SHAFTESBURY PLC
2020 HALF YEAR RESULTS

Navigating current operational challenges

Positioning our portfolio to benefit from the return of confidence and activity in local, national and global economies

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 6 months ended 31 March 2020.

Brian Bickell, Chief Executive, commented:

"The six months to 31 March 2020 encompassed a period of Brexit-related political and business uncertainty, a traditionally busy Christmas and New Year trading period and, from early 2020, rapidly growing global concerns regarding the Covid-19 virus, leading to widespread, unprecedented measures by national governments to limit its transmission. Although our business performed well during the first four months of the period, the growing impact of the measures to address the pandemic are having a material impact on normal patterns of life and commerce, both for our occupiers and on the near-term prospects for our business and financial performance.

"The economies of London and the West End have a long history of structural resilience, having weathered many episodes of near-term challenges and uncertainties. Their unique features come from a culture of constant evolution across a broad-based economy, attracting talent, creativity, innovation and investment from across the world and reinforcing their enduring appeal to businesses, visitors and as great places to live. In the post-pandemic recovery, these fundamental advantages will underpin their return to prosperity and growth.

"London's pre-eminent position amongst the world's leading cities continues to underpin the long-term prospects for our exceptional portfolio, which extends to 15.2 acres in the heart of the West End. Our c.600 buildings in carefully curated, affordable locations have a long history of high occupancy, growing income and the ability to adapt to accommodate changing uses and occupier expectations. With our agile and entrepreneurial approach to managing our assets, supported by a strong equity base and robust debt finance, we are navigating current operational challenges and positioning our portfolio to benefit from the return of confidence and activity in local, national and global economies.

"Together with an impossible-to-replicate portfolio, located in the heart of this truly global city, we believe our proven strategy will continue to deliver sustainable long-term returns for our shareholders, benefits for our stakeholders, and make a long-lasting contribution to London's West End."

Highlights

Financial: growth in underlying rental income and earnings, notwithstanding pandemic impact from February

- Underlying net property income[1], before Covid-19 related provisions, up 2.1% to £49.6m (31.3.2019: £48.6m). After Covid-19 related provisions: £46.2m.
- Underlying EPRA earnings[1]: £28.7m, up 5.1% (31.3.2019: £27.3m), driven by growth in underlying net property income and administrative costs reduction. After Covid-19 related provisions: £25.3m.
- Loss after tax: £287.6m (31.3.2019: profit £38.7m). Decrease due to revaluation deficits in the current period.
- EPRA NAV[1]: £8.78, down 10.6% (30.9.2019: £9.82), due to revaluation deficits.

Valuation: decline largely due to current economic uncertainty, more cautious investor sentiment and estimated near-term loss of rental income resulting from pandemic measures; long-term fundamentals unchanged

Wholly-owned portfolio

- Valuation[2]: £3.5bn; down 7.9%[3] following increase in yields reflecting current economic uncertainties, Covid-19 impact on near-term income and occupancy assumptions, and softening of residential values.

- Equivalent yield: 3.71%; up 24 basis points (30.9.2019: 3.47%).
- ERV broadly flat at £149.5m (30.9.2019: £149.7m).
- Portfolio reversionary potential: £31.8m, 27.0% above annualised current income, of which £15.6m relates to refurbishment schemes underway at 31 March 2020.

Longmartin joint venture

- Valuation[2,4]: £0.2bn (down 7.2%)[3]
- Further decline in Long Acre retail space (represents 1.4% of combined group valuation).
- Equivalent yield: 4.03%; up 9 basis points (30.9.19: 3.94%). Retail: 4.15% (up 25 basis points); non-retail: 3.97% (up 3 basis points).
- ERV: £9.6m, down £0.4m over 6 months (reduction represents 0.3% of combined group ERV).
- Reconfiguring and repurposing space to downsize large shops.

Covid-19 update: supporting occupiers and collaborating with other stakeholders

- Initial impact in Chinatown from early February; West End began to close down in early March.
- Discussions underway with c. 800 commercial tenants to agree tailored solutions on rents and service charges.
- Aim to collect c. 50% of rents due from April to September 2020 over time.
- Moving permanently to monthly rents in advance for all commercial tenants from October 2020.
- Expect continuing evolution in structure of leases.
- Preparing our locations and buildings for recovery phase.
- Collaborating with neighbouring estates; supporting community partners through Community Fund.
- Marketing and PR to promote our areas and collaborating with other landowners to encourage return of domestic and international footfall.

Leasing and vacancy: activity since February impacted by Covid-19

- Leasing transactions completed with a rental value of £12.5m (H1 2019: £16.6m).
- EPRA vacancy up 1.1% to 4.8% following £2.7m scheme completions before period end.
- Majority of lettings under offer at 31 March 2020 not yet concluded, pending better visibility on easing of Covid-19 restrictions.
- Leasing activity expected to increase as confidence returns.

Refurbishment, reconfiguration and repurposing of space; continuing to adapt to evolving demand and improve both income and rental prospects

- Redevelopment and refurbishment schemes during the period across 248,000 sq. ft. Capital expenditure: £21.6m.
- ERV of space under refurbishment at 31 March 2020: £15.6m, 10.4% of portfolio ERV (30.9.2019: 10.4%).
- Refurbishment activity resumed with appropriate safety measures in place, following Covid-19 related suspension of construction activity.
- 72 Broadwick Street: 77% of commercial space, by ERV, now conditionally pre-let or under offer; scheme completing in phases during next financial year.
- Schemes with an ERV of £8.0m expected to complete in second half of our financial year.

Acquisitions

- Exceptionally limited acquisition opportunities during the period, but have agreed acquisition of a building in Berwick Street (£4.0m).
- 90-104 Berwick Street: vendor failed to meet contractual obligations; further discussions but outcome not certain.
- Challenging market conditions may present opportunities to add to our portfolio.

Financing: well-financed with conservative leverage and significant available liquidity

- LTV[1,5]: 26.7% (30.9.2019: 23.9%); increase due to property valuation deficits. Significant LTV covenant headroom.
- Uncommitted available liquidity: £205.7m.

- Weighted average maturity of debt: 8.8 years (30.9.2019: 9.3 years); earliest maturity 2022.
- Blended cost of debt[1]: 2.9% (30.9.2019: 3.2%). Marginal cost of unutilised facilities: 1.2% (30.9.2019: 1.6%).
- ICR covenant waivers agreed to deal with near-term period of lower rent collections.

10 June 2020

For further information:

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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 40.
2. Valuation includes Material Uncertainty statement reflecting heightened degree of uncertainty resulting from Covid-19, in accordance with RICS guidance.
3. Like-for-like.
4. Our 50% share.
5. Based on net debt.

See Glossary of terms on pages 46 to 48.
This announcement includes inside information.

The person responsible for arranging the release of this announcement is Desna Martin, Company Secretary.

There will be a presentation to equity analysts at 9.30 am on Wednesday 10 June 2020, which can be accessed via the following link: https://brrmedia.news/ftzz6 or the Group's website www.shaftesbury.co.uk. The presentation document is available on the Group's website.

Bondholders

For bondholders, there will be a credit update conference call at 3.00 pm on Wednesday 10 June 2020. Those wishing to participate in the call should contact Stuart Bell ahead of time for an access code on 020 3542 3921 or stuart.bell@idcm.eu.com

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 607 restaurants, cafés, pubs and shops, extending to 1.1 million sq. ft., 0.4 million sq. ft. of offices and 616 apartments. All our properties are close to the main West End Underground stations, and within ten minutes' walk of the two West End transport hubs for the Elizabeth Line, at Tottenham Court Road and Bond Street.

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.

We have a strong balance sheet with conservative leverage.

Our purpose

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.

Our values

We have five core values that are fundamental to our behaviour, decision making and the delivery both of our purpose and strategic objectives: being human in how we operate, original in how we nurture talent and think, community minded in our approach to the West End, being responsible and long term in our approach to everything.

Since 2015, we have supported the UN Global Compact principles of sustainability and, in 2019, we integrated the UN Sustainable Development Goals into our sustainability strategy. We have long been committed to operating in a sustainable way. At the core of our sustainability strategy is reusing and improving, rather than redeveloping buildings. In doing so, we extend the useful economic lives of these buildings while preserving the West End's rich heritage for future generations.

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

Half year results

Half year results

Introduction

The six months to 31 March 2020 encompassed a period of Brexit-related political and business uncertainty, a traditionally busy Christmas and New Year trading period and, from early 2020, rapidly growing global concerns regarding the Covid-19 virus, leading to widespread, unprecedented measures by national governments to limit its transmission. Although our business performed well during the first four months of the period, the growing impact of the measures to address the pandemic are having a material impact on normal patterns of life and commerce, both for our occupiers and on the near-term prospects for our business and financial performance.

London's pre-eminent position amongst the world's leading cities continues to underpin the long-term prospects for our exceptional portfolio, which extends to 15.2 acres in the heart of the West End. Our c.600 buildings in carefully curated, affordable locations have a long history of high occupancy, growing income and the ability to adapt to accommodate changing uses and occupier expectations. With our agile and entrepreneurial approach to managing our assets, supported by a strong equity base and robust debt finance, we are navigating current operational challenges and positioning our portfolio to benefit from the return of confidence and activity in local, national and global economies.

Our wholly owned portfolio was valued at 31 March 2020 at £3.5 billion, reflecting a like-for-like decline over the period of 7.9%, largely due to an upward movement in yields to reflect current economic uncertainty and, consequently, more cautious investor sentiment, together with the valuer's estimated near-term loss of rental income resulting from the UK Government's pandemic measures. EPRA NAV per share now stands at £8.78, a decrease of 10.6% over the six month period to 31 March 2020.

Before the impact of Covid-19 related impairment provisions totalling £3.4 million (equivalent to 1.1 pence per share), net property income increased by 2.1% to £49.6 million, notwithstanding that leasing activity was affected by the pandemic from early February onwards. This, together with a decrease in administrative expenses, resulted in increases in underlying EPRA earnings of 5.1% to £28.7 million and EPRA earnings per share of 0.4p to 9.3p. After these impairment provisions, EPRA earnings decreased by £2.0 million to £25.3 million and EPRA earnings per share were down 0.7p to 8.2p.

A gradual relaxation of government-imposed restrictions in the UK is now underway. However, it is difficult to predict the pace of these changes, the measures that will need to remain in place or the consequent structural implications for businesses and consumer spending patterns. We expect the impact of Covid-19 will have a material effect on full year earnings and operating cash flows, although it is not possible to make a meaningful assessment at this stage.

The Board has a policy of long-term, progressive growth in dividends which reflects both current and future income progression but always ensures the financing requirements of the business are prioritised. Although the first half has delivered positive earnings, in common with many companies, in light of Covid-19 operating challenges and uncertainty regarding their duration, the Board announced on 24 March 2020 that it had taken the difficult decision to not declare an interim dividend. The Board looks forward to the resumption of dividends as soon as it considers prudent, maintaining its policy of sustainable dividend growth over the long term. The pace of the post-pandemic recovery period will be a key factor in its near-term decisions.

