6
Cash and cash equivalents	**118.5**	45.6
Undrawn floating rate facilities	**225.0**	275.0
Available resources	**343.5**	320.6

1 Including our 50% share of Longmartin debt. See presentation of financial information on page 18.
2 An alternative performance measure ("APM"). See page 26.

At 30 September 2018, available resources amounted to £343.5 million, of which £92.7 million will be used to fund capital commitments at that date, the anticipated capital expenditure at 72 Broadwick Street, and our share of scheme costs in the Longmartin joint venture.

Debt metrics[1]	**2018 £m**	2017 £m
Loan-to-value[4,5]	**22.8%**	26.7%
Gearing[3,4,5]	**29.5%**	36.5%
Interest cover[5]	**2.6x**	2.3x
% debt fixed	**100%**	100%
Blended cost of debt[2,5]	**3.2%**	3.3%
Marginal cost of undrawn floating rate facilities	**1.6%**	1.2%
Weighted average maturity (years)	**10.2**	10.3

1 Including our 50% share of Longmartin debt. See presentation of financial information on page 18.
2 Including non-utilisation fees on undrawn bank facilities.
3 Based on EPRA net assets.
4 Based on net debt.
5 An alternative performance measure ("APM"). See page 26.

Debt maturity profile

Year of maturity	Facility type	Total facility £m
2022	Bank	125
2023	Bank	100
2026	Term loan (Longmartin joint venture)[1]	60
2027	Bonds	290
2029	Term loan	135
2030	Term loan	130
2031	Bonds	285
2035	Term loan	120

1 Shaftesbury Group's 50% share. This loan is without recourse to Shaftesbury.

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 preliminary announcement – some of which are EPRA performance measures, which are a set of standard disclosures for the property industry, as defined by EPRA in its Best Practice Recommendations.

APM	Nearest IFRS measure	Explanation and reconciliation
EPRA earnings and earnings per share	Profit and total comprehensive income for the year Basic earnings per share	Note 19 and Financial Results (pages 18 and 19)
Adjusted earnings per share	Basic earnings per share	Note 19 and Financial Results (page 21)
Net asset value per share	Net assets attributable to shareholders	Note 19 and Financial Results (page 21)
Diluted net asset value per share	Net assets attributable to shareholders	Note 19
EPRA net assets and NAV	Net assets	Note 19 and Financial Results (pages 18 and 21)
Net asset value return	N/A	Note 19 and Financial Results (page 21)
Total portfolio	Investment properties	Valuation (page 10) and Financial Results (page 18)
Revaluation surplus	Net surplus on revaluation of investment properties	Note 19 and Financial Results (pages 18 and 21)
Valuation growth	Net surplus on revaluation of investment properties	Valuation (page 10) and Financial Results (pages 18 and 20)
Net debt	Borrowings less cash and cash equivalents	Note 19 and Financial Results (pages 18 and 24)
Group LTV	N/A	Note 19 and Financial Results (pages 18 and 25)
Gearing	N/A	Note 19 and Financial Results (pages 18 and 25)
Blended cost of debt	N/A	Note 19 and Financial Results (pages 18 and 25)
Interest cover	N/A	Note 19 and Financial Results (pages 18 and 25)

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

Portfolio analysis

At 30 September 2018		Note	Carnaby	Covent Garden	Chinatown	Soho	Fitzrovia	Wholly-owned portfolio	Longmartin[1]	Total portfolio
Portfolio	Fair value (£m)	1,14	1,424.7	1,013.7	837.2	300.8	148.2	3,724.6	224.6	3,949.2
	% of total fair value		36%	26%	21%	7%	4%	94%	6%	100%
	Current income (£m)	2,14	44.8	30.2	24.1	9.4	4.9	113.4	8.1	121.5
	ERV (£m)	3,14	57.2	37.6	31.6	11.6	5.7	143.7	10.3	154.0
Restaurants, cafés and leisure	Number		61	95	86	32	23	297	9	
	Area – sq. ft.		114,000	178,000	221,000	62,000	48,000	623,000	39,000	
	% of current income	4	21%	39%	62%	42%	51%	37%	14%	
	% of ERV	4	17%	36%	62%	39%	49%	35%	13%	
	Average unexpired lease length – years	5	10	9	11	9	8	9	13	
Shops	Number		97	97	57	37	10	298	22	
	Area – sq. ft.		180,000	147,000	83,000	44,000	16,000	470,000	73,000	
	% of current income	4	46%	28%	20%	22%	16%	32%	34%	
	% of ERV	4	42%	32%	21%	28%	17%	33%	39%	
	Average unexpired lease length – years	5	4	4	4	3	5	4	3	
Offices	Area – sq. ft.		304,000	88,000	25,000	39,000	10,000	466,000	102,000	
	% of current income	4	27%	12%	4%	17%	7%	17%	36%	
	% of ERV	4	35%	14%	4%	18%	8%	20%	35%	
	Average unexpired lease length – years	5	4	4	3	2	2	4	5	
Residential	Number		109	214	149	68	53	593	75	
	Area – sq. ft.		67,000	133,000	97,000	37,000	25,000	359,000	55,000	
	% of current passing rent	4	6%	21%	14%	19%	26%	14%	16%	
	% of ERV	4	6%	18%	13%	15%	26%	12%	13%	

1. Shaftesbury Group's 50% share

Basis of valuation

At 30 September 2018	Note	Carnaby	Covent Garden	Chinatown	Soho	Fitzrovia	Wholly-owned portfolio	Longmartin
Overall initial yield	7	2.81%	2.64%	2.47%	2.77%	2.82%	2.68%	2.99%
Topped-up initial yield	8	2.96%	2.78%	2.67%	2.90%	2.83%	2.84%	3.16%
Overall equivalent yield	9	3.56%	3.26%	3.34%	3.44%	3.31%	3.41%	3.82%
Tone of restaurant equivalent yields	10	3.40%-3.85%	3.35%-3.90%	3.40%-3.75%	3.40%-3.75%	3.25%-3.65%		3.75%-4.00%
Tone of restaurant ERVs - £ per sq. ft.	10	£120-£153	£55-£178	£270-£420 (ZA)	£110-£145	£93-£120		£90-£138
Tone of retail equivalent yields	10	3.30%-3.75%	3.00%-3.90%	3.40%-4.25%	3.40%-4.25%	3.30%-4.35%		3.40%-4.15%
Tone of retail ERVs - ITZA £ per sq. ft.	10	£125-£535	£110-£480	£150-£365	£150-£305	£100-£215		£94-£650
Tone of office equivalent yields	10	3.85%-4.50%	4.00%-4.25%	4.25%	4.25%-4.50%	4.00%-4.35%		3.75%-4.00%
Tone of office ERVs - £ per sq. ft.	10	£58-£85	£50-£75	£43-£65	£53-£73	£48-£60		£63-£79
Average residential ERVs - £ per sq. ft. per annum	10	£53	£52	£44	£51	£58		£52

Notes

1. The fair values at 30 September 2018 (the “valuation date”) shown in respect of the individual villages are, in each case, the aggregate of the fair values of several different property interests located within close proximity which, for the purpose of this analysis, are combined to create each village. The different interests within each village were not valued as a single lot.
2. Current income includes total annualised actual and ‘estimated income’ reserved by leases. No rent is attributed to leases which were subject to rent-free periods at the valuation date. Current income does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. ‘Estimated income’ refers to gross estimated rental values in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.
3. ERV is the respective valuers’ opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, reflecting the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Where appropriate, ERV assumes completion of developments which are reflected in the valuations. ERV does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings.
4. The percentage of current income and the percentage of ERV in each of the use sectors are expressed as a percentage of total income and total ERV for each village.
5. Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases and, where relevant, by reference to tenants’ options to determine leases in advance of expiry through effluxion of time.
6. Where mixed uses occur within single leases, for the purpose of this analysis, the majority use by rental value has been adopted.
7. The initial yield is the net initial income at the valuation date expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at the valuation date.
8. The topped-up initial yield, ignoring contractual rent-free periods, has been calculated as if the contracted rent is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.
9. Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income 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.
14. The analysis excludes a non-core asset, acquired as part of a portfolio.

