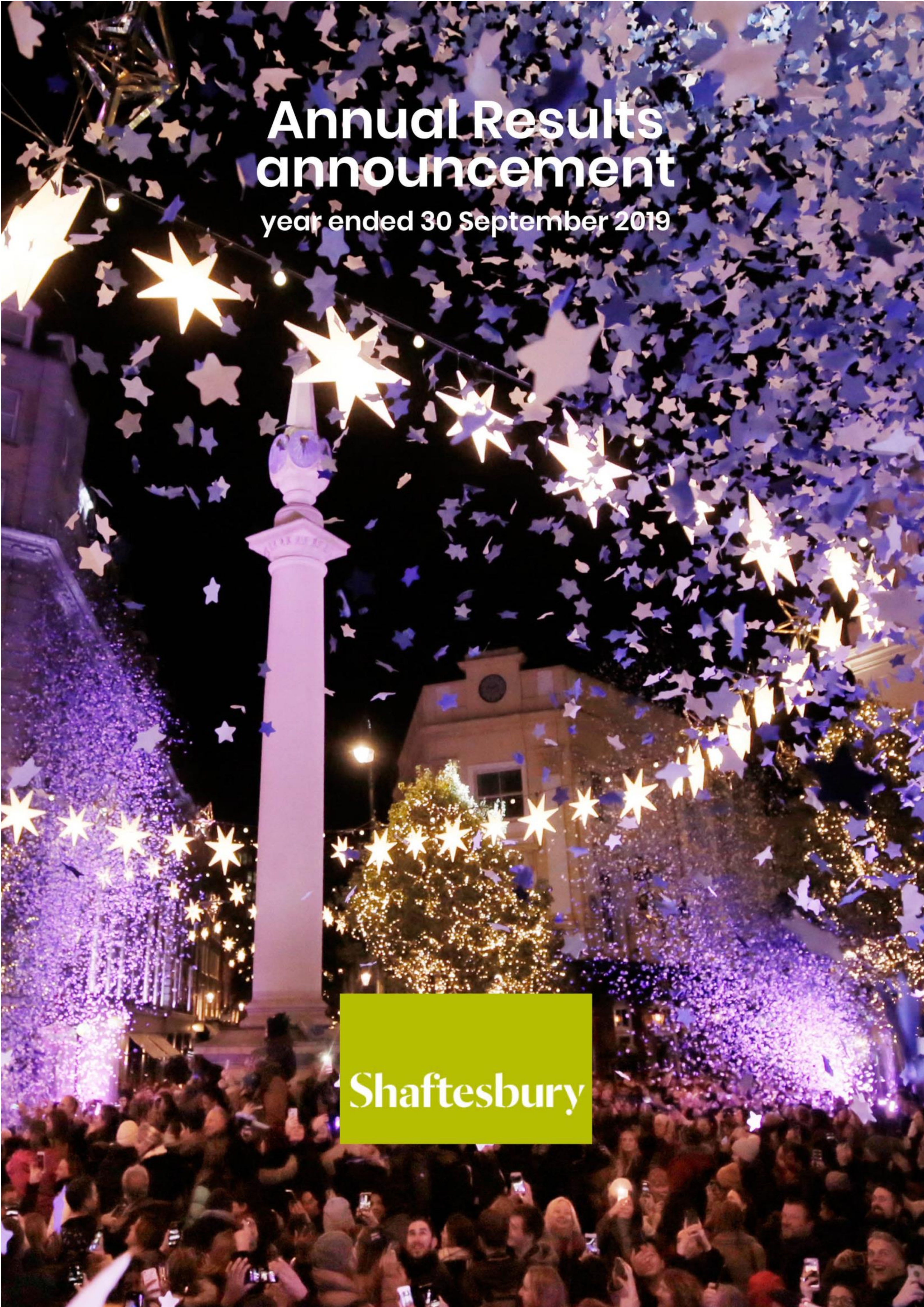
Annual Results announcement

year ended 30 September 2019



Shaftesbury

SHAFTESBURY 2019 FULL YEAR RESULTS
Business model and proven strategy delivers growth in income, earnings and dividends

Shaftesbury PLC, the Real Estate Investment Trust that owns a 15.2-acre portfolio in the heart of London's West End, today announces its results for the year ended 30 September 2019.

Financial Highlights – resilient performance

Resilient performance demonstrates both the exceptional qualities of our portfolio, located in the heart of London's West End, and our proven long-term strategy:

- Net property income up 4.5% to £98.0m (2018: £93.8m) following a 4.9% like-for-like increase in rental income
- EPRA earnings[1]: £54.6m, +5.6% (2018: £51.7m)
- Property valuations:
  - Combined portfolio: £4.0bn: -0.6%[2]
  - Wholly-owned portfolio: £3.8bn; broadly stable: -0.2%[2]
  - Longmartin JV: £0.2bn (-8.5%)[2]
    - retail valuation down[2]:-19.4%
    - non-retail valuation stable: -0.6%[2]
- Profit after tax: £26.0m (2018: £175.5m). Decrease due to revaluation deficits in the current year
- Net assets: £3.0bn, -0.9%
- EPRA NAV[1]: £9.82, -0.9% (2018: £9.91)
- Final dividend: 9.0p, +5.9% (2018: 8.5p).
  - Total dividend for the year: 17.7p. +5.4% (2018: 16.8p)
  - Increase reflects growth in income and earnings and confidence in future

Operational highlights – robust demand and high level of activity

- Occupiers, on average, reporting turnover growth but cost pressures continue
- Robust demand from wide range of domestic and international occupiers
- High level of asset management continues:
  - Schemes across 241,600 sq. ft. during the year
  - Planning consent for 72 Broadwick Street scheme secured and works commenced
  - Projects underway extending to 213,000 sq. ft., with an Estimated Rental Value (ERV) of £15.5m (10.4% of portfolio ERV)
- Leasing activity continues to grow income, rental values and EPRA earnings:
  - Commercial lettings and rent reviews concluded, on average, 3.2% above ERV at September 2018
  - L-f-L ERV growth in wholly-owned portfolio: 3.2%

- Wholly-owned portfolio reversionary potential: £32.6m, 27.8% over annualised current income

- Underlying vacancy remains low: 3.2%, of which 1.5% under offer

Brian Bickell, Chief Executive, commented:

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

Our skill in curating distinctive, prosperous destinations, which combine authentic experiences and innovative choices, is complemented by our long experience in continually adapting our buildings to meet trends in demand, occupier requirements and stringent environmental standards.

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

Statement of Comprehensive Income		**2019**	2018	Change
Reported results				
Net property income	£m	**98.0**	93.8	+4.5%
Profit after tax	£m	**26.0**	175.5	(85.2)%
Basic earnings per share	Pence	**8.5**	58.1	(85.4)%
Final dividend per share	Pence	**9.0**	8.5	+5.9%
Total dividends for the year	Pence	**17.7**	16.8	+5.4%
EPRA results[1]				
Earnings	£m	**54.6**	51.7	+5.6%
Earnings per share	Pence	**17.8**	17.1	+4.1%
Balance Sheet				
Net assets	£m	**3,007**	**3,033**	(0.9)%
Net asset value per share[1]	£	**9.78**	**9.87**	(0.9)%
EPRA[1]				
Net assets	£m	**3,021**	**3,050**	(0.9)%
Net asset value per share	£	**9.82**	**9.91**	(0.9)%
Total Accounting Return	%	**0.8%**	**5.8%**	

Demand and occupancy

- Leasing transactions completed with a rental value of £33.5m (2018: £31.4m). Commercial lettings, lease renewals and rent reviews (rental value: £26.2m) concluded at an average 3.2% above 30 September 2018 ERV.

- EPRA vacancy down 0.9% to 3.7% (2018: 4.6%).

- Underlying EPRA vacancy: 3.2%, of which 1.5% was under offer at 30 September 2019.

Central Cross

- Now 93% let or under offer. Two shops available, one of which is under offer.

Portfolio valuation

- Combined valuation[1], including our share of Longmartin joint venture: £4.0bn. Valuation decline[1,2] -0.6%.

- **Wholly-owned portfolio (95% of combined portfolio[1]):**
  - Valuation: £3.8bn; valuation decline[1,2]: 0.2%, following yield expansion in respect of larger shops (mainly Carnaby) and average 2.3% softening in residential values, offset by rental growth.
  - Annualised current income: £117.1m (2018: £113.4m). Like-for-like growth: +2.4% despite high levels of refurbishment activity during the year. 10-year CAGR[2]: 4.2%.
  - ERV increased by £6.0m to £149.7m (2018: £143.7m). Like-for-like growth: +3.2%. CAGR[2] over 10 years: 4.8%.
  - Portfolio reversionary potential: £32.6m, 27.8% above annualised current income, of which £15.5m relates to refurbishment schemes underway at 30 September 2019.
  - Equivalent yield: +6 basis points to 3.47% (2018: 3.41%).