Operating environment

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

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

Leasing

During the six months ended 31 March 2020, we concluded leasing transactions, excluding the pre-letting of leisure space at 72 Broadwick Street (see page 4), with a rental value of £12.5 million, compared with £16.6 million in the first half of last year. Commercial lettings, renewals and rent reviews, which totalled £10.3 million (2019: £13.0 million), achieved rents broadly in line with ERV expectations. Since 1 April 2020, leasing transactions with a rental value of £2.1 million have been concluded, a significantly lower volume than usual.

Vacancy

EPRA vacancy at 31 March 2020

	Food, beverage and leisure £m	Shops £m	Offices £m	Residential £m	Total £m	% of total ERV 31.3.20 %	% of total ERV 30.9.19 %
Under offer	0.7	0.7	0.3	0.5	**2.2**	**1.5%**	1.8%
Available-to-let	1.0	2.5	1.1	0.4	**5.0**	**3.3%**	1.9%
	1.7	**3.2**	**1.4**	**0.9**	**7.2**	**4.8%**	3.7%
Area ('000 sq. ft.)							
31.3.20	**20**	**33**	**24**	**18**	**95**		
30.9.19	16	46	12	1	75		

EPRA vacancy increased from 3.7% to 4.8% of portfolio ERV, largely due to the significant reduction in letting activity in the final two months of the half year, together with scheme completions shortly before 31 March 2020. Additionally, residential vacancies were unusually high as overseas tenants returned home as government restrictions were introduced. Available-to-let space includes £0.7 million (0.4% of ERV) in respect of Central Cross comprising one shop and a restaurant which was previously let. In the current environment, lettings for much of the space under offer at 31 March 2020 have not yet concluded, but we expect the situation to ease as restrictions are relaxed.

Portfolio investment

Asset management schemes

A key aspect of our asset management strategy is to carefully manage, reuse and adapt existing buildings, through refurbishing, reconfiguring and repurposing our space to extend their useful economic lives and enhance environmental performance. In particular, recently we have been focused on adapting the size and configuration of our retail accommodation to meet current requirements of retailers, and where space is released, it is repurposed to introduce equally valuable uses. Unlike developers, our schemes are typically not capital intensive and take a relatively short time, allowing us to quickly adapt our accommodation to evolving occupier demand, improving both income and rental prospects.

Refurbishment activity across our portfolio has continued at a high level. Capital expenditure during the period totalled £21.6 million, across 248,000 sq. ft. of space, including our 80,000 sq. ft. scheme at 72 Broadwick Street.

During the period, we commenced new schemes with an ERV of £3.9 million and completed projects with an ERV of £3.4 million, of which £2.2 million was let or under offer at 31 March 2020. The ERV of space held for, or under, refurbishment has remained largely unchanged since 30 September 2019.

Space held for, or under, refurbishment at 31 March 2020

	Food, beverage and leisure £m	Shops £m	Offices £m	Residential £m	Total £m	% of total ERV 31.3.20 %	30.9.19 %
72 Broadwick St	3.3	0.4	1.6	0.7	**6.0**	**4.0%**	4.1%
% pre-let/under offer	*75.8%*	-	*100.0%*	-	***68.3%***		
Other schemes	1.9	2.8	4.2	0.7	**9.6**	**6.4%**	6.3%
% pre-let/under offer	*21.1%*	*3.7%*	-	-	***5.3%***		
Total	**5.2**	**3.2**	**5.8**	**1.4**	**15.6**	**10.4%**	10.4%
% pre-let/under offer	*54.7%*	*3.2%*	*27.6%*	-	***29.5%***		
Area ('000 sq. ft.)							
31.3.20	**72**	**25**	**82**	**26**	**205**		
30.9.19	73	27	77	36	213		

72 Broadwick Street

At 72 Broadwick Street, 77.4% of the commercial space, by ERV, is now conditionally pre-let or under offer. As previously announced, we have agreed to let 33,000 sq. ft. to Equinox, an American fitness and lifestyle brand. In addition, 17,350 sq. ft. of office accommodation is now under offer.

The estimated overall scheme cost is £34.9 million, of which £11.2 million had been incurred by 31 March 2020. Site activity was suspended in March and April, due to lockdown restrictions, although these have now been relaxed subject to additional site safety measures. Assuming no further Covid-19 related delays, we anticipate completion in phases from late 2020 to autumn 2021.

Other schemes

At 31 March 2020, we had 58 other schemes underway, with an ERV of £9.6 million, including projects with an ERV of £2.3 million, which, through a combination of delays and the suspension of site activity, had not been handed over by 31 March 2020.

We now estimate schemes representing an ERV of c. £8.0 million could complete in the second half of the financial year, with a further £1.6 million in the first half of our next financial year. In the short term, these will increase EPRA vacancy, but will provide a useful contribution to income and earnings over the medium term.

The largest schemes by cost are set out below:

Scheme	Description	Estimated cost £m	Costs to complete £m	Current estimated completion
1 Gerrard Place, Chinatown	Reconfiguration to create two restaurants, including active frontage in Horse & Dolphin Yard, and 9 apartments	6.4	0.6	Q3 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	0.8	Q3 2020
50 Marshall Street, Carnaby	Creation of retail unit; refurbishment/extension of office space	5.1	2.6	Q1 2021
16-20 Short's Gardens, Seven Dials	Office reconfiguration and refurbishment	2.1	1.2	Q2 2021

Public realm improvements

London Borough of Camden works to improve the northern entrance to Seven Dials on Shaftesbury Avenue, at the junction with Monmouth Street and Neal Street, are nearing completion, with work due to restart shortly after a period of shutdown. Complementing their existing junction improvement works, the scheme involves repaving, de-cluttering the pavement and improved lighting, which should increase footfall into Seven Dials, particularly from Tottenham Court Road once the Elizabeth Line opens.

Improvements to Rupert Street, south of Shaftesbury Avenue, are underway. These improvements include significantly widening and de-cluttering the pavement on the east side of the street, outside our holdings.

We are now turning our attention to a number of other potential schemes, including enhancing the important eastern gateway to Carnaby, outside 72 Broadwick Street, and other public realm improvements and traffic reduction measures in Seven Dials. We are in discussion with our local authorities to introduce measures to improve pedestrian safety and amenity across our areas.

Acquisitions

Acquisition opportunities have been exceptionally limited during the period, largely as a result of uncertainty leading up to the general election in December and, then, from February as Covid-19 fears grew. In the intervening period, we saw indications that owners might be prepared to sell and have agreed to acquire a building in Berwick Street, comprising a restaurant and two apartments, with planning consent to add an additional residential floor, for £4.0 million (exclusive of purchaser's costs).

90-104 Berwick Street

The vendor has failed to meet its contractual obligation to complete the sale to us by 30 April 2020. We are currently in further discussions with the vendor, but there is now no certainty that revised terms for this transaction will be agreed.

Valuation

Presentation of Longmartin joint venture information

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

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

Wholly-owned portfolio

At 31 March 2020, our portfolio was valued at £3.5 billion. On a like-for-like basis, the valuation declined by 7.9% over six months, principally due to uncertainties resulting from Covid-19. After allowing for capital expenditure, the revaluation deficit was £300.4 million.

	Valuation	Current income[1]	ERV	Valuation growth[2,3]		Topped-up net initial yield	Equivalent yield	
	£m	£m	£m	6 months[4]	12 months[4]	%	%	Change[5]
Carnaby	1,342.0	43.8	61.1	(7.3)%	(8.7)%	3.0%	3.9%	+26bps
Covent Garden	956.6	31.8	38.6	(8.2)%	(8.3)%	3.0%	3.4%	+15bps
Chinatown	776.8	26.2	31.8	(8.6)%	(8.4)%	3.1%	3.5%	+19bps
Soho	288.3	11.0	12.0	(8.4)%	(8.4)%	3.4%	3.6%	+16bps
Fitzrovia	141.2	4.9	6.0	(7.8)%	(9.9)%	3.0%	3.6%	+18bps
	3,504.9	**117.7**	**149.5**	**(7.9)%**	**(8.6)%**	**3.0%**	**3.7%**	**+24bps**
30.9.19	3,784.2	117.1	149.7			2.9%	3.5%	

1 Annualised passing rent at the valuation date.
2 Like-for-like.
3 Alternative performance measure. See page 40.
4 Period to 31 March 2020.
5 Change, expressed in basis points, over six months to 31 March 2020.

Whilst we saw some improvement in both the occupational and investment markets following the UK general election in December 2019, this started to decline from early February amid growing Covid-19 fears, and effectively stalled once the UK lockdown commenced.

The valuation decline at 31 March 2020 was driven by an increase in the portfolio equivalent yield of 24 basis points to 3.71% (30.9.2019: 3.47%), reflecting:

- increased valuation yields applied to commercial uses of 10-30 basis points across F&B and retail leases, and 10-25 basis points across selected offices. Overall, the portfolio equivalent yield increased by 24 basis points to 3.71%. Reducing values by around £167 million, this reflected investor sentiment given Covid-19 economic uncertainties including operational and financial pressure on commercial occupiers;
- the valuer’s estimate of the short-term income and occupancy impact of the pandemic, equating to c. £87 million, including occupier support in 2020 and 2021; and
- a softening of residential values of between 2.5% and 5%, equating to £23 million. The average capital value of our residential space is now £1,420 per sq. ft. (30.9.2019: £1,480 per sq. ft.).

Growth in annualised current income of 0.5% to £117.7 million (30.9.2019: £117.1 million) is below our long-term trend, reflecting high levels of space undergoing refurbishment during the period, together with reduced leasing activity as pandemic concerns grew.

ERVs, which are based on proven rental tones, remained largely unchanged at 31 March 2020 at £149.5 million (30.9.2019: £149.7 million), with small decreases in certain retail locations, largely offset by increases in Kingly Court restaurants.

The portfolio’s total reversionary potential is now £31.8 million, 27.0% above annualised current income, comprising:

		Total £m
Annualised current income		117.7
Elements of the reversion:		
• Contracted income	3.7	
• EPRA vacancy	7.2	
• Space held for, or under, refurbishment	15.6	
• Under-rented leases	5.3	
		31.8
ERV		**149.5**

We would normally expect to crystallise the under-rented element of the reversion into contracted income through the normal cycle of rent reviews, lease renewals and lettings over a three to five year period. In the near-term, it is possible that adverse operating and economic conditions could result in increased vacancy and downward pressure on ERVs across the West End for all uses. However, the return of business confidence and activity, together with footfall and spending in our vibrant and affordable villages, will restore the portfolio's long-term rental growth prospects.

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, have long remained reluctant to dispose of assets which offer security and long-term growth prospects. Opportunities may arise as investment markets re-open, although we would expect competition to remain strong.

Our valuers advise that, with the heightened degree of uncertainty resulting from Covid-19, there is increased difficulty in exercising professional judgements to determine asset values when there are few, if any, comparable transactions in the new environment. Consequently, the valuation contains a material uncertainty statement, which is in line with RICS guidance (see pages 28 to 29).

Whilst the valuation has taken place at a point of unprecedented short-term uncertainty, the structural resilience of the West End as a global destination continues to underpin the intrinsic long-term value and prospects of our exceptional and impossible-to-replicate portfolio. Cushman & Wakefield 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.

Longmartin Joint Venture

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

Valuation

At 31 March 2020, Longmartin's long leasehold property was valued at £195.0 million. After allowing for capital expenditure, the valuation decrease during the period was 7.2%. This equates to a revaluation deficit of £15.1 million, largely due to a further write-down in the value of retail space, which now represents 27% of Longmartin's valuation and 1.4% of the Group's combined holdings. As for the wholly-owned portfolio, the Longmartin valuation report contains a material uncertainty statement (see, also, page 31).