Group statement of comprehensive income

For the year ended 30 September 2018

	Notes	2018 £m	2017 £m
Revenue	2	**122.1**	111.5
Property charges	3	**(28.3)**	(23.2)
Net property income		**93.8**	88.3
Administrative expenses	4	**(13.7)**	(14.1)
Operating profit before investment property disposals and valuation movements		**80.1**	74.2
Profit on disposal of investment properties	5	**4.6**	1.1
Net surplus on revaluation of investment properties	8	**123.1**	230.6
Operating profit		**207.8**	305.9
Finance income		**0.8**	0.1
Finance costs	6	**(32.0)**	(32.8)
Change in fair value of derivative financial instruments	15	**-**	22.0
Share of post-tax (loss)/profit from joint venture	10	**(1.1)**	6.4
Profit before tax		**175.5**	301.6
Tax charge for the year	7	**-**	-
Profit and total comprehensive income for the year		**175.5**	301.6
Earnings per share:	19		
Basic		**58.1p**	108.1p
Diluted		**58.0p**	107.9p
EPRA		**17.1p**	16.2p

See page 18 for an explanation of the EPRA measures used in these financial statements.

Group balance sheet

As at 30 September 2018

	Notes	**2018 £m**	2017 £m
Non-current assets			
Investment properties	8	**3,714.8**	3,407.3
Accrued income	9	**9.9**	9.5
Investment in joint venture	10	**143.9**	148.0
Property, plant and equipment		**1.3**	1.2
Other receivables	12	**3.7**	3.7
		3,873.6	3,569.7
Current assets			
Trade and other receivables	11	**30.3**	22.0
Cash and cash equivalents	12	**118.5**	45.6
Total assets		**4,022.4**	3,637.3
Current liabilities			
Trade and other payables	13	**40.8**	41.6
Non-current liabilities			
Borrowings	14	**948.6**	948.8
Total liabilities		**989.4**	990.4
Net assets		**3,033.0**	2,646.9
Equity			
Share capital	16	**76.8**	69.8
Share premium		**378.4**	124.9
Share-based payments reserve		**1.2**	3.0
Retained earnings		**2,576.6**	2,449.2
Total equity		**3,033.0**	2,646.9

Group cash flow statement

For the year ended 30 September 2018

	Notes	**2018 £m**	2017 £m
Cash flows from operating activities			
Cash generated from operating activities	18	**76.5**	76.7
Interest received		**0.8**	0.1
Interest paid		**(31.0)**	(32.8)
Net cash generated from operating activities		**46.3**	44.0
Cash flows from investing activities			
Investment property acquisitions		**(167.8)**	(40.1)
Investment property disposals	5	**13.3**	13.4
Capital expenditure on investment properties		**(26.6)**	(41.5)
Purchase of property, plant and equipment		**(0.4)**	(0.1)
Dividends received from the joint venture		**3.0**	4.8
Increase in loans to the joint venture		**(3.0)**	-
Net cash used in investing activities		**(181.5)**	(63.5)
Cash flows from financing activities			
Proceeds from exercise of share options		**0.1**	0.1
Proceeds from share placing	16	**265.2**	-
Share placing costs	16	**(4.8)**	-
Proceeds from borrowings	14	**72.0**	146.5
Repayment of borrowings	14	**(72.0)**	(437.2)
Proceeds from issue of mortgage bonds		**-**	493.2
Repayment of debenture stock		**-**	(10.4)
Loan issue costs		**(1.8)**	(6.1)
Termination of derivative financial instruments		**-**	(92.1)
Equity dividends paid	17	**(50.6)**	(44.5)
Net cash from financing activities		**208.1**	49.5
Net change in cash and cash equivalents		**72.9**	30.0
Cash and cash equivalents at 1 October	12	**45.6**	15.6
Cash and cash equivalents at 30 September	12	**118.5**	45.6

Group statement of changes in equity

For the year ended 30 September 2018

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
At 1 October 2016		69.7	124.8	3.6	2,189.0	2,387.1
Profit and total comprehensive income for the year		-	-	-	301.6	301.6
Transactions with owners:						
Dividends paid	17	-	-	-	(43.3)	(43.3)
Exercise of share options	16	0.1	0.1	-	(0.1)	0.1
Fair value of share-based payments	4	-	-	1.4	-	1.4
Release on exercise of share options		-	-	(2.0)	2.0	-
At 30 September 2017		**69.8**	**124.9**	**3.0**	**2,449.2**	**2,646.9**
Profit and total comprehensive income for the year		**-**	**-**	**-**	**175.5**	**175.5**
Transactions with owners:						
Dividends paid	17	**-**	**-**	**-**	**(50.6)**	**(50.6)**
Share placing	16	**6.9**	**253.5**	**-**	**-**	**260.4**
Exercise of share options	16	**0.1**	**-**	**-**	**(0.1)**	**-**
Fair value of share-based payments	4	**-**	**-**	**0.8**	**-**	**0.8**
Release on exercise of share options		**-**	**-**	**(2.6)**	**2.6**	**-**
At 30 September 2018		**76.8**	**378.4**	**1.2**	**2,576.6**	**3,033.0**

Notes to the financial statements

For the year ended 30 September 2018

1. Accounting policies

Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 30 September 2018 included in this preliminary announcement are extracted from the audited financial statements for the year ended 30 September 2018 which were approved by the directors on 26 November 2018. The auditor's report on those financial statements was unqualified and did not include a statement under Section 498(2) or 498(3) of the 2006 Companies Act.

The 2018 Annual Report is expected to be posted to shareholders and available on the Group's website in December 2018. It will be considered at the Annual General Meeting to be held on 8 February 2019. The financial statements for the year ended 30 September 2018 have not yet been delivered to the Registrar of Companies.

The auditor's report on the financial statements for the year ended 30 September 2017 was unqualified and did not include a statement under Section 498(2) or 498(3) of the 2006 Companies Act. The financial statements for the year ended 30 September 2017 have been delivered to the Registrar of Companies.

Going concern

The Group's business activities, together with the factors affecting performance, financial position and future development are set out on pages 5 to 25. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 23 to 25. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date these financial statements were approved. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Significant judgements, assumptions and key estimates

The preparation of the financial statements in accordance with IFRS requires the directors to make judgements and estimates about the carrying amounts of assets and liabilities, in applying the Group's accounting policies. The judgements and estimates are based on historical experience and other relevant factors, including expectations of future events, and are reviewed on a continual basis. Although the estimates are made using the directors' best knowledge of the amount, event or actions, actual results may differ from the original estimates.

Significant area of estimation uncertainty

The investment property portfolio is valued by independent third party valuers. Cushman & Wakefield value the properties owned by the Group, and Knight Frank LLP value the properties owned by the Longmartin joint venture.

The valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. Cushman & Wakefield and Knight Frank LLP make a number of assumptions in forming their opinion on the valuation of our investment properties, which are detailed in the Basis of Valuation on pages 27 to 28. These assumptions are in accordance with the RICS Valuation – Global Standards. However, if any assumptions made by the external valuers prove to be incorrect, this may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. See note 8 for further information.

The directors did not make any significant judgements in the preparation of these financial statements.

New accounting standards and interpretations

a) The following amendment to an existing standard was relevant to the Group and mandatory for the first time for the financial year ended 30 September 2018. It did not have an impact on the amounts reported in the financial statements, however it did require additional disclosures, as set out in note 14.

- IAS 7 (amendment) - Statement of cash flows (disclosure initiative)

b) The following new standards and amendments to existing standards are relevant to the Group, are not yet effective in the year ended 30 September 2018 and are not expected to have a significant impact on the Group's financial statements:

- Annual Improvements 2014-2016
- IFRS 2 (amendment) - Classification of share-based payment transactions
- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contracts with customers
- IFRS 16 - Leases

IFRS 9 - Financial Instruments (effective from 1 January 2018)

This standard deals with, amongst other things, the classification and measurement of financial instruments. Having carried out an assessment of the standard, the Group believes the main impact will be the measurement and presentation of trade receivables in the Group financial statements, and balances due from subsidiaries in the Company financial statements. Having considered expected credit losses and sources of forward-looking data, we do not currently expect any impact will be material.

IFRS 15 - Revenue from contracts with customers (effective from 1 January 2018)

This standard is based on the principle that revenue is recognised when control passes to a customer. In our case, the standard is most applicable to the recognition point for service charge income and disposals of investment properties. As the standard excludes rental income, which falls within the scope of IFRS 16 - Leases, it is not expected that IFRS 15 will have a significant impact on the Group's financial statements. There may be changes to presentation and disclosure.

IFRS 16 - Leases (effective from 1 January 2019)

For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method. Lessor accounting is substantially unchanged from current accounting. Therefore, since the Group is primarily a lessor, this standard does not significantly impact the Group's financial statements. However, for the Company, it will result in the recognition of a right-to-use asset and corresponding lease liability, which we estimate at approximately £3 million, in the year when the standard becomes effective.

c) There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 18 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 further segmental information is presented.

2. Revenue

	2018 £m	2017 £m
Rents receivable	**112.8**	103.4
Recoverable property expenses	**9.3**	8.1
	122.1	111.5

Rents receivable includes a credit of £0.5 million from amortisation of accrued income in respect of lease incentives (2017: charge of £0.5 million).

3. Property charges

	2018 £m	2017 £m
Property operating costs	**7.6**	5.7
Vacant property costs	**1.4**	1.1
Fees payable to managing agents	**2.6**	2.4
Letting, rent review, and lease renewal costs	**3.6**	3.3
Marketing and events expenditure	**3.8**	2.6
Property outgoings	**19.0**	15.1
Recoverable property expenses	**9.3**	8.1
	28.3	23.2

Following a review of the Group's property charges, the amounts included in the table above have been reclassified between the different types of property expenses, to provide a better representation of the underlying expenditure. The 2017 figures have been restated accordingly. This had no impact on the total property charges for that year.

4. Administrative expenses

	2018 £m	2017 £m
Employee costs	**8.5**	9.9
Depreciation	**0.4**	0.3
Other head office costs	**4.9**	4.0
	13.8	14.2
Less: administrative fees received from the joint venture	**(0.1)**	(0.1)
	13.7	14.1

Employee costs (including the directors)	**2018 £m**	2017 £m
Wages and salaries	**6.6**	6.9
Social security costs	**0.8**	1.3
Other pension costs	**0.3**	0.3
Equity-settled remuneration	**0.8**	1.4
	8.5	9.9

Included within equity-settled remuneration is a charge of £0.6 million (2017: £1.4 million) for the LTIP and SAYE schemes.

Within the table above, amounts for social security costs were previously included within each of the respective employee costs. These have been reclassified and presented together in their entirety. The 2017 figures have been restated accordingly.

5. Profit on disposal of investment properties

	2018 £m	2017 £m
Net sale proceeds	**13.3**	13.4
Book value at date of sale	**(8.7)**	(12.3)
	4.6	1.1

6. Finance costs

	2018 £m	2017 £m
Debenture stock interest and amortisation	**-**	0.1
Mortgage bond interest	**13.9**	7.4
Bank and other interest	**16.5**	23.8
Issue cost amortisation	**1.6**	1.5
	32.0	32.8

7. 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.

8. Investment properties

	2018 £m	2017 £m
At 1 October	**3,407.3**	3,111.6
Acquisitions	**167.8**	37.1
Disposals	**(8.7)**	(12.3)
Refurbishment and other capital expenditure	**25.3**	40.3
Net surplus on revaluation of investment properties	**123.1**	230.6
Book value at 30 September	**3,714.8**	3,407.3
Fair value at 30 September:		
Core properties valued by Cushman & Wakefield	**3,724.6**	3,416.5
Non-core properties valued by Cushman & Wakefield	**2.4**	2.4
Less: unamortised lease incentives (note 9)	**(12.2)**	(11.6)
Book value at 30 September	**3,714.8**	3,407.3

The investment properties valuation comprises:

	2018 £m	2017 £m
Freehold properties	**3,495.3**	3,133.0
Leasehold properties	**231.7**	285.9
	3,727.0	3,418.9

Investment properties were valued at 30 September 2018 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

All properties were valued on the basis of fair value and highest and best use, in accordance with IFRS 13 and the RICS Valuation - Global Standards, which incorporate the International Valuation Standards and the RICS UK Valuation Standards edition current at the valuation date. When considering a property's highest and best use, the valuer considers its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer considers the use a market participant would have in mind when formulating the price it would bid and reflects the cost and likelihood of achieving that use.

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price

information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out in the Basis of Valuation on pages 27 to 28. 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 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 (2017: 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.

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 Carnaby PLC and Shaftesbury Chinatown PLC, rent review surveyors for Shaftesbury CL Limited, and provided other advice to Shaftesbury PLC. Non valuation fees represented 53% of total fees for the valuation of the Group's investment properties. The 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 33, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The Group's properties are all located in London's West End and are virtually all multi-use buildings, usually configured with commercial uses on the lower floors and office and/or residential uses on the upper floors. Cushman & Wakefield value properties in their entirety and not by use. Consequently, the sensitivity analysis below has been performed on the Group's portfolio as a whole.

	Change in ERV				Change in equivalent yields			
	-5.0% £m	**-2.5% £m**	**+2.5% £m**	**+5.0% £m**	**-0.50% £m**	**-0.25% £m**	**+0.25% £m**	**+0.50% £m**
Increase/(decrease) in the fair value of investment properties	(172.5)	(88.7)	83.1	170.4	682.8	308.9	(270.8)	(501.1)

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 2018, the Group had capital commitments of £58.7 million (2017 as restated: £52.6 million). This included £39.0 million (2017 as restated: £39.0 million) relating to the forward purchase of a long leasehold interest and £19.7 million (2017: £13.6 million) relating to future capital expenditure for the enhancement of the Group's investment properties. The 2017 figure has been restated to include amounts relating to the forward purchase of a long leasehold interest. See pages 14 to 16 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 14.