- **Longmartin joint venture (5% of combined portfolio[1]):**
  - Valuation[3]: £209.0m. Valuation decline[1,2]: 8.5% (LfL).
  - Retail valuation down 19.4% (LfL)
    - 14% decrease in Long Acre “high street” retail ERVs.
    - Equivalent yield: +35 basis points on Long Acre. Overall retail: +25 basis points to 3.89% (2018: 3.64%).
  - Non-retail valuation stable: -0.6% (LfL)
    - ERV: +0.8% (LfL)
    - Equivalent yield: + 3 basis points to 3.97% (2018: 3.94%).
  - Overall ERV decline[2]: 3.5%
  - Overall equivalent yield: +12 basis points to 3.94% (2018: 3.82%).

Portfolio investment

- Redevelopment and refurbishment schemes during the year across 241,600 sq. ft.. Capital expenditure: £30.9m.
  - 72 Broadwick Street: planning application secured and works commenced.
  - Space extending to 213,000 sq. ft. (ERV: £15.5m; 10.4% of portfolio ERV) held for, or under, refurbishment at 30 September 2019.
  - Projects with an ERV of £3.0m completed in the year. New schemes with an ERV of £5.6m commenced.
  - Schemes with an ERV of £7.7m expected to complete in coming year (£5.0m in the first half).

- Capital expenditure[3] in the Longmartin joint venture: £3.7m, predominantly across two schemes.

- Acquisitions: £47.0m. Disposals: £14.3m (net of sales costs), 24.3% above book value.

- Forward purchase of 90-104 Berwick Street, now expected to complete by 30 April 2020. Reduction in purchase price from £38.5m to £36m.

Financing

- LTV[1,4]: 23.9% (2018: 22.6%), pro-forma 25.6% for investment commitments.
- Weighted average maturity of debt: 9.3 years (2018: 10.3 years).
- Blended cost of debt[1]: 3.2% (2018: 3.2%). Marginal cost of unutilised facilities: 1.6% (2018: 1.6%).

25 November 2019

For further information:

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Shaftesbury PLC LEI: 213800N7LHKFNTDKAT98

1. 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 25.
2. Like-for-like
3. Our 50% share
4. Based on net debt

See Glossary of terms on pages 51 to 54.

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 26 November 2019, 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: https://brrmedia.news/33ta2 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 2019 and a portfolio tour at 2.30pm on 6 December 2019. Those wishing to participate in the call or tour should contact Gill Smith on 020 7333 8118 or gill.smith@shaftesbury.co.uk.

Notes for Editors

Shaftesbury is a Real Estate Investment Trust which invests exclusively in the liveliest parts of London's West End. Focused on food, beverage, retail and leisure, our portfolio is clustered mainly in Carnaby, Seven Dials and Chinatown, but also includes substantial ownerships in East and West Covent Garden, Soho and Fitzrovia.

Extending to 15.2 acres, the portfolio comprises 608 restaurants, cafés, pubs and shops, extending to 1.1 million sq. ft., 0.4 million sq. ft. of offices and 610 apartments. All our properties are close to the main West End Underground stations, which currently handle more than 225m 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 long-term projections indicate could be handling 200 million passengers annually.

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 purpose is to curate vibrant and thriving villages in the heart of London's West End. Our proven management strategy is to create and foster distinctive, attractive and prosperous locations. We have an experienced *management team focused on delivering our long-term strategic objectives, ultimately to deliver a positive, long-lasting contribution to the West End. We have a strong balance sheet with conservative leverage.*

Forward-looking statements

This document, the latest Annual Report and Shaftesbury's website may contain certain "forward-looking statements" with respect to Shaftesbury PLC (the Company) and the Group's financial condition, results of its operations and business, and certain plans, strategy, objectives, goals and expectations with respect to these items and the economies and markets in which the Group operates. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "should", "expects", "believes", "intends", "plans", "targets", "goal" or "estimates" or, in each case, their negative or other variations or comparable terminology.

Forward-looking statements are not guarantees of future performance. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Many of these assumptions, risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely. There are a number of such factors that could cause actual results and developments to differ materially from those expressed or implied by these 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. Except as required by its legal or statutory obligations, 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. Nothing contained in this document, the latest Annual Report or Shaftesbury's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Ends

Chief Executive's Statement

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

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

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

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

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

Economic backdrop

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

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

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

The West End continues to attract huge investment in its infrastructure and buildings by public bodies and landowners, as well as from businesses who are based here. We benefit from these commitments by others, which are bringing public realm and environmental improvements, modern offices to support the growth of the local working population, more hotels and new shopping and leisure choices, all of which will enhance the West End's appeal and footfall. The current plans for the Oxford Street District, alone, are expected to deliver £2.9 billion of new investment over the next three years[2].

1 An alternative performance measure ("APM"). See page 25.
2 New West End Company

Occupational market trends

- **Food, beverage, retail and leisure[1] (69% of ERV)**

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

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

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

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

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

- **Offices and residential[1] (31% of ERV)**

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

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

Evolution of our portfolio

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

Examples include:

- Kingly Court, which, during our 22-year ownership, has changed from small offices and workshops, first to a retail-led courtyard and now to a vibrant dining hub;

- In Chinatown, for many years we have been introducing alternative uses in under-utilised upper floors, whilst improving trading space on lower trading floors;

- Demand for very small, inflexible offices has been in long-term decline, so we have responded by converting low-grade space, which cannot be brought up to modern standards, to residential accommodation for rent, to meet growing numbers seeking to live in our lively locations;

1 Wholly-owned portfolio

- Across the portfolio, we continually respond to trends in food, beverage and retail and occupier space requirements, either increasing or reducing trading area by combining or dividing units, or adding or removing first floors and basements.

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

In response to the growing interest and spending on eating out and socialising, which are an important part of any visit to the West End, over recent years, our strategy has been to increase the number of interesting casual dining and leisure concepts in our popular and busy locations. Our 315 restaurants, cafés, pubs and bars are important drivers of footfall, dwell-time and trading in our villages and now account for 38% of our ERV[1], up from 27% ten years ago. Over that same period, the proportion of ERV from retail[1] has fallen from 45% to 31%.

Portfolio activity

This has been another busy year for leasing activity, with commercial and residential transactions[1] of £33.5 million, an increase of £2.1 million over last year. On average, commercial rents achieved exceeded ERVs twelve months earlier by 3.2%, while lease incentives have remained broadly unchanged. Average letting times in the year have been largely in line with last year and underlying occupancy remains around 97%.

During the year, capital investment in our portfolio[1] totalled £30.9 million, as we progressed a number of refurbishment schemes, which will deliver both individual and compound long-term benefits to our holdings. At 30 September 2019, projects underway[1] accounted for 10.4% of portfolio ERV. This included 4.1% at our larger scheme at 72 Broadwick Street, Carnaby, which is due to complete in phases from late 2020. Other schemes accounted for £9.4 million of portfolio ERV, of which £7.7 million is expected to complete in the coming year. Whilst this will increase EPRA vacancy in the short term, once let, they will make an important contribution to earnings over the medium term.

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

Environment, Social and Governance

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

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

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

1 Wholly-owned portfolio

Looking ahead

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

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

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

Brian Bickell
Chief Executive

25 November 2019

Valuation

Combined portfolio

Our combined portfolio comprises properties which are wholly owned by the Group and our 50% share of property held in the Longmartin joint venture. The financial statements, prepared under IFRS, include the Group's interest in this joint venture as one-line items in the Income Statement and Balance Sheet. The combined portfolio valuation is reconciled to the valuation in the financial statements in note 22 to the financial statements.

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

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

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

Wholly-owned portfolio

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

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

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

1 Like-for like
2 Our 50% share
3 Alternative performance measure. See page 25.

The increase in the equivalent yield was predominantly due to:

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

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

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

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

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

Sustained rental growth

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

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

The ERV of our wholly-owned portfolio is based on current, proven rental tones. Importantly, the modest level of lease incentives granted to tenants, usually in the form of rent-free periods, has remained largely unchanged during the year. At 30 September 2019, ERV was assessed by our valuers at £149.7 million, up £6.0 million over the year, following growth in every village. Across the portfolio, like-for-like growth was 3.2%, which included a contribution of 1.1% from 72 Broadwick Street, reflecting its increased rental potential as a result of the refurbishment scheme which is now underway.