	Valuation	Current income[1]	ERV	Valuation growth[2,3]		Topped-up net initial yield	Equivalent yield	
	£m	£m	£m	6 months[4]	12 months[4]	%	%	Change[5]
Retail[6]	53.5	2.5	2.7	(23.6)%	(31.8)%	3.8%	4.2%	+25 bps
Non-retail[6]	141.5	5.2	6.9	1.1%	(0.8)%	3.4%	4.0%	+3 bps
	195.0	**7.7**	**9.6**	**(7.2)%**	**(12.0)%**	**3.5%**	**4.0%**	**+9 bps**
30.9.19	209.0	7.5	10.0			3.2%	3.9%	

1 Annualised passing rent at the valuation date.
2 Like-for-like.
3 Alternative performance measure. See page 40.
4 Period to 31 March 2020.
5 Change, expressed in basis points, over six months to 31 March 2020.
6 One unit reclassified from retail to non-retail to reflect change of use.

In contrast to our wholly-owned shops, Longmartin's retail space predominantly comprises large units with relatively high overall rents, occupier demand for which continues to be limited. Against this backdrop, the valuers have increased the equivalent yield by 25 basis points and reduced ERVs further, with the range of rental tones now £425 - £525 per sq. ft., down from £550 - £600 per sq. ft. at 30 September 2019 and £575 - £650 per sq. ft. at 31 March 2019. Consequently, during the six months ended 31 March 2020, the valuation of Longmartin's retail space fell a further 23.6% to £53.5 million (30.9.2019: £70.0 million), bringing the decline over twelve and eighteen months to 31.8% and 37.4% respectively. The decrease in retail ERV over six months was £0.5 million, equating to 0.3% of the ERV of the Group's combined ERV.

The valuation of Longmartin's non-retail space increased on a like-for-like basis by 1.1% to £141.5 million (30.9.2019: £139.0 million). ERV growth was 1.8% and the equivalent yield was virtually unchanged at 3.97% (30.9.2019: 3.94%).

Asset management

During the period, lettings and rent reviews with a rental value of £0.5 million were concluded (31.3.2019: £0.5 million).

At 31 March 2020, the ERV of Longmartin's vacant space was £1.1 million (31.3.2019: £0.4 million), the majority of which comprised a prominent flagship unit at the corner of Upper St Martin's Lane and Long Acre (ERV: £0.3 million), which has subsequently been let, three restaurants (ERV: £0.3 million), following completion of our repurposing scheme in St Martin's Courtyard, and an office which was under offer (ERV: £0.2 million).

Capital expenditure in the period was £1.0 million. At 31 March 2020, the ERV of space under refurbishment was £0.6 million (31.3.2019: £0.9 million), comprising two adjoining shops on Long Acre which we are reconfiguring to reduce the retail space and introduce offices at first floor.

Financial results

Despite manifesting itself mainly during the final two months of the period, the Covid-19 pandemic has had a material negative impact on our results for the first half of this financial year, reducing the valuation of investment properties. It had a smaller effect on net property income for the period, with letting decisions being delayed by occupiers over February and March, and additional accounting provisions being made at 31 March 2020. However, it is likely to have a material impact on EPRA earnings in the second half of our financial year due to lower rent collections than normal and potential occupier financial distress.

Accounting for Covid-19 impact on cash flows

Rent collections for invoices sent in March for the quarter from 25 March 2020 to 23 June 2020 have been materially lower than normal levels, with 27.6% being collected in the wholly-owned portfolio and 60.8% in the

Longmartin joint venture. The higher relative rate in Longmartin reflects its portfolio and tenant mix, with a larger proportion of offices and national or international occupiers.

Consequently, tenant arrears balances at 31 March 2020 were considerably higher than typical. Having assessed these balances, we estimate that £15.4 million (inclusive of our share in the Longmartin joint venture, of £0.7 million) relates to future income which we consider will not accrue. We have not recognised this deferred income, or the related arrears, in the Balance Sheet (see "Significant judgements, assumptions and key estimates" on page 25).

For the full year financial statements, the accounting treatment of the support we are providing to our occupiers will depend on the type of any concessions granted:

- Where rents are deferred, the income will be recognised as normal and the deferred rent receivable balance will be assessed for impairment.
- Rent waivers are generally considered by IFRS 16 to be "lease modifications", and the cost is deferred over the remaining term of the lease, in much the same way as a lease incentive. Any deferred cost is then assessed for impairment. The deferred cost balance, after amortisation or impairment is deducted against the valuation of investment properties and, so, is initially charged to revaluation gains or losses. As the balance is amortised or impaired, there is a charge against revenue and an equal credit to revaluation gains or losses.

Waivers and deferrals are both likely to result in a mis-match between EPRA earnings and cash flows.

We expect rent collections will remain below contracted rents in the near term, until Covid-19 restrictions are sufficiently relaxed to enable a recovery in footfall and spending.

Presentation of financial information

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, earnings per share and NAV, making adjustments set out by EPRA in its Best Practices Recommendations. These recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency and coherence of the sector. These measures are reconciled to IFRS in note 18 to the financial statements.

Further details on APMs used, and how they reconcile to IFRS, are set out on page 40.

Income Statement

	Six months ended		Year ended
	31.3.2020	31.3.2019	30.9.2019
	£m	£m	£m
Rental income[1]	**56.7**	58.6	117.3
Property charges[1]	**(10.5)**	(10.0)	(19.3)
Net property income	**46.2**	48.6	98.0
Administrative expenses	**(6.5)**	(7.5)	(15.2)
Valuation movements/disposal profits	**(300.2)**	19.0	(12.5)
Operating (loss)/profit	**(260.5)**	60.1	70.3
Net finance costs	**(15.4)**	(15.2)	(30.5)
Share of Longmartin post-tax results	**(11.7)**	(6.2)	(13.8)
(Loss)/profit before tax	**(287.6)**	38.7	26.0
Tax	**-**	-	-
Reported (loss)/profit for the period	**(287.6)**	38.7	26.0
Basic (loss)/earnings per share (pence)	**(93.6)p**	12.6p	8.5p
EPRA earnings[2]	**25.3**	27.3	54.6
EPRA earnings per share[2] (pence)	**8.2p**	8.9p	17.8p

1 Net of recoverable service charge costs.
2 Alternative performance measure. See page 40.

The loss after tax for the six months ended 31 March 2020 of £287.6 million (31.3.2019: profit of £38.7 million) was largely due to:

- a revaluation deficit, net of disposal profits, of £300.2 million (31.3.2019: surplus of £19.0 million);
- 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 7 to 8).
- EPRA earnings of £25.3 million (see below).

EPRA earnings

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 decreased by 7.3% to £25.3 million (31.3.2019: £27.3 million) resulting in EPRA EPS of 8.2p (31.3.2019: 8.9p). This was after £3.4 million of additional charges as a result of potential Covid-19 related occupier financial distress, comprising provisions against tenant arrears of £2.0 million, and charges from accelerating amortisation of lease incentives and prepaid letting costs, totalling £1.4 million. Before these additional charges, EPRA earnings were £28.7 million, 5.1% up on the same period last year.

EPRA earnings	**£m**	**£m**	**Pence per share**
Six months ended 31.3.2019		27.3	8.9
Increase in net property income pre Covid-19 charges	1.0		
Decrease in administrative expenses	1.0		
Higher net finance costs	(0.2)		
Reduction in Longmartin contribution	(0.4)		
		1.4	0.4
		28.7	9.3
Covid-19 related charges		(3.4)	(1.1)
Six months ended 31.3.2020		**25.3**	**8.2**

Given the impact of the additional Covid-19 related charges in the period, the Directors consider that it is helpful to understanding the change in net property income to present both the underlying figure, before these costs, and the amount reported in the financial statements. Underlying rental income was £59.9 million, up 2.2% on last year (31.3.2019: £58.6 million). Like-for-like growth, at 0.9%, was tempered by additional bad debt charges and delays to occupier decision-making, particularly from February 2020. After the additional Covid-19 related charges, rental income was £56.7 million.

	Six months ended				Year ended
	31.3.2020	**31.3.2020**	**31.3.2020**	31.3.2019	30.9.2019
	Underlying[2]	**Covid-19 charges**			
	£m	**£m**	**£m**	£m	£m
Rental income[1]	**59.9**	**(3.2)**	**56.7**	58.6	117.3
Property charges[1]	**(10.3)**	**(0.2)**	**(10.5)**	(10.0)	(19.3)
Net property income	**49.6**	**(3.4)**	**46.2**	48.6	98.0

1 Net of recoverable service charge costs.
2 Alternative performance measure. See page 40.

After irrecoverable property charges, underlying net property income was £49.6 million, 2.1% ahead of last year (31.3.2019: £48.6 million). After the impact of Covid-19 related charges, net property income decreased by £2.4 million, compared with the same period last year, to £46.2 million.

Administrative expenses, totalling £6.5 million, were £1.0 million lower than for the same period last year (31.3.2019: £7.5 million). This decrease was largely due to reduced performance-related compensation, partly offset by additional employee costs as a result of higher headcount and the 2019 annual pay review.

Net finance costs increased by £0.2 million to £15.4 million (31.3.2019: £15.2 million) and included interest income of £0.3 million (31.3.2019: £0.5 million).

Revaluation deficits resulted in the Longmartin joint venture reporting post-tax losses in both the six months ended 31 March 2020 and 31 March 2019. Our share of the revaluation deficit in the first half of this financial year was £15.1 million (31.3.2019: £9.0 million). Excluding these revaluation losses, and the related deferred tax credits totalling £2.4 million (31.3.2019: £1.4 million), our share of EPRA earnings from Longmartin decreased by £0.4 million to £1.0 million (31.3.2019: £1.4 million).

Valuation deficit and disposal profits

Our wholly-owned portfolio's revaluation deficit was £300.4 million (31.3.2019: surplus of £16.2 million), reflecting uncertainties as a result of Covid-19. See also pages 5 to 6.

Disposal profits of £0.2 million relate to residential long leasehold tenure extensions granted during the period.

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 period (31.3.2019: £Nil). We continue to meet the requirements in the REIT regulations. However, there is a risk that we will not satisfy the interest cover test for the full year. Whilst this is not a breach of REIT eligibility, it is possible that any interest over the threshold could be taxed. However, we understand through discussions with HMRC that they are likely to make allowances for this, in view of the extenuating circumstances.

Balance Sheet

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Investment properties	**3,487.1**	3,745.1	3,765.9
Investment in joint venture	**114.5**	135.9	127.6
Net debt	**(937.3)**	(849.0)	(905.8)
Other net assets	**27.4**	13.8	19.5
Net assets	**2,691.7**	3,045.8	3,007.2
EPRA NAV per share[1]	**£8.78**	£9.95	£9.82
Total Accounting Return[1]	**(9.7)%**	1.3%	0.8%

1 Alternative performance measure. See page 40.

Net assets

Net assets decreased by £315.5 million, predominantly due to revaluation deficits in the wholly-owned portfolio and Longmartin.