9. Accrued income

	2018 £m	2017 £m
Accrued income in respect of lease incentives	**12.2**	11.6
Less: included in trade and other receivables (note 11)	**(2.3)**	(2.1)
	9.9	9.5

10. Investment in joint venture

	2018 £m	2017 £m
Group		
At 1 October	**148.0**	146.4
Share of (loss)/profits	**(1.1)**	6.4
Dividends received	**(3.0)**	(4.8)
Book value at 30 September	**143.9**	148.0

At 30 September 2018, the joint venture had capital commitments of £10.4 million (2017: £5.5 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:

	2018 £m	2017 £m
Statement of Comprehensive Income		
Rents receivable	**16.1**	17.7
Recoverable property expenses	**1.5**	1.5
Revenue from properties	**17.6**	19.2
Property outgoings	**(1.8)**	(1.7)
Recoverable property expenses	**(1.5)**	(1.5)
Property charges	**(3.3)**	(3.2)
Net property income	**14.3**	16.0
Administrative expenses	**(0.4)**	(0.2)
Operating profit before investment property valuation movements	**13.9**	15.8
Net (deficit)/surplus on revaluation of investment properties	**(10.0)**	5.3
Operating profit	**3.9**	21.1
Finance costs	**(6.8)**	(6.8)
(Loss)/profit before tax	**(2.9)**	14.3
Current tax	**(1.5)**	(1.7)
Deferred tax	**2.3**	0.2
Tax credit/(charge) for the year	**0.8**	(1.5)
(Loss)/profit and total comprehensive income for the year	**(2.1)**	12.8
(Loss)/profit attributable to the Group	**(1.1)**	6.4

	2018 £m	2017 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**457.4**	462.6
Accrued income	**2.1**	3.1
Other receivables	**1.3**	1.3
	460.8	467.0
Cash and cash equivalents	**2.6**	1.2
Current assets	**3.9**	3.9
Total assets	**467.3**	472.1
Current liabilities	**15.5**	10.1
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**43.9**	46.1
Total liabilities	**179.4**	176.2
Net assets	**287.9**	295.9
Net assets attributable to the Group	**143.9**	148.0

11. Trade and other receivables

	2018 £m	2017 £m
Amounts due from tenants	**16.2**	12.0
Provision for doubtful debts	**(1.2)**	(0.5)
	15.0	11.5
Accrued income in respect of lease incentives (note 9)	**2.3**	2.1
Amounts due from joint venture	**3.9**	0.9
Prepayments	**9.0**	7.1
Other receivables	**0.1**	0.4
	30.3	22.0

At 30 September 2018, amounts due from tenants which were more than 90 days overdue totalled £2.6 million (2017: £1.1 million). Provisions against these overdue amounts totalled £1.0 million (2017: £0.4 million). The remaining balance is not considered to be impaired.

Cash deposits totalling £20.6 million (2017: £18.5 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.

12. Cash and cash equivalents

Cash and cash equivalents at 30 September 2018, comprising cash at bank, were £118.5 million (2017: £45.6 million).

Non-current other receivables include £3.7 million at 30 September 2018 (2017: £3.7 million) which relate to cash held on deposit as security for certain secured term loans, and where there are certain conditions restricting their use.

13. Trade and other payables

	2018 £m	2017 £m
Rents and service charges invoiced in advance	**25.2**	22.8
Trade payables and accruals in respect of capital expenditure	**2.7**	4.0
Other taxation and social security	**5.1**	5.2
Other payables and accruals	**7.8**	9.6
	40.8	41.6

14. Borrowings

	2018			2017		
	Nominal value £m	**Unamortised issue costs £m**	**Book value £m**	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	**575.0**	**(5.3)**	**569.7**	575.0	(5.8)	569.2
Secured bank facilities	**-**	**(1.8)**	**(1.8)**	-	(0.8)	(0.8)
Secured term loans	**384.8**	**(4.1)**	**380.7**	384.8	(4.4)	380.4
Total Group borrowings	**959.8**	**(11.2)**	**948.6**	959.8	(11.0)	948.8

Details of the Group's current financial position, including the refinancing activity during the year, are discussed on pages 23 to 25.

In the year ended 30 September 2017, two subsidiaries of the Company issued £575 million of Guaranteed First Mortgage Bonds. Following this, the Company redeemed its existing £61.0 million Debenture Stock.

At 30 September 2018, there were no drawings against the Group's secured bank facilities (2017: none). The Group is still able to benefit from these committed revolving facilities, and as such, unamortised issue costs of £1.8 million (2017: £0.8 million) continue to be carried in the Balance Sheet.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £3,151.4 million (2017: £3,015.4 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

		Cash flows			
	1.10.2017 £m	**Inflows £m**	**Outflows £m**	**Non-cash items**	**30.9.2018 £m**
Non-current borrowings					
Mortgage bonds	**575.0**	**-**	**-**	**-**	**575.0**
Secured bank facilities	**-**	**72.0**	**(72.0)**	**-**	**-**
Secured term loans	**384.8**	**-**	**-**	**-**	**384.8**
Loan issue costs	**(11.0)**	**-**	**(1.8)**	**1.6**	**(11.2)**
	948.8	**72.0**	**(73.8)**	**1.6**	**948.6**
Loan issue costs[1]	**11.0**	**-**	**1.8**	**(1.6)**	**11.2**
Cash & cash equivalents (note 12)	**(45.6)**	**(358.9)**	**286.0**	**-**	**(118.5)**
Net debt at 30 September 2018	**914.2**	**(286.9)**	**214.0**	**-**	**841.3**
Net debt at 30 September 2017	752.1	(95.1)	257.2	-	914.2

1. Loan issue costs are eliminated in the calculation of net debt.

The cash flows relating to secured bank facilities were drawings under revolving credit facilities and their subsequent repayments.

Availability and maturity of borrowings

	2018 facilities			2017 facilities		
	Committed £m	**Drawn £m**	**Undrawn £m**	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**-**	**225.0**	275.0	-	275.0
Repayable between 5 and 10 years	**290.0**	**290.0**	**-**	290.0	290.0	-
Repayable after 10 years	**669.8**	**669.8**	**-**	669.8	669.8	-
	1,184.8	**959.8**	**225.0**	1,234.8	959.8	275.0

Interest rate profile of interest bearing borrowings

	2018		2017	
	Debt £m	**Interest rate**	Debt £m	Interest rate
Fixed rate borrowings				
Secured term loans	**384.8**	**3.85%**	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%
Weighted average cost of drawn borrowings		**2.99%**		2.99%

The Group also incurs non-utilisation fees on undrawn facilities. At 30 September 2018, the weighted average charge on the undrawn facilities of £225.0 million (2017: £275.0 million) was 0.66% (2017: 0.69%).

The weighted average credit margin on the Group's secured bank facilities was:

	2018	2017
Drawn facilities	**-**	-
If facilities were fully drawn	**1.46%**	1.51%

15. Financial instruments

Fair value of derivative financial instruments	**2018 £m**	2017 £m
Interest rate swaps		
At 1 October - deficit	**-**	(114.1)
Swap contracts terminated	**-**	92.1
Fair value movement credited to the Statement of Comprehensive Income	**-**	22.0
At 30 September - deficit	**-**	-

In 2017 the Group terminated interest rate swap contracts with a notional principal of £180.0 million at a cost of £92.1 million.

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 £955.2 million (2017: £975.9 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 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.

16. Share capital

	2018 number million	2017 number million	**2018 £m**	2017 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**279.0**	278.6	**69.8**	69.7
Exercise of share options	**0.4**	0.4	**0.1**	0.1
Share placing	**27.9**	-	**6.9**	-
At 30 September	**307.3**	279.0	**76.8**	69.8

During the year, 27,855,508 ordinary 25p shares were issued at £9.52 per share, raising £265.2 million. Transaction costs in connection with the issue, which amounted to £4.8 million, have been charged against share premium in accordance with the Companies Act 2006.