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

Rental growth	**Annualised current income £m**	**ERV £m**	**Reversionary potential £m**
At 30 September 2018	113.4	143.7	30.3
Acquisitions	1.0	1.9	0.9
Disposals	(0.1)	(0.5)	(0.4)
Like-for-like growth[1]	2.8	4.6	1.8
At 30 September 2019	**117.1**	**149.7**	**32.6**
Like-for-like growth[1]	**+2.4%**	**+3.2%**	

1 Like-for-like. See Glossary for definition.

Components of the reversionary potential

	Total £m	How it will be realised
Contracted income	**5.9**	Expiry of rent-free periods or contractual increases in rent
EPRA vacancy	**5.5**	Letting of available space
Space held for, or under, refurbishment	**15.5**	Completion and letting of schemes
Under-rented leases	**5.7**	Through the normal cycle of rent reviews, lease renewals and lettings. This is typically converted to income over a 3 – 5 year period.
	32.6	

Longmartin valuation

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

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

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

Retail

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

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

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

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

1 An alternative performance measure ("APM"). See page 25.
2 Like-for-like

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

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

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

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

Portfolio activity

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

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

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

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

EPRA vacancy[1] at 30 September 2019

						% of total ERV	
	Food, beverage and leisure £m	**Shops £m**	**Offices £m**	**Residential £m**	**Total £m**	**2019 %**	2018 %
Larger schemes[2]	-	0.8	-	-	0.8	**0.5%**	1.9%
Underlying vacancy							
Available-to-let	0.5	1.6	0.4	-	2.5	**1.7%**	1.4%
Under offer	0.9	0.8	0.4	0.1	2.2	**1.5%**	1.3%
	1.4	2.4	0.8	0.1	4.7	**3.2%**	2.7%
Total	**1.4**	**3.2**	**0.8**	**0.1**	**5.5**	**3.7%**	4.6%
Area (£'000 sq. ft.)	16	46	12	1	75		100

1 Wholly-owned portfolio.
2 2019: Central Cross; 2018: Thomas Neal's Warehouse and Central Cross.

Larger schemes

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

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

Underlying vacancy

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

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

Asset management

Schemes

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

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

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

Projects underway at year end

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

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

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

1 Wholly-owned portfolio.

72 Broadwick Street, Carnaby

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

- introduce new retail, restaurant and leisure uses;
- relocate the office and residential entrances to allow activation of the commercial frontage on Broadwick Street;
- extend and refurbish the remaining office space; and

- reconstruct the residential accommodation, increasing the number of apartments from eleven to fifteen.

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

Other schemes

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

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

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

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

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	2.1	Q1 2020
1 Little Marlborough Street, Carnaby	Office extension and refurbishment	2.7	0.1	Q1 2020
45/49 Charing Cross Road, Chinatown	Reconfiguration and extension to provide new flagship restaurant space and five apartments at this gateway to Chinatown	4.0	1.6	Q2 2020
16-20 Short's Gardens, Seven Dials	Office reconfiguration and refurbishment	2.1	1.9	Q3 2020
50 Marshall Street, Carnaby	Creation of retail unit and refurbishment/extension of office space	4.9	4.3	Q4 2020

Longmartin asset management

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

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

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

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

- two large adjoining shops on Long Acre (ERV: £0.6 million), which have become vacant and where plans are being prepared to reconfigure the combined space to reduce the retail element and introduce alternative uses at first floor; and

- a scheme to reconfigure the north side of St Martin's Courtyard to create three restaurants (ERV: £0.3 million), each with outside seating, which is currently expected to complete in late 2019.

Public realm improvements

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

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

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

Acquisitions

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

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

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

90-104 Berwick Street

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

Food, beverage and leisure – 38% of our portfolio[1,2]

Halo effect on footfall, dwell-time and trading

At the centre of London's food scene, the West End has a wide choice of high quality, creative and accessible dining experiences, from breakfast through to late night dining. We are the largest single provider of food and beverage space in the West End, curating high-profile and busy destinations such as Chinatown, Kingly Court, Neal's Yard and Opera Quarter. In our experience, a strong food and beverage offer has a halo effect on footfall, encouraging new customers to visit, increasing dwell time and driving improved trading in our villages.

Adding variety to our offer

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

Constrained availability of space

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

1 Wholly-owned portfolio
2 % of ERV

Healthy occupier demand

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

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

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

Evolution of restaurant leases

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

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

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

Retail – 31% of our portfolio[1,2]

Wide range of shop sizes and competitive rents

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

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

Ever-evolving retail strategy

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

1 Wholly-owned portfolio
2 % of ERV

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

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

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

Good leasing activity and high occupancy

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

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

During the year, we concluded 78 lettings, renewals and rent reviews, with a combined rental value of £12.5 million. Importantly, we have a number of retailers which recently have upsized, renewed leases, sometimes ahead of lease expiry, or opened concepts in our other villages, demonstrating their confidence in continued profitable trading in our locations.

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

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

Importance of flexible leasing approach

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

Offices - 19% of our portfolio[1,2]

Important source of customers

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

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

1 Wholly-owned portfolio
2 % of ERV

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

Small, flexible and affordable space

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

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

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

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

High occupancy

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

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

Mid-market accommodation

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

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

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

High occupancy and stable cash flow

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

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

Preference to lease, not sell, our apartments

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

1 Wholly-owned portfolio
2 % of ERV

Financial results

Presentation of financial information

EPRA measures

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, earnings per share and NAV, making adjustments set out by EPRA in its Best Practices Recommendations. These recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency and coherence of the sector. These measures are reconciled to IFRS in note 22 to the financial statements.

Investment properties and debt

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

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

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

Income statement

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

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

- a revaluation deficit, net of disposal profits, which reduced profits, this year, by £12.5 million, compared with a surplus of £127.7 million in 2018; and
- an increase in our share of the post-tax losses from the Longmartin joint venture, as a result of the reduction in the valuation of its investment property (see pages 12 to 13).

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

1 An alternative performance measure ("APM"). See page 25.

EPRA earnings[1]

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

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

The increase in earnings was due to:

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

These were partly offset by:

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

EPRA earnings[1]	£m
2018	51.7
Increase in net property income	4.2
Increase in administrative expenses	(1.5)
Lower net finance costs	0.7
Reduction in Longmartin contribution	(0.5)
2019	**54.6**

Operating profit before investment property disposals and valuation movements

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

Rental income	£m
2018	112.8
72 Broadwick Street	(2.3)
Acquisitions	1.8
Disposals	(0.4)
Like-for-like growth	5.4
2019	**117.3**

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

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

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

1 An alternative performance measure ("APM"). See page 25.

Valuation deficit and disposal profits

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

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

Net finance costs

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

Share of Longmartin post-tax results

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

Tax

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

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

Dividends

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

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

The total distribution for the year will be £54.4 million, 5.4% higher than last year (2018: £51.6 million) and is fully covered by adjusted EPRA earnings[1] of £54.6 million. If approved at the 2020 AGM, the final dividend will be paid on 14 February 2020, with 5.25p as a PID and 3.75p as an ordinary dividend.

Balance Sheet

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

1 An alternative performance measure ("APM"). See page 25.

Net assets

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

EPRA NAV[1]

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

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

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

EPRA NAV[1]	**Pence per share**
2018	991
EPRA earnings	18
Dividends	(17)
Net revaluation movements	(10)
2019	**982**

Cash flows and net debt

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

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

Capital structure

At 30 September 2019, net debt was £905.8 million (2018: £841.3 million) and our loan-to-value ratio[1] increased to 23.9% (2018: 22.6%) as a result of investment in our portfolio during the year and the impact of the revaluation deficits.

Available resources totalled £279.0 million (2018: £343.5 million), of which £82.4 million is earmarked for existing commitments. On a pro-forma basis, taking this expenditure into account, our loan-to-value ratio[1] would be 25.6%.

The blended cost of debt[1] was 3.2% (2018: 3.2%) and the marginal cost of drawing on our committed revolving credit facilities was 1.6% (2018: 1.6%).