EPRA NAV

EPRA NAV makes adjustments to reported NAV to provide a measure of the fair value of net assets on a long-term basis. Assets and liabilities which are not expected to crystallise in normal circumstances are excluded. In our case, the calculation excludes deferred tax on 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 over the period by 10.6% to £8.78 (30.9.2019: £9.82), principally due to revaluation deficits, both in the wholly-owned portfolio and Longmartin. EPRA earnings of 8.2p per share were offset by the payment of the final dividend for 2019 (9.0p per share).

EPRA NAV	**Pence per share**
September 2019	982
Net revaluation movements	(103)
EPRA earnings	8
Dividends	(9)
March 2020	**878**

In October 2019, EPRA introduced three new measures of net asset value: Net Reinstatement Value (NRV), Net Tangible Assets (NTA), and Net Disposal Value (NDV). These apply to accounting periods starting on or after 1 January 2020. However, with early adoption encouraged, we have presented these new metrics on page 44.

Cash flows and net debt

Net debt increased by £31.5 million to £937.3 million (30.9.2019: £905.8 million). The major cash flows were:

- Operating cash inflow totalling £30.5 million.
- Net interest paid of £14.8 million.
- Capital expenditure totalling £18.6 million.
- Payment of the final dividends for 2019 amounting to £27.8 million.

In addition, we drew £150 million against our revolving credit facilities (see below).

Despite the reported operating loss of £260.5 million, operating activities generated a cash inflow of £30.5 million before finance costs. The difference between the two was largely due to the non-cash revaluation deficit of £300.4 million. The impact of this was partly offset by increased working capital, totalling £10.1 million, following reduced rent collections at the period end.

Finance

We are a well-financed business with conservative leverage and significant available liquidity. At 31 March 2020, our loan-to-value ratio, based on net debt, was c. 26.7%, up from 23.9% at 30 September 2019 largely due to the decline in our portfolio valuation at the balance sheet date. The weighted average tenor of our debt was 8.8 years and our earliest maturity is in May 2022.

Whilst our strategy over the past three months has been to preserve liquidity, we are mindful that macro issues have often provided opportunities to add to our portfolio. So far, such opportunities have not presented themselves, but may do so as activity returns. Whilst maintaining financial discipline, our committed undrawn facilities provide resources should opportunities arise.

In March, we drew £150 million of our committed revolving credit facilities as part of a prudent approach to cash management and liquidity risk. At 31 March 2020, available liquidity amounted to £247.5 million, comprising cash of £172.5 million and £75 million of undrawn committed revolving credit facilities. On a pro-forma basis, allowing for capital commitments of £41.8 million, total uncommitted liquidity was £205.7 million.

At 31 March 2020, the blended cost of debt had fallen to 2.9% (30.9.2019: 3.2%), due to the drawings against our revolving credit facilities, which incur a marginal cost of 1.2% (30.9.2019: 1.6%).

The summary below excludes our proportional share of Longmartin's non-recourse net debt.

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Resources			
Cash	**172.5**	110.8	54.0
Undrawn floating rate facilities (£m)	**75.0**	225.0	225.0
Available resources	**247.5**	335.8	279.0
Commitments[4]	**(41.8)**	(87.3)	(82.4)
Uncommitted resources	**205.7**	248.5	196.6
Debt stats			
Net debt	**937.3**	849.0	905.8
Loan-to-value[1,2]	**26.7%**	22.6%	23.9%
Gearing[1,2,5,6]	**34.7%**	27.7%	30.0%
Interest cover[1,3]	**2.6x**	2.7x	2.7x
% drawn debt fixed	**86%**	100%	100%
Blended cost of debt[1,7]	**2.9%**	3.2%	3.2%
Marginal cost of undrawn floating rate facilities	**1.2%**	1.7%	1.6%
Weighted average maturity (years)	**8.8**	9.8	9.3

1 Alternative performance measure. See page 40.
2 Based on net debt.
3 Ratio of operating profit before investment property disposals and valuation movements to net finance costs.
4 Capital commitments, excluding the forward purchase of 90-104 Berwick Street (see pages 5 and 29).
5 Based on EPRA net assets.
6 Comparatives restated to reflect that we are no longer presenting finance ratios including our joint venture on a proportionally consolidated basis (see pages 5 and 36).
7 Including non-utilisation fees on undrawn bank facilities.

Debt maturity profile

Year of maturity	**Facility type**	**Total facility £m**
2022	Bank	125
2023	Bank	100
2027	Bonds	290
2029	Term loan	135
2030	Term loan	130
2031	Bonds	285
2035	Term loan	120

The financial covenants in our debt arrangements are summarised on page 43. Lender testing up to 31 March 2020 confirmed our compliance with these covenants.

All of our debt finance arrangements are secured. As part of the Group's finance strategy, we have unsecured properties of more than £600 million, which could be used to top-up debt security pools, if necessary, to comply with loan-to-value covenants. Whilst the relative amounts of collateral against each debt arrangement are not uniform, through charging these unsecured properties, we estimate the Group could withstand a further 45% decrease in valuations before we reach the limit of our debt loan-to-value covenants.

As a result of anticipated reduced rent collections, in the absence of waivers from lenders, interest cover covenants are unlikely to be met over the short term. We have agreed, in principle, interest cover waivers with our banks and term loan providers, which have either been, or are being, legally documented. These agreements cover periods from 9 to 12 months from April 2020. At the end of the waiver periods, we will, if necessary, seek extensions. We anticipate that our finance providers will continue to view the Group as a secure customer. Securing interest cover covenant waivers is a key assumption in our going concern statement on pages 24 to 25.

Longmartin finance

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

At 31 March 2020, Longmartin's net debt was £59.3 million, representing a loan-to-value ratio of 30.4%, up from 28.4% since 30 September 2019, due to the property valuation decrease in the period. The loan agreement contains the following financial covenants:

- Interest Cover (based on 12 month projected net property income): 1.3x
- Loan-to-Value: 60%

An ICR waiver has been agreed in principle with Longmartin's lender.

Litigation update

On 29 May 2020, the legal proceedings issued by companies whose former beneficial owner was Mr Samuel Tak Lee were withdrawn, with no further financial impact on the company.

Covid-19 restrictions: impact and actions

Impact on the West End and our portfolio

The cornerstone of the West End economy has always been its enduring appeal to a local, national and global audience of businesses and visitors. In normal times, it attracts in excess of 200 million visits annually, comprising Londoners, a huge working population of over 700,000 across a wide range of sectors, and exceptional numbers of domestic and international tourists. Together, they provide a dynamic and prosperous seven-days-a-week economy, not solely reliant on national conditions and prospects.

Government restrictions to halt the spread of Covid-19 have prevented social contact other than for essential purposes, resulting in the temporary disruption to normal patterns of activity across much of the world. In the West End, since mid-March, footfall and commercial activity has reduced to negligible levels. Despite government support measures, inevitably this is having a severe financial impact on businesses, particularly those which rely on predictable, high volumes of footfall and consumer spending to support their cash flows and profitability.

With the welcome reduction in infection rates in the UK, we are now seeing the start of a gradual easing of national restrictions with non-essential retail businesses permitted to re-open to the public from Monday 15 June. However, social distancing continues to be a government policy priority. This is presenting particular challenges to the pace of recovery in the West End economy as:

- Public transport capacity, crucial to much of domestic footfall, is likely to be limited for some time to maintain social distancing;
- International travel and tourism, particularly by air, is currently expected to gradually recover to pre-pandemic levels;
- The daily office working population is likely to reduce as a result of "working from home" and flexible working practices;
- The closure of, or restrictions placed on, visitor attractions, such as theatres, cinemas, galleries, museums and historical sites, will discourage leisure visits; and
- In their current form, social distancing requirements will adversely affect the trading capacity of shops and hospitality businesses, particularly for those occupying smaller space.

The pace of the West End's recovery will also depend on the depth and duration of the anticipated post-pandemic recession in the national and global economy, which will affect business confidence and investment, as well as consumer spending power. Whilst it is not possible to predict the duration of these macro trends, confidence will return and our vibrant locations will, once again, attract growing footfall and spending, bringing the return of prosperous trading for occupiers.

The collapse in West End footfall, evident from early February in Chinatown, and then widely across the West End from mid-March, had an immediate impact on the trading and cash flow of our 607 shops, restaurants, cafés, pubs and bars, materially reducing the collection of rents in advance due on the March quarter day. Many of our smaller office occupiers were similarly affected, and we saw an increase in vacancy in our rental apartments, as overseas tenants returned to their countries of origin.

Supporting our commercial occupiers

We recognise the importance of supporting our existing commercial occupiers not only during the current period of lockdown, but also in the expected period of disruption to their business models through the gradual relaxation of pandemic-related measures.

We are now in extensive discussions with our commercial occupiers to address their current rental commitments, in light of their financial resources and their plans for a resumption of trading. With a wide variety of business types and sizes, and a good understanding of their priorities, our support proposals are being tailored to individual circumstances. We will be deferring or waiving a portion of contracted rents, on a case-by-case basis, for the period up to 30 September 2020, and dealing with residual rental commitments through a combination of:

- Drawing on rental deposits, which we will not require to be replenished;
- Agreeing payment plans structured over a period which reflects a gradual return to more normal trading; and
- Restructuring and/or extending leases, including removing or deferring break clauses.

Initial indications are that up to 50% of contracted rent for the second half of the current financial year could be collected over the extended period covered by these new arrangements.

In the months ahead, we will be formulating plans for future support measures, recognising that the recovery of trading for many businesses will be gradual, and affected by a range of local and macro factors. In order to align our revenue collection with the cash flows of our commercial occupiers, from October 2020, we will be varying our leases to provide the option for lessees to pay rent and service charges monthly rather than quarterly in advance.

Inevitably, until there is a return of business and consumer confidence and activity, in the near-term there will be an elevated risk of higher levels of vacancy, which will affect the supply/demand tension in our locations and increase non-recoverable costs. An important aspect of our management strategy has always been a flexible approach to leasing, and our experience will be invaluable in adapting to market conditions, which could include changes to lease lengths, incentive packages and increased use of turnover-related rents.

In common with businesses across all sectors, the uncertainty surrounding operating conditions in the period ahead, and the potential impact on the portfolio and our financial performance, has resulted in material uncertainty statements being included in the reports of our valuers and auditor at 31 March 2020 (see pages 28 to 29 and 39).

Working collaboratively with our other stakeholders

The importance of engaging and working collaboratively with our wide range of stakeholders has been more evident than ever during the past few months.

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

Unlike most other city locations, the West End is unusual in its land ownerships. Our own portfolio of 15.2 acres is part of a patchwork of long-established privately-owned estates and other corporate owners. In addition, large areas are designated Business Improvement Districts, which bring together individual owners and their tenants. Together with our neighbours, we face common challenges arising from the impact of the pandemic, and are collaborating on initiatives to support the recovery of the West End, while providing advice to local and statutory authorities.

Working with London & Partners, the Mayor of London's promotional organisation, we are part of a group of West End organisations funding the design and delivery of important marketing plans to encourage local and domestic leisure visitors, which will be launched once lockdown restrictions permit. This will be followed by a similar campaign targeted at the international tourist market, once travel restrictions are relaxed. In the meantime, we have an active social media programme to promote our locations and support our occupiers.