In respect of the equity issue, Invesco Asset Management Limited and Orosi (UK) Limited were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity placing in respect of 1,050,000 and 6,864,368 placing shares respectively, for a total consideration of approximately £9.996 million and £65.349 million respectively. These transactions were disclosed via the Regulatory News Service on 6 December 2017, in accordance with LR11.1.10R, and Shaftesbury PLC received written confirmation from its sponsor that the terms of the transactions were fair and reasonable as far as Shaftesbury PLC's shareholders were concerned.

17. Dividends

	Pence per share			
	PID	Ordinary	**2018 £m**	2017 £m
Final dividend for:				
Year ended 30 September 2017	-	8.1p	**25.1**	-
Year ended 30 September 2016	5.2p	2.35p	**-**	21.3
Interim dividend for:				
Year ended 30 September 2018	8.3p	-	**25.5**	-
Year ended 30 September 2017	-	7.9p	**-**	22.0
Dividends paid in the year			**50.6**	43.3
Timing difference on payment of withholding tax			**-**	1.2
Dividends cash paid			**50.6**	44.5

A final dividend of 8.5p per share was recommended by the Board on 26 November 2018. Subject to approval by shareholders at the 2019 AGM, the final dividend will be paid as an ordinary dividend on 15 February 2019 to shareholders on the register at 18 January 2019. The dividend totalling £26.1 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2019. See page 21 for commentary on dividends.

The total distribution for the final dividend for the year ended 30 September 2017 of £25.1 million increased from £22.6 million, (the amount reported in the 2017 Annual Report), due to the increase in outstanding share capital as a result of the share placing in December 2017, prior to the payment of the dividend in February 2018.

18. Cash flows from operating activities

Operating activities	**2018 £m**	2017 £m
Profit before tax	**175.5**	301.6
Adjusted for:		
Lease incentives recognised (note 2)	**(0.5)**	0.5
Equity-settled remuneration (note 4)	**0.8**	1.4
Depreciation (note 4)	**0.4**	0.3
Investment property valuation surplus (note 8)	**(123.1)**	(230.6)
Profit on disposal of investment properties (note 5)	**(4.6)**	(1.1)
Net finance costs	**31.2**	10.7
Share of (loss)/profit from the joint venture (note 10)	**1.1**	(6.4)
Cash flows from operations before changes in working capital	**80.8**	76.4
Changes in working capital:		
Change in trade and other receivables	**(5.1)**	(0.5)
Change in trade and other payables	**0.8**	0.8
Cash generated from operating activities	**76.5**	76.7

See note 14 for the cash flow movement in net debt.

19. Performance measures

Earnings per share

	2018			2017		
	Profit after tax £m	**Number of shares million**	**Earnings per share pence**	Profit after tax £m	Number of shares million	Earnings per share pence
Basic	**175.5**	**302.1**	**58.1**	301.6	278.9	108.1
Dilutive effect of share options	**-**	**0.3**	**(0.1)**	-	0.7	(0.2)
Diluted	**175.5**	**302.4**	**58.0**	301.6	279.6	107.9

EPRA earnings per share
The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2018			2017		
	Profit after tax £m	**Number of shares million**	**Earnings per share pence**	Profit after tax £m	Number of shares million	Earnings per share pence
Basic	**175.5**	**302.1**	**58.1**	301.6	278.9	108.1
EPRA adjustments:						
Investment property valuation surplus (note 8)	**(123.1)**		**(40.7)**	(230.6)		(82.7)
Profit on disposal of investment properties (note 5)	**(4.6)**		**(1.5)**	(1.1)		(0.4)
Movement in fair value of derivatives	**-**		**-**	(22.0)		(7.9)
Adjustments in respect of the joint venture:						
Investment property valuation deficit/(surplus)	**5.0**		**1.6**	(2.6)		(0.9)
Deferred tax	**(1.1)**		**(0.4)**	(0.1)		-
EPRA earnings	**51.7**	**302.1**	**17.1**	45.2	278.9	16.2

EPRA adjusted earnings per share

	2018			2017		
	Profit after tax £m	**Number of shares million**	**Earnings per share pence**	Profit after tax £m	Number of shares million	Earnings per share pence
EPRA earnings	**51.7**	**302.1**	**17.1**	45.2	278.9	16.2
Equity-settled remuneration (note 4)	**0.6**		**0.2**	1.4		0.5
EPRA adjusted earnings	**52.3**	**302.1**	**17.3**	46.6	278.9	16.7

Net asset value per share
The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2018			2017		
	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	**3,033.0**	**307.3**	**9.87**	2,646.9	279.0	9.49
Dilutive effect of share options	**0.5**	**0.4**		0.5	0.8	
Diluted	**3,033.5**	**307.7**	**9.86**	2,647.4	279.8	9.46
Deferred tax*	**16.7**		**0.05**	17.9		0.06
EPRA NAV	**3,050.2**	**307.7**	**9.91**	2,665.3	279.8	9.52
Deferred tax*	**(16.7)**		**(0.05)**	(17.9)		(0.06)
Excess of fair value over carrying value of debt:						
Secured term loans*	**(34.5)**		**(0.11)**	(40.0)		(0.14)
Mortgage bonds	**32.0**		**0.10**	15.5		0.05
EPRA NNNAV	**3,031.0**	**307.7**	**9.85**	2,622.9	279.8	9.37

* Includes our 50% share of deferred tax and fair value of secured term loans in the Longmartin joint venture.

The calculations of diluted net asset value per share show the potentially dilutive effect of share options outstanding at the Balance Sheet date and include the increase in shareholders' equity which would arise on the exercise of those options.

Net asset value return

	2018 pence	2017 pence
EPRA NAV at 1 October (A)	**952.00**	888.00
EPRA NAV at 30 September	**991.00**	952.00
Increase during the year	**39.00**	64.00
Dividends paid during the year	**16.40**	15.45
NAV return (B)	**55.40**	79.45
NAV return % (B/A)	**5.8%**	8.9%

Total investment property revaluation surpluses

	2018 £m	2017 £m
Wholly-owned portfolio revaluation surplus (note 8)	**123.1**	230.6
Longmartin joint venture revaluation (deficit)/surplus (note 10)	**(5.0)**	2.6
	118.1	233.2

Financing ratios

	2018			2017		
	Wholly-owned business £m	**Share of joint venture £m**	**Total £m**	Wholly-owned business £m	Share of joint venture £m	Total £m
Loan-to-value and gearing						
Nominal value of debt	**959.8**	**60.0**	**1,019.8**	959.8	60.0	1,019.8
Cash and cash equivalents	**(118.5)**	**(1.3)**	**(119.8)**	(45.6)	(0.6)	(46.2)
Net debt (A)	**841.3**	**58.7**	**900.0**	914.2	59.4	973.6
Fair value of investment properties (B)	**3,727.0**	**224.6**	**3,951.6**	3,418.9	227.8	3,646.7
Loan-to-value (A/B)	**22.6%**	**26.1%**	**22.8%**	26.7%	26.1%	26.7%
EPRA net assets (C)			**3,050.2**			2,665.3
Gearing (A/C)			**29.5%**			36.5%
Interest cover						
Operating profit before investment property disposals and valuation movements (A)	**80.1**	**7.0**	**87.1**	74.2	7.9	82.1
Finance costs	**32.0**	**2.8**	**34.8**	32.8	2.7	35.5
Finance income	**(0.8)**	**-**	**(0.8)**	(0.1)	-	(0.1)
Net finance costs (B)	**31.2**	**2.8**	**34.0**	32.7	2.7	35.4
Interest cover (A/B)	**2.6x**	**2.5x**	**2.6x**	2.3x	2.9x	2.3x

For the wholly-owned group, the blended cost of debt is 3.15% (2017: 3.19%). This is calculated using the cost of drawn borrowings of 2.99% (2017: 2.99%) plus the cost of commitment fees on undrawn bank facilities of 0.66% (2017: 0.69%). At 30 September 2018, the undrawn bank facilities totalled £225.0 million (2017: £275.0 million).