1 An alternative performance measure ("APM"). See page 25.

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

	2019 £m	2018 £m
Net debt		
- reported under IFRS	**905.8**	841.3
- proportionally consolidated[1,2]	**965.2**	900.0
Resources		
Cash (IFRS)	**54.0**	118.5
Undrawn floating rate facilities (£m)	**225.0**	225.0
Available resources	**279.0**	343.5
Commitments[3]	**(82.4)**	(92.7)
Uncommitted resources	**196.6**	250.8

	Wholly-owned business 2019	**Including Longmartin 2019**	Wholly-owned business 2018	Including Longmartin 2018
Loan-to-value[1,4]	**23.9%**	**24.2%**	22.6	22.8%
Gearing[1,4,5]	**31.9%**	**31.9%**	29.5	29.5%
Interest cover[1]	**2.7x**	**2.7x**	2.6x	2.6x
% drawn debt fixed	**100%**	**100%**	100%	100%
Blended cost of debt[1,6]	**3.2%**	**3.2%**	3.2%	3.2%
Marginal cost of undrawn floating rate facilities	**1.6%**	**1.6%**	1.6%	1.6%
Weighted average maturity (years)	**9.3**	**9.2**	10.3	10.2

Debt maturity profile

Year of maturity	**Facility type**	**Total facility £m**
2022	Bank	125
2023	Bank	100
2026	Term loan (Longmartin joint venture)[7]	60
2027	Bonds	290
2029	Term loan	135
2030	Term loan	130
2031	Bonds	285
2035	Term loan	120

1 Alternative performance measure. See page 25.
2 Including our 50% share of Longmartin debt. See presentation of financial information on page 20.
3 Capital commitments (wholly-owned portfolio). 2018 included expected scheme commitments at 72 Broadwick Street.
4 Based on net debt
5 Based on EPRA net assets
6 Including non-utilisation fees on undrawn bank facilities
7 Shaftesbury's 50% share; non-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 22 and Financial Results (page 21)
Adjusted earnings per share	Basic earnings per share	Note 22 and Financial Results (page 22)
Net asset value per share	Net assets attributable to shareholders	Note 22
Diluted net asset value per share	Net assets attributable to shareholders	Note 22
EPRA net assets and NAV	Net assets	Note 22 and Financial Results (pages 22 to 23)
EPRA triple net assets	Net assets	Note 22
EPRA triple NAV (NNNAV)	Net assets	Note 22
Total Accounting Return	N/A	Note 22 and Financial Results (pages 22 to 23)
Combined portfolio	Investment properties	Valuation (page 10) and Financial Results (page 20)
Combined portfolio revaluation	Net surplus/deficit on revaluation of investment properties	Note 22 and Chief Executive's Statement (page 6)
Valuation growth/decline/decrease	Net surplus/deficit on revaluation of investment properties	Valuation (pages 10 and 12) and Financial Results (page 22)
Net debt	Borrowings less cash and cash equivalents	Note 22 and Financial Results (page 24)
Loan-to-value (LTV)	N/A	Note 22 and Financial Results (pages 23 to 24)
Gearing	N/A	Note 22 and Financial Results (page 24)
Blended cost of debt	N/A	Note 22 and Financial Results (pages 23 to 24)
Interest cover	N/A	Note 22 and Financial Results (page 24)

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

Portfolio analysis

At 30 September 2019		Note	Carnaby	Covent Garden	Chinatown	Soho	Fitzrovia	Wholly-owned portfolio	Longmartin[1]
Portfolio	Fair value (£m)	1	1,437.7	1,036.5	843.9	314.1	152.0	3,784.2	209.0
	% of total fair value		36%	26%	21%	8%	4%	95%	5%
	Current income (£m)	2	44.4	30.3	26.8	10.7	4.9	117.1	7.5
	ERV (£m)	3	60.8	39.0	31.8	12.1	6.0	149.7	10.0
Food, beverage and leisure	Number		68	98	92	33	24	315	9
	Area – sq. ft.		167,000	203,000	213,000	63,000	51,000	697,000	42,000
	% of current income	4	23%	40%	66%	40%	49%	40%	13%
	% of ERV	4	23%	37%	63%	38%	50%	38%	15%
	Average unexpired lease length – years	5	9	8	10	9	7	9	13
Shops	Number		101	98	49	35	10	293	21
	Area – sq. ft.		178,000	130,000	79,000	43,000	16,000	446,000	69,000
	% of current income	4	43%	28%	17%	27%	16%	30%	34%
	% of ERV	4	40%	31%	20%	29%	16%	31%	35%
	Average unexpired lease length – years	5	3	4	4	3	4	3	3
Offices	Area – sq. ft.		271,000	88,000	26,000	40,000	10,000	435,000	102,000
	% of current income	4	28%	11%	3%	16%	7%	16%	36%
	% of ERV	4	31%	14%	3%	18%	8%	19%	36%
	Average unexpired lease length – years	5	3	4	3	2	1	3	4
Residential	Number		113	219	154	68	56	610	75
	Area – sq. ft.		69,000	135,000	100,000	37,000	27,000	368,000	55,000
	% of current passing rent	4	6%	21%	14%	17%	28%	14%	17%
	% of ERV	4	6%	18%	14%	15%	26%	12%	14%

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	2.72%	2.55%	2.78%	2.85%	2.73%	2.70%	2.96%
Topped-up initial yield	8	2.98%	2.75%	2.89%	2.97%	2.73%	2.89%	3.17%
Overall equivalent yield	9	3.67%	3.28%	3.35%	3.45%	3.40%	3.47%	3.94%
Tone of restaurant equivalent yields	10	3.40%-3.85%	3.35%-3.90%	3.40%-3.75%	3.40%-3.75%	3.35%-3.65%		4.00%-4.25%
Tone of restaurant ERVs - £ per sq. ft.	10	£120-£155	£60-£200	£270-£428 (ZA)	£120-£145	£90-£125		£115-£145
Tone of retail equivalent yields	10	3.35%-3.75%	3.00%-3.90%	3.40%-4.25%	3.50%-4.25%	3.40%-4.35%		3.75%-4.25%
Tone of retail ERVs - ITZA £ per sq. ft.	10	£125-£540	£110-£480	£150-£375	£165-£305	£100-£215		£94-£600
Tone of office equivalent yields	10	4.00%-4.50%	4.00%-4.25%	4.25%-4.50%	4.25%-4.50%	4.00%-4.35%		4.00%-4.50%
Tone of office ERVs - £ per sq. ft.	10	£58-£90	£50-£70	£43-£65	£53-£73	£48-£60		£63-£80
Average residential ERVs - £ per sq. ft. per annum	10	£53	£51	£44	£49	£57		£51

Notes

1. The fair values at 30 September 2019 (the “valuation date”) shown in respect of the individual villages are, in each case, the aggregate of the fair values of several different property interests located within close proximity which, for the purpose of this analysis, are combined to create each village. The different interests within each village were not valued as a single lot.
2. Current income includes total annualised actual and ‘estimated income’ reserved by leases. No rent is attributed to leases which were subject to rent-free periods at the valuation date. Current income does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. ‘Estimated income’ refers to gross estimated rental values in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.
3. ERV is the respective valuers’ opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, reflecting the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Where appropriate, ERV assumes completion of developments which are reflected in the valuations. ERV does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings.
4. The percentage of current income and the percentage of ERV in each of the use sectors are expressed as a percentage of total income and total ERV for each village.
5. Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases and, where relevant, by reference to tenants’ options to determine leases in advance of expiry through effluxion of time.
6. Where mixed uses occur within single leases, for the purpose of this analysis, the majority use by rental value has been adopted.
7. The initial yield is the net initial income at the valuation date expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at the valuation date.
8. The topped-up initial yield, ignoring contractual rent-free periods, has been calculated as if the contracted rent is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.
9. Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income discounted at this rate equals the capital outlay at values current as of the valuation date. The equivalent yield shown for each village has been calculated by merging together the cash flows and fair values of each of the different interests within each village and represents the average equivalent yield attributable to each village from this approach.
10. The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.
11. All commercial floor areas are net lettable. All residential floor areas are gross internal.
12. For presentation purposes some percentages have been rounded to the nearest integer.
13. The analysis includes accommodation which is awaiting, or undergoing, refurbishment or development and is not available for occupation at the date of valuation.

Group statement of comprehensive income

For the year ended 30 September 2019

	Notes	**2019 £m**	2018 £m
Revenue	5	**126.9**	122.1
Property charges	6	**(28.9)**	(28.3)
Net property income		**98.0**	93.8
Administrative expenses	7	**(15.2)**	(13.7)
Operating profit before investment property disposals and valuation movements		**82.8**	80.1
Profit on disposal of investment properties	8	**2.8**	4.6
Net revaluation (deficit)/surplus on investment properties	11	**(15.3)**	123.1
Operating profit		**70.3**	207.8
Finance income		**1.0**	0.8
Finance costs	9	**(31.5)**	(32.0)
Share of post-tax loss from joint venture	13	**(13.8)**	(1.1)
Profit before tax		**26.0**	175.5
Tax charge for the year	10	**-**	-
Profit and total comprehensive income for the year		**26.0**	175.5
Earnings per share:	22		
Basic		**8.5p**	58.1p
Diluted		**8.5p**	58.0p
EPRA		**17.8p**	17.1p

See pages 20 to 23 for an explanation of the EPRA measures used in these financial statements.