For our employees, the implementation of remote working was sudden, but our investment in technology has made this transition smooth. We have prioritised communication channels during the lockdown, including regular all employee presentations, with open Q&A sessions. Both the Chairman and Senior Independent Director have attended these to provide their perspectives and answer questions. More informally, we have weekly "huddles" with groups across different disciplines. We have continued our programme of wellness seminars, focusing over the past three months on the challenges of remote working, nutrition and isolation. We are now turning our attention to returning to the office and have recently carried out a survey to assess concerns and help inform our strategy for working life in the "new normal".

We have provided a number of apartments rent free for NHS workers and have made space available, free of charge, for the temporary relocation of a Soho GP surgery. We have also established a fund to support our community partners and local not-for-profit organisations, and help people affected by Covid-19 within the boroughs of Westminster and Camden. The fund, which will provide support totalling £144,000, is in addition to the Company's regular support for charities and other not-for-profit organisations, which in the last financial year totalled £820,000. To date, we have disbursed over £53,000. Funding for this initiative comes from savings made following the Board's decision to waive 20% of executive director base salaries and pension contributions and non-executive director fees for the three months from 1 April 2020.

Beyond Covid-19

The economies of London and the West End have a long history of structural resilience, having weathered many episodes of near-term challenges and uncertainties. Their unique features come from a culture of constant evolution across a broad-based economy, attracting talent, creativity, innovation and investment from across the world and reinforcing their enduring appeal to businesses, visitors and as great places to live. In the post-pandemic recovery, these fundamental advantages will underpin their return to prosperity and growth.

Whilst the rate of progress out of current pandemic-related restrictions is presently unclear, we believe the qualities of our portfolio and strategy will position us to embrace and adapt to wider societal trends, which were evident in the pre-Covid-19 era, and may accelerate as recovery takes hold and business conditions begin to improve.

The principles underlying our long-term, operationally-focused strategy, which has delivered sustained rental and asset value growth, will take on an even greater importance in the years ahead:

- Curating our popular, lively West End villages based on a mix of retail and leisure uses and innovative formats, which have an authentic, mid-market offer which appeals to local and domestic visitors as well as international tourists;
- Ensuring our leasing arrangements are aligned with the requirements of occupiers, with competitive rental levels and flexible terms, complemented by extensive marketing and other initiatives to support their businesses;
- Constantly adapting our buildings to meet the ever-evolving space and sustainability requirements of occupiers, and implementing changes of uses to maximise space utilisation;
- Collaborating with a wide range of stakeholders, including neighbouring owners, BIDs and local authorities, to address needs and challenges in the local community and wider environmental and sustainability issues; and

- A highly-respected corporate culture and values, embedded across the business, and a committed, experienced, enthusiastic and entrepreneurial management team.

Together with an impossible-to-replicate portfolio, located in the heart of this truly global city, we believe our proven strategy will continue to deliver sustainable long-term returns for our shareholders, benefits for our stakeholders, and make a long-lasting contribution to London's West End.

Principal risks and uncertainties

The principal strategic risks and uncertainties are those which might prevent the Group from achieving its goal of long-term sustainable growth in rental income. The risks and uncertainties facing the Group for the remaining six months of the financial year are summarised below. Most of these risks, uncertainties and mitigating actions are largely consistent with those set out on pages 60 to 61 in the Annual Report for the year ended 30 September 2019. However, the Covid-19 impact has been significant, concentrating the level of these risks, whilst presenting new challenges. This will dominate the risk agenda for the coming months.

Details of how we manage risk are set out on pages 58 to 59 of the 2019 Annual Report. Over the past few months, we have had to mobilise, assess, plan and respond to the multitude of challenges presented by Covid-19. We formed a Covid-19 Co-ordination Group, comprising the Executive Directors, Company Secretary and the Senior Leadership Team. Meeting weekly, the Group considers an evolving range of topics including, inter alia, occupiers, our people, communities, day-to-day operations, finance, IT, communications, liaison with our neighbours and local authorities, regulations and recovery, including returning to work following relaxation of lockdown restrictions. The Board has met regularly during this period and has received updates from the Group.

Reduction in spending and/or footfall in our areas	
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. • Health pandemics. • Competing destinations.	**Consequences** • Reduced tenant profitability/increased occupier financial distress. • Reduced occupier demand. • Higher vacancy. • Reduced rental income and declining earnings. • Reduced ERV, capital values and NAV (amplified by gearing). • Risk of loan covenant breaches.
Commentary The collapse in West End footfall, evident from early February in Chinatown, and then widely across the West End from mid-March, had an immediate impact on the trading and cash flow of our 607 shops, restaurants, cafés, pubs and bars, materially reducing the collection of rents in advance due on the March quarter day. Many of our smaller office occupiers were similarly affected, and we saw an increase in vacancy in our rental apartments, as overseas tenants returned to their countries of origin. Rent collections have reduced materially. Details of the support we are providing to occupiers is set out on pages 15 to 16. The new "normal" following Covid-19, including how people choose to work and shop, could reduce footfall and spending in the short term. We will continue to adapt our portfolio to meet occupier requirements.	

Changes in regulatory environment	
Potential causes • Unfavourable changes to national or local planning and licensing policies. • Tenants acting outside of planning/licensing consents. • Growing complexity and level of sustainability regulation. • Increased stakeholder focus on ESG. • Increased regulation/guidance in respect of social distancing both within our portfolio and in connection with domestic and international travel.	**Consequences** • Ability to maximise the growth prospects of our assets limited. • Reduced tenant profitability/increased occupier financial distress. • Reduced occupier demand. • Increased costs. • Reduced earnings. • Decrease in property values and NAV (amplified by gearing). • Reduction of spending/footfall in our areas.
Commentary We have recently recruited a Head of Sustainability whose focus is to ensure we continue to develop and implement our long-term sustainability strategy and our already extensive community engagement. For increased regulation/guidance on social distancing, see comments in Reduction in spending and footfall in our areas above.	

Macroeconomic factors	
Potential causes • Macroeconomic shocks or events. • Uncertainty on the terms of Brexit. • Upward cost pressures.	**Consequences** • Lower consumer confidence. • Reduced visitor numbers. • Lower availability of labour, occupier supply chain disruption and higher import costs. • Reduced tenant profitability/increased occupier financial distress. • Reduced occupier demand. • Pressure on rents. • Higher vacancy. • Reduced rental income and declining earnings. • Reduced ERV, capital values and NAV (amplified by gearing). • Risk of loan covenant breaches.
Commentary Uncertainty prevailed in the lead up to the UK General Election in December, although risk reduced after, once there was greater certainty over the political landscape. Despite this, the terms of Brexit remain to be agreed. Covid-19 has resulted in increased macroeconomic risk. We have seen a reduction in asset valuations (pages 5 to 6) and operating cash inflow (page 12). Our balance sheet remains strong. We have significant levels of liquidity and we are taking actions to secure continued support from our lenders (pages 13 to 14). We expect continued uncertainty over the coming months and it is possible that the UK will go into recession, which would have a further negative impact. Our going concern assessment is set out on pages 24 to 25.	

Decline in the UK real estate market	
Potential causes • Changes to political landscape. • Increasing bond yields and cost of finance. • Reduced availability of capital and finance. • Lower relative attractiveness of property compared with other asset classes. • Changing overseas investor perception of UK real estate.	**Consequences** • Reduced property values. • Decrease in NAV (amplified by gearing). • Risk of loan covenant breaches. • Ability to raise new debt funding curtailed.
Commentary As for Macroeconomic factors (above).	

Our emerging and increasing risks are similar to those reported in our 2019 Annual Report and Accounts:

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

We continue to consider and tackle these. During the period, we have increased staffing levels, appointed a Head of Sustainability, are carrying out an overhaul and modernisation of our IT infrastructure, are planning a review of how we can harness and make better use of management information, and are in the second year of our three-year strategic plan (as reported on page 46 of our 2019 Annual Report).

Unaudited Group Statement of Comprehensive Income

For the six months ended 31 March 2020

	Notes	**Six months ended 31.3.2020 £m**	Six months ended 31.3.2019 £m	Year ended 30.9.2019 £m
Revenue	2	**62.7**	63.9	126.9
Property charges	3	**(16.5)**	(15.3)	(28.9)
Net property income		**46.2**	48.6	98.0
Administrative expenses		**(6.5)**	(7.5)	(15.2)
Operating profit before investment property disposals and valuation movements		**39.7**	41.1	82.8
Profit on disposal of investment properties	4	**0.2**	2.8	2.8
Net revaluation (deficit)/surplus on investment properties	7	**(300.4)**	16.2	(15.3)
Operating (loss)/profit		**(260.5)**	60.1	70.3
Finance income		**0.3**	0.5	1.0
Finance costs	5	**(15.7)**	(15.7)	(31.5)
Share of post-tax loss from joint venture	9	**(11.7)**	(6.2)	(13.8)
(Loss)/profit before tax		**(287.6)**	38.7	26.0
Tax charge for the period	6	**-**	-	-
(Loss)/profit and total comprehensive (loss)/income for the period		**(287.6)**	38.7	26.0
(Loss)/earnings per share:	18			
Basic		**(93.6)p**	12.6p	8.5p
Diluted		**(93.6)p**	12.6p	8.5p

See page 40 for an explanation of the EPRA measures used in these financial statements.

Unaudited Group Balance Sheet

As at 31 March 2020

	Notes	**31.3.2020 £m**	31.3.2019 £m	30.9.2019 £m
Non-current assets				
Investment properties	7	**3,487.1**	3,745.1	3,765.9
Accrued income	8	**12.2**	11.4	13.1
Investment in joint venture	9	**114.5**	135.9	127.6
Property, plant and equipment		**1.2**	1.4	1.4
Other receivables	11	**3.7**	3.7	3.7
		3,618.7	3,897.5	3,911.7
Current assets				
Trade and other receivables	10	**31.7**	31.9	35.1
Cash and cash equivalents	11	**172.5**	110.8	54.0
Total assets		**3,822.9**	4,040.2	4,000.8
Current liabilities				
Trade and other payables	12	**30.8**	45.2	43.8
Non-current liabilities				
Borrowings	13	**1,100.4**	949.2	949.8
Total liabilities		**1,131.2**	994.4	993.6
Net assets		**2,691.7**	3,045.8	3,007.2
Equity				
Share capital	15	**76.9**	76.8	76.9
Share premium		**378.6**	378.4	378.6
Share-based payments reserve		**0.5**	0.7	1.3
Retained earnings		**2,235.7**	2,589.9	2,550.4
Total equity		**2,691.7**	3,045.8	3,007.2

Unaudited Group Cash Flow Statement

For the six months ended 31 March 2020

	Notes	**Six months ended 31.3.2020 £m**	Six months ended 31.3.2019 £m	Year ended 30.9.2019 £m
Cash flows from operating activities				
Cash generated from operating activities	17	**30.5**	45.0	79.8
Interest received		**0.3**	0.5	1.0
Interest paid		**(15.1)**	(15.2)	(30.2)
Net cash generated from operating activities		**15.7**	30.3	50.6
Cash flows from investing activities				
Investment property acquisitions		**(0.4)**	(12.0)	(47.2)
Investment property disposals	4	**0.2**	14.3	14.3
Capital expenditure on investment properties		**(18.6)**	(12.9)	(28.2)
Purchase of property, plant and equipment		**-**	(0.4)	(0.5)
Dividends received from joint venture		**1.4**	1.8	2.5
Increase in loans to joint venture		**(2.0)**	(2.6)	(3.3)
Net cash used in investing activities		**(19.4)**	(11.8)	(62.4)
Cash flows from financing activities				
Proceeds from exercise of share options		**-**	-	0.2
Proceeds from borrowings		**150.0**	-	-
Equity dividends paid	16	**(27.8)**	(26.2)	(52.9)
Net cash from/(used in) financing activities		**122.2**	(26.2)	(52.7)
Net change in cash and cash equivalents		**118.5**	(7.7)	(64.5)
Cash and cash equivalents at the beginning of the period	11	**54.0**	118.5	118.5
Cash and cash equivalents at the end of the period	11	**172.5**	110.8	54.0