For total debt, the blended cost of debt is 3.22% (2017: 3.26%) and includes the impact of our share of debt in our joint venture of £60 million (2017: £60 million), upon which interest is charged at 4.43% (2017: 4.43%).

See page 18 for explanations of why we use these performance measures.

20. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions and balances between the Company and its joint venture, which have not been eliminated on consolidation are disclosed below:

	2018	2017
	£m	£m
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Dividends receivable	**3.0**	4.8
Interest receivable	**0.1**	-
Amount due from the joint venture	**3.9**	0.9

See note 16 for disclosure of related party transactions regarding the share placing during the year.

21. Annual General Meeting

The 2019 Annual General Meeting will be held at The Ham Yard Hotel, 1 Ham Yard, London W1D 7DT on 8 February 2019 at 11:00 am.

Directors' responsibilities

The Annual Report contains the following responsibility statement.

The directors are responsible for preparing the Annual Report, the 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 IAS 8 '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 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, confirm that, to the best of their knowledge:

- the Group and 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 Group; and
- the Strategic Report contained in 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 UK Corporate Governance 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 on 26 November 2018 and signed on its behalf by:

Brian Bickell	**Chris Ward**
Chief Executive	Finance Director

Risk management

The Board's attitude to risk management is consistent with its low overall appetite for risk.

Context and risk appetite

We invest exclusively in London's West End, a location of which our management team has a forensic knowledge and which has shown significantly greater long-term growth and economic stability through the property cycles than the wider real estate market.

Our strategy has delivered long-term success for the Group. However, inevitably our geographic concentration is an inherent risk and there are certain external factors which we cannot control. However, in the execution of our strategy, we seek to structure the Group's operations to minimise exposure to operational and financial risks, recognising that our appetite to risk varies across different elements of our strategy.

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

- Our experienced senior leadership team, with an average tenure of 16 years, has an in-depth knowledge of our business and the West End property market. We are based in one location, close to all our holdings;
- The nature of our portfolio does not expose us to risks inherent in material speculative development schemes;
- With a diverse tenant base, there is limited exposure to any single occupier;
- We manage our balance sheet on a conservative basis with moderate leverage, long-term finance, a spread of loan maturities, good interest cover and with the majority of interest costs fixed;
- Our culture encourages open dialogue within the management team and with the wide range of external advisors we employ in running the business;
- The organisation of our Group structure is simple and transparent; and
- Our governance framework includes clearly defined responsibilities and limits of authority.

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

Senior management is incentivised in the same way as executive directors to achieve the Group's strategic goals of delivering long-term growth in rental income, capital values and shareholder returns. Decisions are made on the basis of long-term benefit, rather than short-term gain.

How we monitor and manage risk

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.

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

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

During the year, areas of focus included:

Topic	**Actions**
GDPR	Project to implement the requirements of GDPR, including training for all staff.
Cyber security	External review of our arrangements.
Reputation management	Crisis communications training for senior management

In the coming year, we plan to review tax procedures in relation to both the "Senior Accounting Officer" regime and preventing the facilitation of tax evasion. Also, we plan to carry out an audit on one of our managing agent's processes.

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

During the year, we commissioned an external review of the Risk Committee's activities to ensure it remains effective and meets the needs of the business, now and into the future.

How we assess 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 and regulatory matters. 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 during the year, appropriate action is taken to rectify the issue and implement controls to mitigate further occurrences.

During the year, executive management assessed the effectiveness of key controls, reporting their findings to the Audit Committee. The review did not identify any significant control failings. In the coming year, it is anticipated that the effectiveness of these key controls will be reviewed independently, to provide third-party assurance.

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 this preliminary statement.

Principal risks and uncertainties

The Board has carried out a robust assessment of the principal and emerging risks and uncertainties which might prevent the Group achieving its goal of long-term growth in rental income, capital values and shareholder returns.

These risks and uncertainties, their mitigation and the evolution of risk during the year are set out below. They are largely consistent with those reported in 2017, although now include the potential impact of a disorderly Brexit.

1. Reduction of spending and/or footfall in our areas

Spending and footfall are important ingredients for the success of our restaurant, leisure and retail tenants.

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

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

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

The level of this risk remains unchanged since 2017.

2. Changes in planning and licensing regulations

All our properties are in the boroughs of Westminster and Camden. Changes to policies may limit our ability to maximise the long-term potential of our portfolio.

Potential causes
- Unfavourable changes to national or local planning and licensing policies
- Tenants acting outside of planning/licensing consents

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

Mitigation
- Ensure our properties are operated in compliance with local regulations
- Make representations on proposed policy changes, to ensure our views and experience are considered
- Use of specialist advisors on planning and licensing
- Monitoring of tenant compliance with planning consents and licences
- Mix of uses in our portfolio means we are not reliant on income from one particular use

The level of this risk remains unchanged since 2017.

3. Macroeconomic factors

Impact of economic and political uncertainty, including a disorderly Brexit.

Potential causes
- Unforeseen macroeconomic shocks or events
- Disorderly Brexit
- Upward cost pressures

Consequences
- Lower consumer confidence
- Reduced visitor numbers

- Reduced tenant profitability
- Reduced occupier demand
- Pressure on rents
- Higher vacancy
- Reduced rental income and declining earnings
- Reduced ERV, capital values and NAV (amplified by gearing)
- Specifically in the case of a disorderly Brexit, tenants could suffer:
  - Staff shortages
  - Increased import prices
  - Longer lead times and lower availability of stock

Mitigation

- Focus on locations and uses which historically have proved to be economically resilient
- Tourism and retail/leisure spending in the West End are not reliant on the wider-UK economy
- Active promotion of our areas
- Diverse tenant base with limited exposure to any one tenant
- Tenant deposits held against unpaid rent obligations at 30 September 2018: £20.6 million.

This risk has increased during the year due to continued uncertainty as our EU departure approaches.

4. Decline in the UK real estate market

Changes to macroeconomic outlook.

Potential causes

- Changes to global 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

Consequences

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

Mitigation

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

This risk has increased over the year, reflecting growing macroeconomic uncertainty and expectations of rising long-term interest rates.

Restaurants, cafés and leisure – 35% of our portfolio[1,2]

Number	297
Area (sq. ft.)	623,000
Weighted average unexpired lease term[1,3]	9 years
Lettings/rent reviews[1] during the year ended 30 September 2018	£10.5m

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

Julia Wilkinson, Head of Restaurant Strategy answers questions on restaurants, cafés and leisure:

Why do you invest in restaurants, cafés and leisure?

With its high footfall, the West End has become London's dining hot-spot. Increasingly, the large working population and visitors are looking for interesting and different dining and leisure experiences. Consequently, these are important drivers of footfall, dwell-time and trading in our locations.

What are you looking for when you select tenants?

The majority of our restaurants provide casual dining, with a focus on atmosphere, quality and experience, often with an all-day offer.