Group balance sheet

As at 30 September 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Investment properties	11	**3,765.9**	3,714.8
Accrued income	12	**13.1**	9.9
Investment in joint venture	13	**127.6**	143.9
Property, plant and equipment		**1.4**	1.3
Other receivables	15	**3.7**	3.7
		3,911.7	3,873.6
Current assets			
Trade and other receivables	14	**35.1**	30.3
Cash and cash equivalents	15	**54.0**	118.5
Total assets		**4,000.8**	4,022.4
Current liabilities			
Trade and other payables	16	**43.8**	40.8
Non-current liabilities			
Borrowings	17	**949.8**	948.6
Total liabilities		**993.6**	989.4
Net assets		**3,007.2**	3,033.0
Equity			
Share capital	19	**76.9**	76.8
Share premium		**378.6**	378.4
Share-based payments reserve		**1.3**	1.2
Retained earnings		**2,550.4**	2,576.6
Total equity		**3,007.2**	3,033.0

Group cash flow statement

For the year ended 30 September 2019

	Notes	**2019 £m**	2018 £m
Operating activities			
Cash generated from operating activities	21	**79.8**	76.5
Interest received		**1.0**	0.8
Interest paid		**(30.2)**	(31.0)
Net cash from operating activities		**50.6**	46.3
Investing activities			
Investment property acquisitions		**(47.2)**	(167.8)
Investment property disposals	8	**14.3**	13.3
Capital expenditure on investment properties		**(28.2)**	(26.6)
Purchase of property, plant and equipment		**(0.5)**	(0.4)
Dividends received from joint venture		**2.5**	3.0
Increase in loans to joint venture		**(3.3)**	(3.0)
Net cash used in investing activities		**(62.4)**	(181.5)
Financing activities			
Proceeds from exercise of share options		**0.2**	0.1
Proceeds from share placing	19	**-**	265.2
Share placing costs	19	**-**	(4.8)
Proceeds from borrowings		**-**	72.0
Repayment of borrowings		**-**	(72.0)
Loan issue costs		**-**	(1.8)
Equity dividends paid	20	**(52.9)**	(50.6)
Net cash (used in)/from financing activities		**(52.7)**	208.1
Net change in cash and cash equivalents		**(64.5)**	72.9
Cash and cash equivalents at the beginning of the year	15	**118.5**	45.6
Cash and cash equivalents at the end of the year	15	**54.0**	118.5

Group statement of changes in equity

For the year ended 30 September 2019

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
At 1 October 2018		76.8	378.4	1.2	2,576.6	3,033.0
Profit and total comprehensive income for the year		-	-	-	26.0	26.0
Dividends paid	20	-	-	-	(52.9)	(52.9)
Exercise of share options	19	0.1	0.2	-	(0.1)	0.2
Share-based payments		-	-	0.9	-	0.9
Release on exercise of share options		-	-	(0.8)	0.8	-
At 30 September 2019		**76.9**	**378.6**	**1.3**	**2,550.4**	**3,007.2**
At 1 October 2017		69.8	124.9	3.0	2,449.2	2,646.9
Profit and total comprehensive income for the year		-	-	-	175.5	175.5
Dividends paid	20	-	-	-	(50.6)	(50.6)
Share placing	19	6.9	253.5	-	-	260.4
Exercise of share options	19	0.1	-	-	(0.1)	-
Share-based payments		-	-	0.8	-	0.8
Release on exercise of share options		-	-	(2.6)	2.6	-
At 30 September 2018		76.8	378.4	1.2	2,576.6	3,033.0

Notes to the financial statements

For the year ended 30 September 2019

1. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 30 September 2019 included in this preliminary announcement are extracted from the audited financial statements for the year ended 30 September 2019 which were approved by the directors on 25 November 2019. 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 2019 Annual Report is expected to be posted to shareholders and available on the Group's website in December 2019. It will be considered at the Annual General Meeting to be held on 31 January 2020. The financial statements for the year ended 30 September 2019 have not yet been delivered to the Registrar of Companies.

The auditor's report on the financial statements for the year ended 30 September 2018 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 2018 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 6 to 24. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 23 to 24. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date these financial statements were approved. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

2. Changes in accounting policies

The accounting policies and methods of computation used are consistent with those of the previous financial year, with the exception of new standards and amendments to standards which became effective in the financial year.

New standards adopted during the year
The following standards and amendments to existing standards were relevant to the Group, adopted from 1 October 2018, and did not have a material impact on the financial statements.

Annual Improvements 2014-2016
IFRS 2 (amendment) – Classification of share-based payment transactions
IAS 40 (amendment) – Transfers of investment property

IFRS 9 – Financial Instruments
This standard deals with, amongst other things, the classification and measurement of financial instruments. The main area applicable to the Group is the method for assessing any impairment provisions, given the requirement to use a forward-looking expected credit loss model. The material financial assets subject to the new expected credit loss model include cash and cash equivalents, trade receivables, amounts due from joint venture and amounts due from subsidiaries (Company only). Following adoption of the standard, the accounting policies and disclosures have been updated in line with the new IFRS 9 requirements. There was no material impact to the amounts recognised in the financial statements. The standard was adopted retrospectively, without restating the comparative balances for classification, measurement and impairment.

IFRS 15 – Revenue from contracts with customers
This standard is based on the principle that revenue is recognised when control passes to a customer. For the Group it is applicable to service charge income and proceeds from the disposal of investment properties. It does not include rental income, which falls within the scope of IAS 17 – Leases (IFRS 16 – Leases from 1 October 2019). Following the Group's assessment of the standard, its adoption did not have a material impact to the amounts recognised in the financial statements. The accounting policies and disclosures have been updated in line with the new IFRS 15 requirements. The standard was adopted on a modified retrospective basis, therefore comparative balances have not been restated.

Standards relevant to the Group but not yet effective
The following standard and amendments to existing standards were in issue at the Balance Sheet date, are not yet effective, and have not been adopted early. They are not expected to have a significant impact on the Group's financial statements.

IFRS 9 (amendment) – Prepayment features with negative compensation
IAS 28 (amendment) – Long-term interest in associates and joint ventures
Annual Improvements 2015-2017

IFRS 16 – Leases (effective from 1 October 2019)
For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method. Lessor accounting is substantially unchanged from current accounting. Therefore, since the Group is primarily a lessor, this standard does not significantly impact the Group's financial statements. However, for the Company, it will result in the recognition of a right-to-use asset and corresponding lease liability for its head office, which we estimate at approximately £4.5 million, in the year when the standard becomes effective.

3. Significant judgements, assumptions and key estimates

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

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

Values are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. Cushman & Wakefield and Knight Frank LLP make a number of assumptions in forming their opinion on the valuation of our investment properties, which are detailed in the Basis of Valuation on page 26. These assumptions are in accordance with the RICS Valuation - Global Standards. However, if any assumptions made by the external valuers prove to be incorrect, this may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. See note 11 for further information.

Area of judgement
The directors considered the contingent liability arising from litigation from a shareholder and whether a provision should be recognised. The contingent liability is disclosed in note 23. Otherwise, the directors did not make any significant judgements in the preparation of these financial statements.

4. Segmental information

IFRS 8 requires operating segments to be reported in a manner consistent with the internal financial reporting reviewed by the chief operating decision maker. The chief operating decision maker of the Group is the Board. The Board is responsible for reviewing the Group's internal reporting in order to assess performance.

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see pages 20 to 23 for an explanation on the EPRA measures used in these financial statements).

The Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with restaurants, leisure and retail on the lower floors and small offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no segmental information is presented.

5. Revenue

	2019 £m	2018 £m
Rental income	**117.3**	112.8
Service charge income	**9.6**	9.3
	126.9	122.1

Rental income includes a net increase of £2.3 million from tenant lease incentives (2018: £0.5 million net increase). Included within service charge income is £2.1 million (2018: £1.8 million) of amounts that were deferred at the previous year end. Amounts deferred at the end of the year relate to service charges invoiced in advance for the period 29 September to 24 December.

6. Property charges

	2019 £m	2018 £m
Property operating costs	**7.3**	7.6
Vacant property costs	**2.0**	1.4
Fees payable to managing agents	**2.7**	2.6
Letting, rent review, and lease renewal costs	**3.4**	3.6
Marketing and events expenditure	**3.9**	3.8
Property outgoings	**19.3**	19.0
Service charge expenses	**9.6**	9.3
	28.9	28.3

7. Administrative expenses

	2019 £m	2018 £m
Employee costs	**10.0**	8.5
Depreciation	**0.4**	0.4
Other head office costs	**4.9**	4.9
	15.3	13.8
Less: administrative fees received from the joint venture	**(0.1)**	(0.1)
	15.2	13.7

Employee costs (including the directors)	2019 £m	2018 £m
Wages and salaries	**7.2**	6.6
Social security costs	**0.9**	0.8
Other pension costs	**0.4**	0.3
Equity-settled remuneration	**1.5**	0.8
	10.0	8.5

Included within equity-settled remuneration is a charge of £1.2 million (2018: £0.6 million) for the LTIP and SAYE schemes.

8. Profit on disposal of investment properties

	2019 £m	2018 £m
Net sale proceeds	**14.3**	13.3
Book value at date of sale	**(11.5)**	(8.7)
	2.8	4.6

9. Finance costs

	2019 £m	2018 £m
Mortgage bond interest	**13.9**	13.9
Bank and other interest	**16.4**	16.5
Issue cost amortisation	**1.2**	1.6
	31.5	32.0

10. Tax charge for the year

The Group's wholly-owned business is subject to taxation as a REIT. Under the REIT regime, income from its rental business (calculated by reference to tax rather than accounting rules) and chargeable gains from the sale of its investment properties are exempt from corporation tax.