Unaudited Group Statement of Changes in Equity

For the six months ended 31 March 2020

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
At 1 October 2019		**76.9**	**378.6**	**1.3**	**2,550.4**	**3,007.2**
Loss and total comprehensive loss for the period		**-**	**-**	**-**	**(287.6)**	**(287.6)**
Transactions with owners:						
Dividends paid	16	**-**	**-**	**-**	**(27.8)**	**(27.8)**
Exercise of share options		**-**	**-**	**-**	**-**	**-**
Share-based payments		**-**	**-**	**(0.1)**	**-**	**(0.1)**
Release on exercise of share options		**-**	**-**	**(0.7)**	**0.7**	**-**
At 31 March 2020		**76.9**	**378.6**	**0.5**	**2,235.7**	**2,691.7**
At 1 October 2018		76.8	378.4	1.2	2,576.6	3,033.0
Profit and total comprehensive income for the period		-	-	-	38.7	38.7
Transactions with owners:						
Dividends paid	16	-	-	-	(26.2)	(26.2)
Share-based payments		-	-	0.3	-	0.3
Release on exercise of share options		-	-	(0.8)	0.8	-
At 31 March 2019		76.8	378.4	0.7	2,589.9	3,045.8
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
Transactions with owners:						
Dividends paid	16	-	-	-	(52.9)	(52.9)
Exercise of share options		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

Notes to the half year results

For the six months ended 31 March 2020

1. Accounting policies

Basis of preparation

The Group's condensed consolidated half year financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34, Interim Financial Reporting, as adopted by the European Union. They should be read in conjunction with the annual financial statements for the year ended 30 September 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRS Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information in these condensed consolidated half year financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information presented for the year ended 30 September 2019 is derived from the statutory accounts for that year. Statutory accounts for the year ended 30 September 2019 were approved by the Board on 25 November 2019 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated half year financial statements have been reviewed, not audited.

Going concern

Given the significant uncertainties resulting from the impact of Covid-19 on the economic environment in which the Group operates, the directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the condensed consolidated financial statements for the six months ended 31 March 2020. The impact of Covid-19, and actions being taken are set out on pages 14 to 17.

The Group's going concern assessment covers the period of at least 12 months from the date of authorisation of these condensed consolidated half year financial statements (the "going concern period"), and takes into account its substantial liquidity, committed expenditure, and likely ongoing levels of costs. In preparing the assessment, the Board has considered an extreme downside scenario, which assumes no rental income is received, existing capital and purchase commitments are satisfied and there are no new acquisitions, refurbishment schemes or disposals. It also assumed surplus unsecured property is charged to individual loans and factored in decreases in property values of up to 45%.

This assessment shows the Group has sufficient liquidity throughout the going concern period, assuming continued access to our revolving credit facilities and the ability to operate the Group's secured debt structure within its financial covenants. Lender testing up to 31 March 2020 confirmed the Group operated within these covenants. The Group's liquidity and debt financial covenants are discussed further on pages 12 to 14 and a summary of covenants is set out on page 43.

At 31 March 2020, the Group's loan-to-value ratio was 26.7%. The Group's individual debt arrangements have specifically charged assets as security, although the relative amounts of collateral against each arrangement are not uniform. However, as part of the Group's finance strategy, we have a pool of unsecured properties which can be used to top-up debt security pools, if necessary, to comply with loan-to-value covenants. Through charging these unsecured properties, we estimate the Group could withstand a 45% decrease in valuation before we reach the limit of our debt loan-to-value covenants.

Given the expected short-term reduction in rental income due to Government restrictions, it is likely the Group will not meet interest cover covenants throughout the whole of the going concern period, in the absence of appropriate waivers from lenders. The Group has agreed in principle waivers of interest cover covenants with the providers of its revolving credit facilities and term loans, which either have been, or are now being, legally documented. These agreements cover periods from 9 to 12 months from April 2020. The Board anticipates that our lenders will continue to view the Group to be a secure customer throughout the going concern period. The Group was compliant with its mortgage bonds' interest cover covenants at 31 March 2020 and plans to engage with bondholders, if required, ahead of future covenant testing dates, the next of which is at 30 September 2020.

Under the extreme downside scenario, the Group has sufficient liquidity for the going concern period, assuming that interest cover covenant waivers are granted or extended throughout this period. This is a key assumption and, whilst the Board is confident that waivers would be extended throughout the going concern period, it cannot give absolute certainty that this will be the case. On this basis, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period, although this reliance on waivers being granted or extended means there is a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern. On this basis, the Board has continued to adopt the going concern basis in preparing the condensed consolidated half year financial statements.

Significant judgements, assumptions and key estimates

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

Significant areas of estimation uncertainty

Investment property valuation

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

Values are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. Cushman & Wakefield and Knight Frank LLP make a number of assumptions in forming their opinion on the valuation of our investment properties, which are detailed in the Basis of Valuation on pages 41 to 42. 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. The reports of both external valuers contains a material uncertainty statement, which is in line with RICS guidance. See note 7 for further information.

Trade receivables and payables

Trade receivables and trade payables are recognised at fair value and subsequently held at amortised cost, less any provision for impairment in respect of trade receivables.

Rents and service charge are often billed quarterly in advance, which results, initially, in deferred income being recognised in the Balance Sheet. Given the current unprecedented circumstances caused by pandemic restrictions, significant uncertainty persists over collectability of trade receivables. While this is the case, the Board considers that it is more appropriate to only recognise deferred income to the extent it estimates that it is likely to materialise. This also applies to the corresponding trade receivables.

The Group assesses the likely recovery of trade receivables for potential provisions, which are estimated using a forward-looking expected credit loss model for each receivable from an occupier. In determining the provision, the Group considers both recent payment history and future expectations of possible default in order to recognise a lifetime expected credit loss allowance. Where this relates to revenue already recognised in the Income Statement, the expected credit loss allowance is recognised in the Income Statement. Expected credit loss allowances totalling £2.7 million were charged to the Income Statement in the six months ended 31 March 2020.

Where an expected credit loss relates to revenue not yet recognised in the Income Statement, and that future revenue is no longer considered fully recoverable, the related trade receivable and deferred income balance are derecognised. For rents and service charges billed in advance at 31 March 2020, we estimated an expected credit loss allowance of £15.4 million (including our 50% share in the Longmartin joint venture of £0.7 million) which related to income not yet recognised at that date, and which was no longer considered fully recoverable based on the likely concessions we will make to occupiers, as set out on page 15. This amount has been derecognised from the trade receivables and deferred income balances at 31 March 2020. Going forward, for those leases where future revenues are no longer considered fully recoverable, the rental income and the expected credit loss allowance will be recognised in the Income Statement on an accrued basis.

This policy has been applied for the financial statements for the six months to 31 March 2020 and was not applicable in previous periods.

Area of judgement

Contingent liability

At 31 March 2020 the Board considered the contingent liability arising from litigation from a shareholder and whether a provision should be recognised. Since the period end the legal proceedings were withdrawn. See note 20.

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

Other than the key estimates made in respect of trade receivables and payables, the significant judgements, assumptions and key estimates are consistent with the financial statements for the previous year end, disclosure of which is included in the 2019 financial statements.

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 the recognition criteria for deferred income noted above and new standards or amendments to standards which became effective in the financial period from 1 October 2019, as set out below.

New standards and amendments to standards adopted during the period

The following standards and amendments to existing standards were relevant to the Group, adopted from 1 October 2019, and did not have a significant impact on the financial statements:

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

IFRS 16 – Leases (effective from 1 October 2019)

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 did not materially impact the Group's financial statements.

Standards relevant to the Group but not yet effective

The following amendments to existing standards were relevant to the Group, are not yet effective, and have not been adopted early. They are not expected to have a significant impact on the financial statements:

- IFRS 9, IAS 39 and IFRS 7 (amendments) – Interest rate benchmark reform
- IAS 1 and IAS 8 (amendments) – Definition of material
- IFRS 3 (amendment) – Definition of a business

Segmental information

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

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see page 40 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 financial information is presented.

2. Revenue

	Six months ended 31.3.2020 £m	Six months ended 31.3.2019 £m	Year ended 30.9.2019 £m
Rental income	**56.7**	58.6	117.3
Service charge income	**6.0**	5.3	9.6
	62.7	63.9	126.9

Rental income includes a net decrease of £0.8 million from tenant lease incentives (31.3.2019: £1.7 million net increase; 30.9.2019: £2.3 million net increase).

3. Property charges

	Six months ended 31.3.2020 £m	Six months ended 31.3.2019 £m	Year ended 30.9.2019 £m
Property operating costs	**4.4**	3.7	7.3
Vacant property costs	**0.9**	0.8	2.0
Fees payable to managing agents	**1.4**	1.4	2.7
Letting, rent review, and lease renewal costs	**2.0**	1.7	3.4
Marketing and events expenditure	**1.8**	2.4	3.9
Property outgoings	**10.5**	10.0	19.3
Service charge expenses	**6.0**	5.3	9.6
	16.5	15.3	28.9

4. Profit on disposal of investment properties

	Six months ended 31.3.2020 £m	Six months ended 31.3.2019 £m	Year ended 30.9.2019 £m
Net sale proceeds	**0.2**	14.3	14.3
Book value at date of sale	**-**	(11.5)	(11.5)
	0.2	2.8	2.8

5. Finance costs

	Six months ended 31.3.2020 £m	Six months ended 31.3.2019 £m	Year ended 30.9.2019 £m
Mortgage bond interest	**6.9**	6.9	13.9
Bank and other interest	**8.2**	8.2	16.4
Loan issue cost amortisation	**0.6**	0.6	1.2
	15.7	15.7	31.5

6. Tax charge for the period

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.

7. Investment properties

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
At 1 October	**3,765.9**	3,714.8	3,714.8
Acquisitions	**-**	12.1	47.0
Disposals	**-**	(11.5)	(11.5)
Refurbishment and other capital expenditure	**21.6**	13.5	30.9
Net revaluation (deficit)/surplus on investment properties	**(300.4)**	16.2	(15.3)
Book value at end of period	**3,487.1**	3,745.1	3,765.9
Fair value at end of period:			
Properties valued by Cushman & Wakefield	**3,504.9**	3,759.2	3,784.2
Lease incentives and costs included in receivables	**(17.8)**	(14.1)	(18.3)
Book value at end of period	**3,487.1**	3,745.1	3,765.9

The investment properties valuation comprises:

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Freehold properties	**3,271.6**	3,522.7	3,531.2
Leasehold properties	**233.3**	236.5	253.0
	3,504.9	3,759.2	3,784.2

Investment properties were valued at 31 March 2020 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

All properties were valued on the basis of fair value and highest and best use, in accordance with IFRS 13 and the RICS Valuation - Global Standards, which incorporate the International Valuation Standards, the RICS UK Valuation Standards edition and the RICS Valuation UK National Supplement 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.