Favouring mid-market formats, we look for distinctive concepts, something we don't have and which add more depth to the existing offer. We like operators to have had some experience honing their concept, in, for example, pop-ups, markets, supper clubs etc. We think about whether we would like to eat there, as we are customers as well.

Is it a risk taking fledgling operations?

It is part and parcel of our philosophy to be forward-thinking; to support new concepts. The team behind them needs to be good, have a plan for fit-out, service and social media, and be well-financed.

Are you being impacted by the number of casual dining concepts which are in financial difficulty?

We continue to see healthy trading across our areas. Much of the well-publicised financial distress has been in national chain formats, which have expanded across the country and are suffering from a national slowdown in dining and leisure spending, or poor site selection. We are not seeing this in our areas, where the footfall is high and there is a relatively affluent customer base. The incidence of concepts not succeeding in our locations is relatively low, but, with unsatisfied demand, others usually are keen to step in and take the space.

Why is the availability of restaurant and leisure space constrained?

Local planning and licensing policies restrict large-scale increases in these uses, whether by development, extension of existing space, or conversion from other uses. The barriers to entry are high, with existing operators reluctant to relinquish their valuable sites, other than for significant premiums. Generally, tenants ensure they preserve their valuable occupation rights and our bad debt history is low.

How good is occupier demand?

With operators attracted by potential to trade prosperously in this seven-days-a-week economy, occupier demand is good, outstripping availability of space. Competition for available space continues to be strong, and occupancy levels remain high. At 30 September 2018, EPRA vacancy[1,2] for our restaurant, café and leisure space was 1.4%, of which 0.4% was under offer.

1 Wholly-owned portfolio
2 % of ERV
3 At 30 September 2018

How is Chinatown changing?

The 86 restaurants, cafés and bars we own in Chinatown, close to the West End's major entertainment venues, represent 35%, by floor space, of our total ownership of these valuable uses. In this especially busy location, notable for its long hours of trading, our strategy is to improve the variety of the dining offer, whilst maintaining affordability and remaining respectful of its Chinese heritage. Our vision is to showcase different regions of China, whilst adding pan-Asian operators.

Recently, we have invested in improving the overall visitor experience through major public realm improvements. Also, we have improved our branding for the area through events, marketing and a stronger social media presence, including in mainland China.

What are your typical lease terms?

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

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

Reflecting the strength of demand for our restaurant space, in recent years we have reduced the term of leases we grant and introduced more flexibility at expiry. Also, we include turnover-related rental top-ups, giving us the higher of market rent and a percentage of annual turnover. This provides a useful contribution to both income and earnings, as well as providing us with data to better understand the metrics of restaurant trading across our areas.

At 30 September 2018, the proportion of our restaurant income under historical leases was 54% (2017: 60%), providing us with opportunities to add further value and flexibility over the coming years.

Retail – 33% of our portfolio[1,2]

Number	298
Area (sq. ft.)	470,000
Weighted average unexpired lease term[1,3]	4 years
Lettings/rent reviews[1] during the year ended 30 September 2018	£6.5m

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

Sam Bain-Mollison, Head of Retail, answers questions on retail:

What is the typical space you lease?

A significant feature of our retail portfolio is that we are able to offer retailers the choice of a wide range of rental levels and shop sizes, from small boutiques to large flagships, in modern or historic buildings, so they can find the right space to suit their brand. It allows us to attract a variety of formats from new start-ups to more established retailers looking to open unique concepts in the West End.

How do you keep your destinations interesting?

It is important that shoppers can find something different from that commonly found in shopping centres and on high streets. Our retail strategy constantly evolves to respond to changing consumer behaviour, but the central principle remains - maintain a fresh retail mix by seeking out both national and international brands which intend to launch new, interesting concepts and global first stores. Many of our retailers are independents, an important factor in making our districts unique destinations.

How do you assess potential retailers?

Each of our destinations has a specific brand identity. In selecting retail concepts, we assess whether they fit this identity, will add value and attract footfall. We favour brands that offer unique experiences and products, want to be part of our community and which offer a reason for shoppers to visit our areas.

Is social media important?

It is important but we look at everything a brand does. If they are using social media in an exciting and fresh way to generate consumer interest and drive sales, then that's a good sign. However, this is only one part of the story. If the brand has an interesting story, is generating interest, and is driving footfall in our streets, then it adds value to the area.

How do you stay ahead of the curve?

Our typical retail leases are short, allowing us to have a portfolio of brands which are relevant and trend-driven. It is important we identify the next generation of ideas and concepts. We travel a lot looking for inspiration, seeing other cities and their brands, and visiting retailers who are interested in opening in London. Many retailers we meet view London's West End as the place to launch a successful international business.

Trade shows also provide new ideas, as do existing tenants who look to grow within our areas or start new concepts. Sometimes we trial new brands on a short and flexible basis, which often are converted to longer leases.

How do you assess whether a brand is a success?

Our relationship with brands starts when we select them. Our office is close to all our shops so we have real-time day-to-day experience of their trading. This knowledge is supplemented by turnover data.

1 Wholly-owned portfolio
2 % of ERV
3 At 30 September 2018

How has online retail affected you?

Whilst online is having a major impact on wider high street retail, we find that there is consumer demand for the interesting mix of brands and concepts across our areas, particularly when coupled with the experience that our food and beverage offer provides. Also, we are starting to see internet brands wanting physical space in our destinations, to reinforce their brand identities.

How are retailers trading in your areas?

Despite continued headwinds and challenges across the retail sector, generally our tenants continue to trade well. Importantly, our mid-market retail offer is not limited solely to fashion, but includes, for example, health and beauty, accessories and lifestyle brands.

Whilst businesses are being more cautious in taking on new commitments over larger space, and the average time to conclude lettings has increased a little this year, we are continuing to see good interest for the smaller space we typically have to offer. Our flexible portfolio allows us to respond to this demand, and, where practical, we are dividing larger units. Importantly, rental levels in our high-footfall and spending locations are competitive compared with nearby streets.

Leasing activity during the year has been good with lettings, renewals and rent reviews being concluded ahead of ERVs assessed by our valuers.

At 30 September 2018, EPRA vacancy[1,2] of our retail space was 10.9%, of which 7.0% was under offer, including 5.3% at Central Cross and Thomas Neal's Warehouse. Average retail vacancy[1] over the past ten years has been 3.7%.

1 Wholly-owned portfolio
2 % of ERV

Offices - 20% of our portfolio[1,2]

Area (sq. ft.)	466,000
Weighted average unexpired lease term[1,3]	4 years
Lettings/rent reviews[1] during the year ended 30 September 2018	£6.2m

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

Rob Kirk and Charles Owen, Portfolio Executives, answer questions on offices:

How important are offices to your areas?

Offices are integral to the mix of uses in our areas, bringing a large working population which is an important source of customers for our restaurants, cafés, pubs and shops during the week.

How big is a typical office?

As with our other uses, the historical nature of our buildings means that there is no typical unit size. At 30 September 2018, we owned 466,000 sq. ft. of office space across our wholly-owned portfolio, a net increase of 63,000 sq. ft. during the year, of which 54,100 sq. ft. was due to the purchase of 72 Broadwick Street, Carnaby. Our office space, which is mostly above restaurants, cafés and shops, is let to 253 tenants. Our average letting is 1,420 sq. ft., often over more than one floor. We do have a number of larger floor plates, mainly in Carnaby and Seven Dials, which means we appeal to different sized businesses.

Typically, who are your tenants?

Many are SME companies in the media, creative, fashion and tech sectors, which have traditionally been based across Carnaby, Soho and Covent Garden. They are attracted by the community of similar businesses in this vibrant, creative part of London. Additionally, our tenants benefit from privilege cards, offering discounts in our shops, restaurants and cafés.