11. Investment properties

	2019 £m	2018 £m
At 1 October	**3,714.8**	3,407.3
Acquisitions	**47.0**	167.8
Disposals	**(11.5)**	(8.7)
Refurbishment and other capital expenditure	**30.9**	25.3
Net revaluation (deficit)/surplus on investment properties	**(15.3)**	123.1
Book value at 30 September	**3,765.9**	3,714.8
Fair value at 30 September:		
Core properties valued by Cushman & Wakefield	**3,784.2**	3,724.6
Non-core properties valued by Cushman & Wakefield	**-**	2.4
Lease incentives and costs included in receivables	**(18.3)**	(12.2)
Book value at 30 September	**3,765.9**	3,714.8

The investment properties valuation comprises:

	2019 £m	2018 £m
Freehold properties	**3,531.2**	3,495.3
Leasehold properties	**253.0**	231.7
	3,784.2	3,727.0

Investment properties were valued at 30 September 2019 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

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

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out in the Basis of Valuation on page 26. Equivalent yields are based on current market prices, depending on, inter alia, the location and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and occupancy levels. Whilst there is market evidence for these inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made by the valuers to market observable data, these significant inputs are deemed unobservable.

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year (2018: none).

The major inputs to the external valuation are reviewed by the senior management team. In addition, the valuer meets with the external auditor and the Audit Committee.

Fees were agreed at fixed amounts in advance of the valuations being carried out. During the year, Cushman & Wakefield acted as letting agents for Shaftesbury Covent Garden Limited and Shaftesbury CL Limited, rent review surveyors for Shaftesbury CL Limited and provided other advice to Shaftesbury PLC. Non valuation fees represented 36% of total fees for the valuation of the Group's investment properties. Fees payable by the Group to Cushman & Wakefield do not constitute a significant part of their fee income.

Sensitivity analysis
As noted in the significant judgements, assumptions and key estimates section on page 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**	**-0.5% £m**	**-0.25% £m**	**+0.5% £m**	**+1.0% £m**
Increase/(decrease) in the fair value of investment properties	(171.0)	(85.8)	89.4	178.8	684.5	313.0	(500.1)	(883.3)

These key unobservable inputs are inter-dependent. All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of a property, and an increase in the ERV would increase the capital value, and vice versa.

At 30 September 2019, the Group had capital commitments of £82.4 million (2018: £58.7 million). This included £39.0 million (2018: £39.0 million) relating to the forward purchase of a long leasehold interest and £43.4 million (2018: £19.7 million) relating to future capital expenditure for the enhancement of the Group's investment properties. See pages 13 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 17.

12. Accrued income

	2019 £m	2018 £m
Accrued income in respect of lease incentives	**16.1**	12.2
Less: included in trade and other receivables (note 14)	**(3.0)**	(2.3)
	13.1	9.9

13. Investment in joint venture

	2019 £m	2018 £m
Group		
At 1 October	**143.9**	148.0
Share of losses	**(13.8)**	(1.1)
Dividends received	**(2.5)**	(3.0)
Book value at 30 September	**127.6**	143.9

At 30 September 2019, the joint venture had capital commitments of £5.2 million (2018: £10.4 million) relating to future capital expenditure for the enhancement of its investment properties, of which, 50% relates to the Group.

The summarised Statement of Comprehensive Income and Balance Sheet used for consolidation purposes are presented below:

	2019 £m	2018 £m
Statement of Comprehensive Income		
Rental income	**15.0**	16.1
Service charge income	**1.8**	1.5
Revenue from properties	**16.8**	17.6
Property outgoings	**(2.2)**	(1.8)
Service charge expenses	**(1.8)**	(1.5)
Property charges	**(4.0)**	(3.3)
Net property income	**12.8**	14.3
Administrative expenses	**(0.2)**	(0.4)
Operating profit before investment property valuation movements	**12.6**	13.9
Net revaluation deficit on investment properties	**(38.5)**	(10.0)
Operating (loss)/profit	**(25.9)**	3.9
Finance costs	**(6.8)**	(6.8)
Loss before tax	**(32.7)**	(2.9)
Current tax	**(1.2)**	(1.5)
Deferred tax	**6.3**	2.3
Tax credit for the year	**5.1**	0.8
Loss and total comprehensive loss for the year	**(27.6)**	(2.1)
Loss attributable to the Group	**(13.8)**	(1.1)

	2019 £m	2018 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**426.3**	457.4
Accrued income	**1.7**	2.1
Other receivables	**1.3**	1.3
	429.3	460.8
Cash and cash equivalents	**1.2**	2.6
Other current assets	**4.1**	3.9
Total assets	**434.6**	467.3
Current liabilities	**21.7**	15.5
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**37.7**	43.9
Total liabilities	**179.4**	179.4
Net assets	**255.2**	287.9
Net assets attributable to the Group	**127.6**	143.9

14. Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**18.3**	16.2
Provision for expected credit losses	**(1.5)**	(1.2)
	16.8	15.0
Accrued income in respect of lease incentives (note 12)	**3.0**	2.3
Amounts due from joint venture	**7.2**	3.9
Prepayments	**7.6**	9.0
Other receivables	**0.5**	0.1
	35.1	30.3

Trade receivables represent amounts due from tenants. Within this balance is £3.4 million (2018: £2.6 million) owed for service charges.

Provisions against tenant receivables are calculated using a forward-looking expected credit loss model. In determining the provision, the Group considers both recent payment history and future expectations of possible default in order to recognise a lifetime expected credit loss allowance. At 30 September 2019, amounts due from tenants which were more than 90 days overdue totalled £2.7 million (2018: £2.6 million). Provisions against these overdue amounts totalled £1.5 million (2018: £1.0 million). The remaining balance is not considered to be impaired.

Cash deposits totalling £20.7 million (2018: £20.6 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents and are not included within the Group Balance Sheet.

15. Cash and cash equivalents

Cash and cash equivalents at 30 September 2019, comprising cash at bank, were £54.0 million (2018: £118.5 million).

Non-current other receivables include £3.7 million at 30 September 2019 (2018: £3.7 million) which relate to cash held on deposit as security for certain secured term loans, and where there are certain conditions restricting their use.

16. Trade and other payables

	2019 £m	2018 £m
Deferred rental income	**23.0**	22.2
Accruals and deferred service charge income	**5.1**	3.0
	28.1	25.2
Trade payables and accruals in respect of capital expenditure	**3.5**	2.7
Other taxation and social security	**2.9**	5.1
Other payables and accruals	**9.3**	7.8
	43.8	40.8

Following the adoption of IFRS 15, the amounts included in the table above for deferred rental income and accruals and deferred service charge income have been disaggregated and disclosed separately. The 2018 figures have been restated accordingly. This had no impact on the net assets nor profit after tax reported for that year.

17. Borrowings

	2019			2018		
	Nominal value £m	**Unamortised issue costs £m**	**Book value £m**	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	**575.0**	**(4.9)**	**570.1**	575.0	(5.3)	569.7
Secured bank facilities	**-**	**(1.3)**	**(1.3)**	-	(1.8)	(1.8)
Secured term loans	**384.8**	**(3.8)**	**381.0**	384.8	(4.1)	380.7
Total Group borrowings	**959.8**	**(10.0)**	**949.8**	959.8	(11.2)	948.6

Details of the Group's current financial position are discussed on pages 23 to 24.

At 30 September 2019, there were no drawings against the Group's secured bank facilities (2018: none). The Group is still able to benefit from these committed revolving facilities, and as such, unamortised issue costs of £1.3 million (2018: £1.8 million) continue to be carried in the Balance Sheet.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £3,088.9 million (2018: £3,151.4 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

		Cash flows			
	1.10.2018 £m	**Inflows £m**	**Outflows £m**	**Non-cash items £m**	**30.9.2019 £m**
Non-current borrowings					
Mortgage bonds	**575.0**	**-**	**-**	**-**	**575.0**
Secured term loans	**384.8**	**-**	**-**	**-**	**384.8**
Loan issue costs	**(11.2)**	**-**	**-**	**1.2**	**(10.0)**
	948.6	**-**	**-**	**1.2**	**949.8**
Loan issue costs[1]	**11.2**	**-**	**-**	**(1.2)**	**10.0**
Cash & cash equivalents (note 15)	**(118.5)**	**(97.8)**	**162.3**	**-**	**(54.0)**
Net debt at 30 September 2019	**841.3**	**(97.8)**	**162.3**	**-**	**905.8**
Net debt at 30 September 2018	914.2	(286.9)	214.0	-	841.3

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

Availability and maturity of borrowings

	2019			2018		
	Committed £m	**Drawn £m**	**Undrawn £m**	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**-**	**225.0**	225.0	-	225.0
Repayable between 5 and 10 years	**424.8**	**424.8**	**-**	290.0	290.0	-
Repayable after 10 years	**535.0**	**535.0**	**-**	669.8	669.8	-
	1,184.8	**959.8**	**225.0**	1,184.8	959.8	225.0

Interest rate profile of interest bearing borrowings

	2019		2018	
	Debt £m	**Interest rate**	Debt £m	Interest rate
Fixed rate borrowings				
Secured term loans	**384.8**	**3.85%**	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%
Weighted average cost of drawn borrowings		**2.99%**		2.99%

The Group also incurs non-utilisation fees on undrawn facilities. At 30 September 2019, the weighted average charge on the undrawn facilities of £225.0 million (2018: £225.0 million) was 0.66% (2018: 0.66%).