As noted in the significant judgements, assumptions and key estimates section on page 25, 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. With the heightened degree of uncertainty resulting from the Covid-19 pandemic, there is increased difficulty in exercising professional judgements to determine asset values when there are few, if any, comparable transactions in the new environment. Consequently, the external valuation contains the following material uncertainty statement, which is in line with RICS guidance:

> "The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.
>
> "Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.
>
> "Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown

future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the Properties under frequent review.

"For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation."

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out in the Basis of Valuation on pages 41 to 42. 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. In the valuation at 31 March 2020, the valuers have also estimated the short-term cash flow impact of Covid-19 restrictions, including through the recovery period. See page 6.

Whilst there is market evidence for the key inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable. Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the period (31.3.2019: none; 30.9.2019: none).

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

The 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. The short-term cash flow impact of Covid-19 restrictions decreased the capital value.

At 31 March 2020, the Group had capital commitments of £77.9 million (31.3.2019: £87.3 million; 30.9.2019: £82.4 million). This included £36.1 million relating to the forward purchase of a long leasehold interest (31.3.2019: £39.0 million; 30.9.2019: £39.0 million), £4.1 million for the acquisition of an investment property (31.3.2019: £nil; 30.9.2019: £nil) and £37.7 million (31.3.2019: £48.3 million; 30.9.2019: £43.4 million) relating to future capital expenditure for the enhancement of the Group's investment properties. Since 31 March 2020, the vendor of the long leasehold interest noted above failed to meet its obligation to complete the sale to us by the contracted date of 30 April 2020. See page 5.

See pages 3 to 5 for a discussion of the Group's property activity during the period.

8. Accrued income

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Accrued income in respect of lease incentives	**15.3**	14.1	16.1
Less: included in trade and other receivables (note 10)	**(3.1)**	(2.7)	(3.0)
	12.2	11.4	13.1

9. Investment in joint venture

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
At 1 October	**127.6**	143.9	143.9
Share of losses	**(11.7)**	(6.2)	(13.8)
Dividends received	**(1.4)**	(1.8)	(2.5)
Book value at end of period	**114.5**	135.9	127.6

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

	Six months ended 31.3.2020 £m	Six months ended 31.3.2019 £m	Year ended 30.9.2019 £m
Statement of Comprehensive Income			
Rental income	**7.7**	7.9	15.0
Service charge income	**1.5**	1.0	1.8
Revenue from properties	**9.2**	8.9	16.8
Property outgoings	**(1.5)**	(0.9)	(2.2)
Service charge expenses	**(1.5)**	(1.0)	(1.8)
Property charges	**(3.0)**	(1.9)	(4.0)
Net property income	**6.2**	7.0	12.8
Administrative expenses	**(0.1)**	(0.1)	(0.2)
Operating profit before investment property valuation movements	**6.1**	6.9	12.6
Net revaluation deficit on investment properties	**(30.2)**	(18.1)	(38.5)
Operating loss	**(24.1)**	(11.2)	(25.9)
Finance costs	**(3.6)**	(3.3)	(6.8)
Loss before tax	**(27.7)**	(14.5)	(32.7)
Current tax	**(0.6)**	(0.7)	(1.2)
Deferred tax	**4.9**	2.9	6.3
Tax credit for the period	**4.3**	2.2	5.1
Loss and total comprehensive loss for the period	**(23.4)**	(12.3)	(27.6)
Loss attributable to the Group	**(11.7)**	(6.2)	(13.8)

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Balance Sheet			
Non-current assets			
Investment properties at book value	**398.2**	443.8	426.3
Accrued income	**1.4**	2.2	1.7
Other receivables	**1.3**	1.3	1.3
	400.9	447.3	429.3
Cash and cash equivalents	**1.5**	3.7	1.2
Other current assets	**3.1**	2.9	4.1
Total assets	**405.5**	453.9	434.6
Current liabilities	**23.8**	21.0	21.7
Non-current liabilities			
Secured term loan	**120.0**	120.0	120.0
Other non-current liabilities	**32.8**	41.0	37.7
Total liabilities	**176.6**	182.0	179.4
Net assets	**228.9**	271.9	255.2
Net assets attributable to the Group	**114.5**	135.9	127.6

Knight Frank LLP, acting in the capacity of external valuers, value the investment properties owned by the joint venture. Their report at 31 March 2020 includes a material uncertainty statement, in substantially the same form as Cushman & Wakefield included in their report on the wholly-owned portfolio (see pages 28 to 29).

10. Trade and other receivables

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Trade receivables	**15.6**	14.9	18.3
Provision for expected credit losses[1]	**(3.4)**	(1.1)	(1.5)
	12.2	13.8	16.8
Accrued income in respect of lease incentives (note 8)	**3.1**	2.7	3.0
Amount due from joint venture	**9.3**	6.5	7.2
Prepayments	**6.9**	8.8	7.6
Other receivables	**0.2**	0.1	0.5
	31.7	31.9	35.1

1. See significant judgements, assumptions and key estimates on page 25.

Trade receivables represent amounts due from tenants. Within this balance is £2.7 million (31.3.2019: £3.4 million; 30.9.2019: £3.4 million) owed for service charges.

At 31 March 2020, cash deposits totalling £20.9 million (31.3.2019: £21.0 million; 30.9.2019: £20.7 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents and are not included within the Group Balance Sheet.

11. Cash and cash equivalents

Cash and cash equivalents at 31 March 2020 were £172.5 million (31.3.2019: £110.8 million; 30.9.2019: £54.0 million).

Non-current other receivables include £3.7 million at 31 March 2020 (31.3.2019: £3.7 million; 30.9.2019: £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.

12. Trade and other payables

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Deferred rental income[1]	**9.2**	22.3	23.0
Accruals and deferred service charge income	**3.9**	4.1	5.1
	13.1	26.4	28.1
Amounts due in respect of property acquisitions	**-**	0.2	-
Trade payables and accruals in respect of capital expenditure	**5.0**	3.3	3.5
Other taxation and social security	**4.6**	7.3	2.9
Other payables and accruals	**8.1**	8.0	9.3
	30.8	45.2	43.8

1. See significant judgements, assumptions and key estimates on page 25.

All deferred service charge income of the prior period was recognised as income in the current period.

13. Borrowings

	Nominal value £m	Unamortised issue costs £m	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Mortgage bonds	**575.0**	**(4.7)**	**570.3**	569.9	570.1
Secured bank facilities	**150.0**	**(1.1)**	**148.9**	(1.6)	(1.3)
Secured term loans	**384.8**	**(3.6)**	**381.2**	380.9	381.0
Total borrowings	**1,109.8**	**(9.4)**	**1,100.4**	949.2	949.8

At 31 March 2019 and 30 September 2019 there were no drawings against the Group's secured bank facilities. Unamortised issue costs (31.3.2019: £1.6 million; 30.9.2019: £1.3 million) continued 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 £2,864.0 million (31.3.2019: £3,171.5 million; 30.9.2019: £3,088.9 million), and by floating charges over the assets of the Company and/or certain subsidiaries.

Net debt reconciliation

		Cash flows			
	1.10.2019 £m	Inflows £m	Outflows £m	Non-cash items	31.3.2020 £m
Non-current borrowings					
Mortgage bonds	**575.0**	**-**	**-**	**-**	**575.0**
Secured bank facilities	**-**	**150.0**	**-**	**-**	**150.0**
Secured term loans	**384.8**	**-**	**-**	**-**	**384.8**
Loan issue costs	**(10.0)**	**-**	**-**	**0.6**	**(9.4)**
	949.8	**150.0**	**-**	**0.6**	**1,100.4**
Loan issue costs[1]	**10.0**	**-**	**-**	**(0.6)**	**9.4**
Cash & cash equivalents (note 11)	**(54.0)**	**(182.4)**	**63.9**	**-**	**(172.5)**
Net debt at 31 March 2020	**905.8**	**(32.4)**	**63.9**	**-**	**937.3**
Net debt at 31 March 2019	841.3	(61.6)	69.3	-	849.0
Net debt at 30 September 2019	841.3	(97.8)	162.3	-	905.8

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

Availability and maturity of borrowings

	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**150.0**	**75.0**
Repayable between 5 and 10 years	**554.8**	**554.8**	**-**
Repayable after 10 years	**405.0**	**405.0**	**-**
At 31 March 2020	**1,184.8**	**1,109.8**	**75.0**
At 31 March 2019	1,184.8	959.8	225.0
At 30 September 2019	1,184.8	959.8	225.0

The Group has no obligation to repay its mortgage bonds or secured term loans in advance of their maturities between 2027 and 2035. The Group's secured bank facilities mature in 2022 and 2023.

Interest rate profile of interest bearing borrowings

	31.3.2020		31.3.2019		30.9.2019	
	Debt £m	**Interest rate**	Debt £m	Interest rate	Debt £m	Interest rate
Secured bank facilities	**150.0**	**2.15%**	-	-	-	-
Secured term loans	**384.8**	**3.85%**	384.8	3.85%	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%	285.0	2.49%
Weighted average cost of drawn borrowings		**2.88%**		2.99%		2.99%

The Group also incurs non-utilisation fees on undrawn facilities. At 31 March 2020, the weighted average charge on the undrawn facilities of £75.0 million (31.3.2019: £225.0 million; 30.9.2019: £225.0 million) was 0.68% (31.3.2019: 0.66%; 30.9.2019: 0.66%).

The weighted average credit margin on the Group's secured bank facilities was 1.46% (31.3.2019: 1.46%; 30.9.2019: 1.46%).

Details of the Group's current financial position are discussed on pages 12 to 13.

14. 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 £970.3 million (31.3.2019: £987.6 million; 30.9.2019: £1,042.9 million). The difference between the fair value and the book value is not recognised in the reported results for the period. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt yield 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.

15. Share capital

During the period, 4,922 ordinary 25p shares were issued in connection with the exercise of nil cost options granted under the 2016 LTIP and the Group's Sharesave scheme.

16. Dividends

	Pence per share		**Six months ended 31.3.2020**	Six months ended 31.3.2019	Year ended 30.9.2019
	PID	Ordinary	**£m**	£m	£m
Final dividend for:					
Year ended 30 September 2019	5.25p	3.75p	**27.8**	-	-
Year ended 30 September 2018	-	8.5p	**-**	26.2	26.2
Interim dividend for:					
Year ended 30 September 2019	8.7p	-	**-**	-	26.7
Dividends for the period			**27.8**	26.2	52.9

An interim dividend will not be declared in respect of the six months ended 31 March 2020.