Are you being adversely impacted by the rise of flexible and co-working operators?

We offer flexible space on affordable terms and have a range of office sizes, allowing our occupiers to grow and adapt in a rapidly-changing market. At 30 September 2018, our average rent was £57 per sq. ft. (2017: £55 per sq. ft.) and average ERV was £64 per sq. ft. (2017: £61 per sq. ft.).

The growth in flexible and co-working operators, in and around our areas, is a positive, bringing additional, often young, workers, who become customers for our restaurants, cafés, pubs and shops.

Responding to the need to remain competitive with occupiers' requirements, we have a programme to ensure fibre connectivity to our buildings, so occupiers can "plug and play". Also, in Seven Dials, we are trialling a flexible workspace concept, providing tenants with fitted and cabled space, and are working on a portal system which will better connect occupiers to provide a more integrated community. Lease contracts for this space are short and simple, costs are fixed and lease terms are flexible, starting at two years.

How is demand?

The availability of office space like ours remains low across our locations and we continue to see good demand. Whilst we have seen a small increase in incentive packages, retention rates have been good, and occupancy levels have remained high. At 30 September 2018, EPRA vacancy[1,2] for our offices was 2.0% of total office ERV.

1 Wholly-owned portfolio
2 % of ERV
3 At 30 September 2018

Residential – 12% of our portfolio[1,2]

Number	593
Area (sq. ft.)	359,000
EPRA vacancy[3]	2.0%
Lettings/renewals[1] during the year ended 30 September 2018	£6.2m

Demand to rent our 595 mid-market apartments - mainly studios and one or two bedroom flats – remains good.

Shelley Webb, Head of Residential, answers questions on our residential portfolio:

What are your typical apartments?

They are mainly mid-market, affordable studios and one or two-bedroom apartments, many of which have been created from the conversion of small office accommodation back to its original residential use.

Who are your tenants?

Typically they are international students and people working in and around the area, often for a few years only, who want the buzz of the West End.

How is the letting market?

Demand remains good and normally we have over 98% occupancy. Lettings and renewals[1] with a rental value of £8.2 million were completed during the year. Whilst rents achieved, on average, were 0.1% below previous levels, reflecting a greater availability of flats to rent in Central London, high occupancy levels have delivered an important cash flow for the business.

How are you responding to increased competition across central London?

We have a rolling programme to upgrade our apartments, in order to ensure their specification remains competitive. Currently, we are planning to install fibre connectivity to our flats, a feature which is increasingly demanded by potential tenants.

How long are your leases?

We let our apartments unfurnished, on three-year Assured Shorthold Tenancies. In our experience, around 10% of leases renew at the end of term.

Will your residential portfolio continue to grow?

Over the past five years, we have increased the number of apartments by approximately 26%, through conversion from other uses and acquisitions. We have a number of planning consents for residential conversion, which we could implement in the future. However, we do not expect the proportion of our income from residential to change materially.

Why do you choose to lease rather than sell your apartments?

Most of the value of our buildings is in the commercial uses on the lower floors. Generally, we do not sell our apartments so that we retain control over whole buildings to realise the long-term potential in those valuable lower floors.

1 Wholly-owned portfolio
2 % of ERV

Shareholder information

Corporate Timetable

Financial Calendar	
Annual General Meeting and AGM statement	8 February 2019
2019 half year results	May 2019

Dividends and bond interest	
Proposed 2018 final dividend:	
Ex-dividend	17 January 2019
Record date	18 January 2019
Payment date	15 February 2019
2019 interim dividend to be paid	July 2019
Bond interest	31 March and 30 September 2019

Effect of REIT status on payment of dividends

As a REIT, we do not pay UK corporation tax in respect of rental profits and chargeable gains relating to our property rental business. However, we are required to distribute at least 90% of the qualifying income (broadly calculated using the UK tax rules) as a PID.

Certain categories of shareholder may be able to receive the PID element of their dividends gross, without deduction of withholding tax. Categories which may claim this exemption include: UK companies, charities, local authorities, UK pension schemes and managers of PEPs, ISAs and Child Trust Funds.

Further information and the forms for completion to apply for PIDs to be paid gross are available on our website or from the registrar.

Where we pay an ordinary dividend this will be treated in the same way as dividends from non-REIT companies. The 2018 final dividend will be paid as an ordinary dividend.

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex, BN99 6DA

Telephone 0371 384 2294 (International +44 121 415 7047). Lines open 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

Shareholder accounts may be accessed online through www.shareview.co.uk. This gives secure access to account information instructions. There is also a Shareview dealing service which is a simple and convenient way to buy or sell shares in the Company.

Secretary and registered office

Penny Thomas LLB (Hons), FCIS
22 Ganton Street
Carnaby
London W1F 7FD

Glossary of terms

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.

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.

Best Practices Recommendations (BPR)
Standards set out by EPRA to provide comparable reporting between investment property companies.

Blended cost of debt
Weighted average cost of drawn borrowings, plus non-utilisation fees on undrawn borrowings.

Building Research Establishment Environmental Assessment Method (BREEAM)
An environmental impact assessment method for commercial buildings. Performance is measured across a series of ratings: Pass, Very Good, Excellent and Outstanding.

Compound Annual Growth Rate (CAGR)
The year-on-year growth rate of an investment over a specified period of time.

Diluted net asset value per share
Net asset value per share taking into account the dilutive effect of potential vesting of share options.

EPRA
European Public Real Estate Association.

EPRA adjustments
Standard adjustments to calculate EPRA measures, in accordance with its BPR.

EPRA cost ratio
Total costs as a percentage of gross rental income.

EPRA earnings
The level of recurring income arising from core operational activities. It excludes all items which are not relevant to the underlying and recurring portfolio performance.

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

EPRA net assets
Net assets adjusted for items that are not expected to crystallise in normal circumstances, such as the fair value of derivative financial instruments and deferred tax on property valuation surpluses. It includes additional equity if all vested share options were exercised.

EPRA NAV
EPRA net assets per share, including the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA triple net assets
EPRA net assets amended to include the fair value of financial instruments and debt.

EPRA NNNAV
EPRA NAV amended to include the fair value of financial instruments and debt.

EPRA vacancy
The rental value of vacant property available 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.

Estimated rental value (ERV)
ERV is the market rental value of properties owned by the Group, estimated by the Group's valuers. Like-for-like ERV growth is the change in ERV during a period, adjusted to remove the impact of acquisitions and disposals, expressed as a percentage of ERV at the start of the period.

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.

Gearing
Nominal value of Group borrowings expressed as a percentage of EPRA net assets.

Interest cover
Operating profit before investment property disposals and valuation movements, divided by finance costs net of finance income.

Like-for-like growth in rents receivable
The increase in rents receivable during an accounting period, adjusted to remove the impact of acquisitions, disposals and changes as a result of larger refurbishment schemes, expressed as a percentage of rents receivable in the corresponding previous accounting period.

Loan-to-value (LTV)
Nominal value of borrowings expressed as a percentage of the fair value of property assets.

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.

Net asset value (NAV)
Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date.

Net asset value return
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.

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.

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.

Topped-up net initial yield
Net initial yield adjusted to assume rent-free periods or other unexpired lease incentives, such as discounted rent periods and stepped rents, have expired.

Total Shareholder Return (TSR)
The change in the market price of an ordinary share plus dividends reinvested expressed as a percentage of the share price at the beginning of the period.

Valuation growth
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.