The weighted average credit margin on the Group's secured bank facilities was 1.46% (2018: 1.46%).

18. Financial instruments

Other financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. The fair value of these financial instruments is £1,042.9 million (2018: £955.2 million). The difference between the fair value and the book value is not recognised in the reported results for the year. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy in IFRS 13.

The fair values of the Group's cash and cash equivalents, and those financial instruments included within trade and other receivables, interest bearing borrowings (excluding the mortgage bonds and the secured term loans), and trade and other payables are not materially different from the values at which they are carried in the financial statements.

19. Share capital

	2019 number million	2018 number million	**2019 £m**	2018 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**307.3**	279.0	**76.8**	69.8
Exercise of share options	**0.1**	0.4	**0.1**	0.1
Share placing	**-**	27.9	**-**	6.9
At 30 September	**307.4**	307.3	**76.9**	76.8

In 2018, 27,855,508 ordinary 25p shares were issued at £9.52 per share, raising £265.2 million. Transaction costs in connection with the issue, which amounted to £4.8 million, have been charged against share premium in accordance with the Companies Act 2006.

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

20. Dividends

	Pence per share			
	PID	Ordinary	**2019 £m**	2018 £m
Final dividend for:				
Year ended 30 September 2018	-	8.5p	**26.2**	-
Year ended 30 September 2017	-	8.1p	**-**	25.1
Interim dividend for:				
Year ended 30 September 2019	8.7p	-	**26.7**	-
Year ended 30 September 2018	8.3p	-	**-**	25.5
Dividends paid in the year			**52.9**	50.6

A final dividend of 9.0p per share was recommended by the Board on 25 November 2019. Subject to approval by shareholders at the 2020 AGM, the final dividend will be paid on 14 February 2020 to shareholders on the register at 17 January 2020. 5.25p of the dividend will be paid as a PID and 3.75p will be paid as an ordinary dividend. The dividend totalling £27.7 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2020. See page 22 for commentary on dividends.

21. Cash flows from operating activities

Operating activities	**2019 £m**	2018 £m
Profit before tax	**26.0**	175.5
Adjusted for:		
Lease incentives recognised (note 5)	**(2.3)**	(0.5)
Share-based payments	**0.9**	0.8
Depreciation (note 7)	**0.4**	0.4
Net revaluation deficit/(surplus) on investment properties (note 11)	**15.3**	(123.1)
Profit on disposal of investment properties (note 8)	**(2.8)**	(4.6)
Net finance costs	**30.5**	31.2
Share of post-tax loss from joint venture (note 13)	**13.8**	1.1
Cash flows from operations before changes in working capital	**81.8**	80.8
Changes in working capital:		
Change in trade and other receivables	**(4.1)**	(5.1)
Change in trade and other payables	**2.1**	0.8
Cash generated from operating activities	**79.8**	76.5

See note 17 for the cash flow movement in net debt.

22. Performance measures

Earnings per share

	2019			2018		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
Basic	**26.0**	**307.4**	**8.5**	175.5	302.1	58.1
Dilutive effect of share options	**-**	**0.2**	**-**	-	0.3	(0.1)
Diluted	**26.0**	**307.6**	**8.5**	175.5	302.4	58.0

1. Weighted average

EPRA earnings per share

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

	2019			2018		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
Basic	**26.0**	**307.4**	**8.5**	175.5	302.1	58.1
EPRA adjustments:						
Net revaluation deficit/(surplus) on investment properties (note 11)	**15.3**		**5.0**	(123.1)		(40.7)
Profit on disposal of investment properties (note 8)	**(2.8)**		**(0.9)**	(4.6)		(1.5)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**19.2**		**6.2**	5.0		1.6
Deferred tax	**(3.1)**		**(1.0)**	(1.1)		(0.4)
EPRA earnings	**54.6**	**307.4**	**17.8**	51.7	302.1	17.1

1. Weighted average

Adjusted earnings per share

	2019			2018		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
EPRA earnings	**54.6**	**307.4**	**17.8**	51.7	302.1	17.1
Charge for share options (note 7)	**1.2**		**0.4**	0.6		0.2
Adjusted earnings	**55.8**	**307.4**	**18.2**	52.3	302.1	17.3

1. Weighted average

Net asset value per share

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

	2019			2018		
	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	**3,007.2**	**307.4**	**9.78**	3,033.0	307.3	9.87
Dilutive effect of share options	**0.5**	**0.3**		0.5	0.4	
Diluted	**3,007.7**	**307.7**	**9.77**	3,033.5	307.7	9.86
Deferred tax[1]	**13.6**		**0.05**	16.7		0.05
EPRA NAV	**3,021.3**	**307.7**	**9.82**	3,050.2	307.7	9.91
Deferred tax[1]	**(13.6)**		**(0.05)**	(16.7)		(0.05)
Difference between fair value and carrying value of debt:						
Secured term loans[1]	**(75.8)**		**(0.24)**	(34.5)		(0.11)
Mortgage bonds	**(17.9)**		**(0.06)**	32.0		0.10
EPRA NNNAV	**2,914.0**	**307.7**	**9.47**	3,031.0	307.7	9.85

1. Includes our 50% share of deferred tax and fair value of secured term loans in 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.

Total accounting return (TAR)

	2019 pence	2018 pence
Opening EPRA NAV (A)	**991.0**	952.0
Closing EPRA NAV	**982.0**	991.0
(Decrease)/increase in the year	**(9.0)**	39.0
Dividends paid in the year	**17.2**	16.4
TAR (B)	**8.2**	55.4
TAR % (B/A)	**0.8%**	5.8%

Combined portfolio

	2019 £m	2018 £m
Combined portfolio valuation		
Wholly-owned portfolio valuation (note 11)	**3,784.2**	3,727.0
Joint venture valuation	**209.0**	224.6
	3,993.2	3,951.6
Combined portfolio revaluation (deficits)/surplus and profits on disposal		
Wholly-owned portfolio revaluation (deficit)/surplus (note 11)	**(15.3)**	123.1
Joint venture revaluation deficit (note 13)	**(19.2)**	(5.0)
	(34.5)	118.1
Profit on disposal of investment properties (note 8)	**2.8**	4.6
	(31.7)	122.7

Financing ratios

	2019			2018		
	Wholly-owned business £m	**Share of joint venture £m**	**Total £m**	Wholly-owned business £m	Share of joint venture £m	Total £m
Loan-to-value and gearing						
Nominal value of debt	**959.8**	**60.0**	**1,019.8**	959.8	60.0	1,019.8
Cash and cash equivalents	**(54.0)**	**(0.6)**	**(54.6)**	(118.5)	(1.3)	(119.8)
Net debt (A)	**905.8**	**59.4**	**965.2**	841.3	58.7	900.0
Fair value of investment properties (B)	**3,784.2**	**209.0**	**3,993.2**	3,727.0	224.6	3,951.6
Loan-to-value (A/B)	**23.9%**	**28.4%**	**24.2%**	22.6%	26.1%	22.8%
EPRA net assets (C)			**3,021.2**			3,050.2
Gearing (A/C)			**31.9%**			29.5%
Interest cover						
Operating profit before investment property disposals and valuation movements (A)	**82.8**	**6.3**	**89.1**	80.1	7.0	87.1
Finance costs	**31.5**	**3.0**	**34.5**	32.0	2.8	34.8
Finance income	**(1.0)**	**-**	**(1.0)**	(0.8)	-	(0.8)
Net finance costs (B)	**30.5**	**3.0**	**33.5**	31.2	2.8	34.0
Interest cover (A/B)	**2.7x**	**2.1x**	**2.7x**	2.6x	2.5x	2.6x

For the wholly-owned group, the blended cost of debt is 3.2% (2018: 3.2%). This is calculated using the cost of drawn borrowings of 3.0% (2018: 3.0%) plus the cost of commitment fees on undrawn bank facilities of 0.7% (2018: 0.7%). At 30 September 2019, the undrawn bank facilities totalled £225.0 million (2018: £225.0 million).

For total debt, the blended cost of debt is 3.2% (2018: 3.2%) and includes the impact of our share of debt in our joint venture of £60 million (2018: £60 million), upon which interest is charged at 4.4% (2018: 4.4%).

See pages 20 to 23 for explanations of why we use these performance measures.

23. Contingent liability

As announced on 11 June 2019, the Company has been served with legal proceedings issued by companies controlled by Mr Samuel Tak Lee. The proceedings concern allegations and claims relating to the equity placing conducted by the Company in December 2017. Mr Lee currently has an interest in approximately 26.32% of the Company's share capital. The claimants are seeking damages for their alleged losses in the region of £10.4 million.

The Board considers the claims to have no merit and intends to defend the allegations robustly. The legal process is expected to take place over the next 18 months.

24. 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:

	2019 **£m**	2018 £m
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Dividends receivable	**2.5**	3.0
Interest receivable	**0.3**	0.1
Amounts due from joint venture	**7.2**	**3.9**

See note 19 for disclosure of related party transactions regarding the share placing in the prior year.

25. Annual General Meeting

The 2020 Annual General Meeting will be held at The Ham Yard Hotel, 1 Ham Yard, London W1D 7DT on 31 January 2020 at 11:00 am.

Directors’ responsibilities

The Annual Report contains the following responsibility statement.

The directors are responsible for preparing the Annual Report, the Directors’ Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have also elected to prepare the Parent Company financial statements in accordance with IFRSs as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs as adopted by the EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s and Company’s financial position and performance;
- state that the Group and Company has complied with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors’ Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the financial statements of the Group is placed on the Company’s website. The directors are responsible for the maintenance and integrity of the Company’s website.

Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ responsibility statement under the Disclosure and Transparency Rules

Each of the directors 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 2016 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 25 November 2019 and signed on its behalf by

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

Risk management

Context and risk appetite

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

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

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

- An experienced executive and senior leadership team, with an average tenure of 16 years, which has an in-depth knowledge of our business and the West End property market. We are based in one location, close to all our holdings;
- The nature of our portfolio does not expose us to risks inherent in material speculative development schemes;
- Our diverse tenant base limits exposure to any single occupier;
- Our Balance Sheet is managed on a conservative basis with moderate leverage, long-term finance, a spread of loan maturities, good interest cover and with the majority of interest costs fixed;
- A culture which encourages open dialogue within the management team and with the wide range of external advisors employed in running the business;
- A simple group structure; and
- A governance framework which 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 and executive directors share the same incentive targets and benefits, which are set to achieve the Group's purpose and long-term strategic objectives, and encourage decisions to be made on the basis of long-term benefit, rather than short-term gain.

Monitoring and managing risk

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

Risk is considered as follows:

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

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

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

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

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

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

Assessing risk and internal controls

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

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

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

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

Assurance

Effectiveness of controls

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

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

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

Advisory review of procedures

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

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

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

2019 General Election and Brexit

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

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

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

Principal risks and uncertainties

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

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

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

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

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

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

The level of this risk remains unchanged since 2018.

2. Changes in regulatory environment

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

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

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

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

The risk level has increased to reflect impact of building performance and environmental regulation.

3. Macroeconomic factors
Impact of economic and political uncertainty.

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

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

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

The risk level has increased to reflect continued uncertainty as our EU departure approaches.

4. Decline in the UK real estate market
Changes to macroeconomic outlook.

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

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

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

The risk level has increased to reflect growing macroeconomic uncertainty.

Shareholder information

Corporate Timetable

Financial Calendar	
Annual General Meeting and AGM statement	31 January 2020
2020 half year results	May 2020
Dividends and bond interest	
Proposed 2019 final dividend:	
Ex-dividend	16 January 2020
Record date	17 January 2020
Payment date	14 February 2020
2020 interim dividend to be paid	July 2020
Bond interest	31 March and 30 September 2020

Effect of REIT status on payment of dividends

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

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

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

Where we pay an ordinary dividend this will be treated in the same way as dividends from non-REIT companies. The 2019 final dividend will be paid 5.25p as a PID and 3.75p 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.

Company Secretary
Penny Thomas LLB (Hons), FCG

Glossary of terms

2018 Code
The FRC's UK Corporate Governance Code 2018, which will apply to the Company from 1 October 2019.

Alternative Performance Measure (APM)
A financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Annualised current income
Total annualised actual and 'estimated income' reserved by leases at a valuation date. No rent is attributed to leases which were subject to rent-free periods at that date. It does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. 'Estimated income' refers to gross ERVs in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.
Like-for-like growth in annualised current income is the change during a period, adjusted to remove the impact of acquisitions and disposals, expressed as a percentage of annualised current income at the start of the period.

Annual General Meeting (AGM)
Our AGM will be held on 31 January 2020 at Ham Yard Hotel, 1 Ham Yard, London, W1D 7DT.

BAME
Black, Asian, and minority ethnic.

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

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

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

Code
The FRC's UK Corporate Governance Code 2016.

Combined portfolio
The combination of our wholly-owned Investment properties and our 50% of Investment properties held In the Longmartin joint venture.

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

Conservation Area
A protected area of special architectural interest, the character or appearance of which is desirable to preserve or enhance.

CPI
Consumer Price Index

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

DTR
The Financial Conduct Authority's Disclosure and Transparency Rules

Energy Performance Certificate (EPC)
An asset rating setting out how energy efficient a building is, rated by its carbon dioxide emission on a scale of A to G, with A being the most energy efficient.

EPRA
European Public Real Estate Association.

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

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

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

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

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

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

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

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

EPRA vacancy
The rental value of available to let vacant property (excluding property which is held for, or undergoing, refurbishment), expressed as a percentage of ERV of the total portfolio.

Equivalent yield
Equivalent yield is the internal rate of return from an investment property, based on the gross outlays for the purchase of a property (including purchase costs), reflecting reversions to current market rent, and such items as voids and non-recoverable expenditure but disregarding potential changes in market rents.

ESG
Environment, Social and Governance

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

ESOS
Energy Savings Opportunity Scheme

Fair value
The amount at which an asset or liability could be exchanged between two knowledgeable, willing and unconnected parties in an arm’s length transaction at the valuation date.

FCA
Financial Conduct Authority.

FRC
Financial Reporting Council.

GHG
Greenhouse gas emissions.

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

Global Real Estate Sustainability Benchmark (GRESB)
An organisation which measures and provides an Environmental, Social and Governance (ESG) benchmark for real estate and infrastructure investments across the world.

Gross Value Added (GVA)
An economic productivity metric measuring economic contribution to a sector or area.

IFRS
International Financial Reporting Standards.

Interest cover
Operating profit before investment property disposals and valuation movements, divided by finance costs net of finance income, excluding finance lease interest in the joint venture (where relevant).

Key Performance Indicator (KPI)
Activities aligned to business objectives against which the performance of the Group is assessed.

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

Listed building
A building officially recognised as having special historical or architectural interest and therefore protected from demolition or alteration without prior approval.

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

London Benchmarking Group (LBG)
Global standard in measuring and managing corporate community investment.

London Inter-Bank Offered Rate (LIBOR)
Average rate of interest used in lending between banks on the London interbank market, which is used as a reference for setting interest rates on other loans.

Long Term Incentive Plan (LTIP)
An arrangement under which an employee is awarded options in the Company at nil cost, subject to a period of continued employment and the attainment of performance targets over a three-year vesting period.

Minimum Energy Efficiency Standards (MEES)
Applies to private rented residential and non-domestic property to encourage the improvement of the buildings energy efficiency.

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

Net initial yield
Net initial income at the date of valuation expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents, rent charges and estimated irrecoverable outgoings.

Net Investment
Acquisitions and capital expenditure less disposals

Property Income Distribution (PID)
A PID is a distribution by a REIT to its shareholders paid out of qualifying profits. A REIT is required to distribute at least 90% of its qualifying profits as a PID to its shareholders.

Real Estate Investment Trust (REIT)
A REIT is a tax designation for an entity or group investing in real estate that reduces or eliminates corporation tax on rental profits and chargeable gains relating to the rental business, providing certain criteria obligations set out in tax legislation are met.

Reversionary potential
The amount by which ERV exceeds annualised current income, measured at a valuation date.

RPI
Retail Price Index.

SDG
UN Sustainable Development Goals

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

Total Accounting Return (TAR)
The change in EPRA NAV per ordinary share plus dividends paid per ordinary share during the period of calculation, expressed as a percentage of the EPRA NAV per share at the beginning of the period.

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

Underlying EPRA vacancy
EPRA vacancy excluding completed exceptional larger refurbishment schemes.

Valuation growth/decline
The valuation movement and realised surpluses or deficits arising from the group's investment property portfolio expressed as a percentage return on the valuation at the beginning of the period adjusted, on a time weighted basis, for acquisitions, disposals and capital expenditure. When measured on a like-for-like basis, the calculation excludes those properties acquired or sold during the period.