17. Cash flows from operating activities

Operating activities	**Six months ended 31.3.2020 £m**	Six months ended 31.3.2019 £m	Year ended 30.9.2019 £m
(Loss)/profit before tax	**(287.6)**	38.7	26.0
Adjusted for:			
Lease incentives recognised (note 2)	**0.8**	(1.7)	(2.3)
Share-based payments	**(0.1)**	0.3	0.9
Depreciation	**0.2**	0.3	0.4
Net revaluation deficit/(surplus) on investment properties (note 7)	**300.4**	(16.2)	15.3
Profit on disposal of investment properties (note 4)	**(0.2)**	(2.8)	(2.8)
Net finance costs	**15.4**	15.2	30.5
Share of post-tax loss from joint venture (note 9)	**11.7**	6.2	13.8
Cash flows from operations before changes in working capital	**40.6**	40.0	81.8
Changes in working capital:			
Change in trade and other receivables	**4.5**	1.5	(4.1)
Change in trade and other payables	**(14.6)**	3.5	2.1
Cash generated from operating activities	**30.5**	45.0	79.8

18. Performance measures

Basic and diluted earnings per share

	31.3.2020		31.3.2019		30.9.2019	
	Loss after tax £m	**Loss per share pence**	Profit after tax £m	Earnings per share pence	Profit after tax £m	Earnings per share pence
Basic and Diluted	**(287.6)**	**(93.6)**	38.7	12.6	26.0	8.5
Number of shares for Basic and EPRA EPS (million)		**307.4**		307.4		307.4
Number of shares for Diluted EPS (million)		**307.4**		307.7		307.6

In the period ended 31 March 2020, potential ordinary shares are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

EPRA earnings per share

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

	31.3.2020		31.3.2019		30.9.2019	
	Earnings £m	**Earnings per share pence**	Earnings £m	Earnings per share pence	Earnings £m	Earnings per share pence
Basic	**(287.6)**	**(93.6)**	38.7	12.6	26.0	8.5
EPRA adjustments:						
Investment property valuation deficit/(surplus) (note 7)	**300.4**	**97.7**	(16.2)	(5.3)	15.3	5.0
Profit on disposal of investment properties (note 4)	**(0.2)**	**-**	(2.8)	(0.9)	(2.8)	(0.9)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**15.1**	**4.9**	9.0	2.9	19.2	6.2
Deferred tax	**(2.4)**	**(0.8)**	(1.4)	(0.4)	(3.1)	(1.0)
EPRA earnings	**25.3**	**8.2**	27.3	8.9	54.6	17.8

Net asset value per share

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

	31.3.2020 Net assets		31.3.2019 Net assets		30.9.2019 Net assets	
	Net assets £m	**Per share £**	Net assets £m	Per share £	Net assets £m	Per share £
Basic	**2,691.7**	**8.76**	3,045.8	9.91	3,007.2	9.78
Dilutive effect of share options	**0.4**		0.5		0.5	
Diluted	**2,692.1**	**8.75**	3,046.3	9.90	3,007.7	9.77
Deferred tax[1]	**11.1**	**0.03**	15.3	0.05	13.6	0.05
EPRA NAV	**2,703.2**	**8.78**	3,061.6	9.95	3,021.3	9.82
Deferred tax[1]	**(11.1)**	**(0.03)**	(15.3)	(0.05)	(13.6)	(0.05)
Excess of fair value over carrying value of debt:						
Secured term loans[2]	**(39.6)**	**(0.13)**	(51.3)	(0.17)	(75.8)	(0.24)
Mortgage bonds	**22.2**	**0.07**	14.8	0.05	(17.9)	(0.06)
EPRA NNNAV	**2,674.7**	**8.69**	3,009.8	9.78	2,914.0	9.47
Number of shares (million)		**307.4**		307.4		307.4
Number of diluted shares (million)		**307.8**		307.8		307.7

1. Includes our 50% share of deferred tax in the Longmartin joint venture.
2. Includes the wholly-owned Group's secured term loans and our 50% share of secured term loans in the Longmartin joint venture.

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

Total accounting return (TAR)

	31.3.2020 Pence	31.3.2019 Pence	30.9.2019 Pence
Opening EPRA NAV (A)	**982.0**	991.0	991.0
Closing EPRA NAV	**878.0**	995.0	982.0
(Decrease)/increase in the period	**(104.0)**	4.0	(9.0)
Dividends paid in the period	**9.0**	8.5	17.2
TAR (B)	**(95.0)**	12.5	8.2
TAR % (B/A)	**(9.7)%**	1.3%	0.8%

Financing ratios

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Loan-to-value and gearing			
Nominal value of debt	**1,109.8**	959.8	959.8
Cash and cash equivalents	**(172.5)**	(110.8)	(54.0)
Net debt (A)	**937.3**	849.0	905.8
Fair value of investment properties (B)	**3,504.9**	3,759.2	3,784.2
Loan-to-value (A/B)	**26.7%**	22.6%	23.9%
EPRA net assets (C)	**2,703.2**	3,061.6	3,021.3
Gearing (A/C)	**34.7%**	27.7%	30.0%
Interest cover			
Operating profit before investment property disposals & valuation movements (A)	**39.7**	41.1	82.8
Finance costs	**15.7**	15.7	31.5
Finance income	**(0.3)**	(0.5)	(1.0)
Net finance costs (B)	**15.4**	15.2	30.5
Interest cover (A/B)	**2.6x**	2.7x	2.7x
Cost of debt			
Blended cost of drawn borrowings	**2.9%**	3.0%	3.0%
Commitment fees on undrawn bank facilities	**0.7%**	0.7%	0.7%
Blended cost of debt (including commitment fees on undrawn facilities)	**2.9%**	3.2%	3.2%

We are no longer presenting financing ratios including our joint venture on a proportionally consolidated basis (see page 5). Consequently, gearing has been restated at 30 September 2019 and 31 March 2019.

19. 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 summarised below:

	31.3.2020 £m	31.3.2019 £m	30.9.2019 £m
Transactions with joint venture:			
Administrative fees receivable	**0.1**	0.1	0.1
Dividends receivable	**1.4**	1.8	2.5
Interest receivable	**0.2**	0.1	0.3
Amounts due from joint venture	**9.3**	6.5	7.2

20. Post Balance Sheet event

On 29 May 2020, the legal proceedings issued by companies whose former beneficial owner was Mr Samuel Tak Lee were withdrawn, with no further financial impact on the Company.

Responsibility Statement

The directors confirm that the condensed consolidated half year financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and that the half year management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- important events that have occurred during the first six months and their impact on the condensed set of half year financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and a fair review of any material changes in the related party transactions described in the last Annual Report.

The maintenance and integrity of the Shaftesbury website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

The directors of Shaftesbury PLC are listed in its Annual Report for the year ended 30 September 2019.

A list of current directors is maintained on the Shaftesbury PLC website: www.shaftesbury.co.uk.

On behalf of the Board

Brian Bickell
Chief Executive

Chris Ward
Finance Director

9 June 2020

Independent Review Report to Shaftesbury PLC

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 which comprises the Unaudited Group Statement of Comprehensive Income, the Unaudited Group Balance Sheet, the Unaudited Group Cash Flow Statement, the Unaudited Group Statement of Changes in Equity and the related notes to the financial statements 1 to 20. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our Responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of half year financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material uncertainty related to going concern
We draw attention to note 1 in the financial statements, which indicates that with the expected short-term reduction in rental income due to Government restrictions, it is likely the Group will not meet interest cover covenants throughout the whole of the going concern period, in the absence of appropriate waivers from lenders. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Emphasis of matter
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 7 to the financial statements concerning the material valuation uncertainty in the assessment of fair value of investment properties. Our conclusion is not modified in respect of this matter.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
9 June 2020

Other information

Alternative Performance Measures (APMs)

The Group has applied the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures in these interim 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 these interim results. EPRA performance measures are a set of standard disclosures for the property industry, as defined by EPRA in its Best Practices Recommendations.

APM	Nearest IFRS measure	Explanation and reconciliation
EPRA earnings and earnings per share	Profit and total comprehensive income for the period Basic earnings per share	Note 18 and Financial results (page 10)
Underlying rental income	Rental income	Financial results (page 10)
Underlying net property income	Net property income	Financial results (pages 10 to 11)
Net asset value per share	Net assets attributable to shareholders	Note 18
Diluted net asset value per share	Net assets attributable to shareholders	Note 18
EPRA net assets and NAV	Net assets	Note 18 and Financial results (pages 11 to 12)
Total Accounting Return	N/A	Note 18 and Financial results (pages 11 to 12)
Valuation growth	Net surplus on revaluation of investment properties	Valuation (pages 5 to 8)
Net debt	Borrowings less cash and cash equivalents	Note 18 and Cash flows and net debt (page 12)
Loan-to-value	N/A	Note 18 and Finance (pages 12 to 13)
Gearing	N/A	Note 18 and Finance (page 13)
Blended cost of debt	N/A	Note 18 and Finance (pages 12 to 13)
Interest cover	N/A	Note 18 and Finance (page 13)

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

Portfolio analysis

At 31 March 2020		Note	Carnaby	Covent Garden	Chinatown	Soho	Fitzrovia	Wholly owned portfolio	Longmartin joint venture
Portfolio	Fair value (£m)	**1**	1,342.0	956.6	776.8	288.3	141.2	**3,504.9**	195.0
	% of total fair value		38%	28%	22%	8%	4%	**100%**	
	Current income (£m)	**2**	43.8	31.8	26.2	11.0	4.9	**117.7**	7.7
	ERV (£m)	**3**	61.1	38.6	31.8	12.0	6.0	**149.5**	9.6
Food, beverage and leisure	Number		69	96	92	33	24	**314**	10
	Area – sq. ft.		168,000	201,000	213,000	63,000	51,000	**696,000**	46,000
	% of current income	4	23%	41%	65%	41%	49%	**40%**	10%
	% of ERV	4	24%	37%	63%	39%	50%	**38%**	19%
	Average unexpired lease length – years	5	8	8	9	9	7	**9**	14
Shops	Number		99	99	48	37	10	**293**	20
	Area – sq. ft.		172,000	131,000	79,000	45,000	16,000	**443,000**	64,000
	% of current income	4	43%	28%	17%	28%	15%	**30%**	32%
	% of ERV	4	39%	31%	20%	28%	16%	**31%**	28%
	Average unexpired lease length – years	5	3	4	4	3	3	**4**	2
Offices	Area – sq. ft.		274,000	89,000	26,000	40,000	10,000	**439,000**	102,000
	% of current income	4	28%	11%	4%	15%	5%	**16%**	42%
	% of ERV	4	31%	14%	3%	18%	8%	**19%**	39%
	Average unexpired lease length – years	5	3	4	3	3	1	**3**	4
Residential	Number		113	222	157	68	56	**616**	71
	Area – sq. ft.		66,000	137,000	101,000	37,000	27,000	**368,000**	55,000
	% of current passing rent	4	6%	20%	14%	16%	31%	**14%**	16%
	% of ERV	4	6%	18%	14%	15%	26%	**12%**	14%

1. Shaftesbury Group's 50% share

Basis of valuation

At 31 March 2020	Note	Carnaby	Covent Garden	Chinatown	Soho	Fitzrovia	Wholly owned portfolio	Longmartin joint venture
Overall initial yield	7	2.8%	2.9%	2.9%	3.3%	2.9%	2.9%	3.2%
Topped-up initial yield	8	3.0%	3.0%	3.1%	3.4%	3.0%	3.0%	3.5%
Overall equivalent yield	9	3.9%	3.4%	3.5%	3.6%	3.6%	3.7%	4.0%
Tone of restaurant equivalent yields	10	3.7% - 4.0%	3.4%-4.0%	3.7% - 4.0%	3.5% - 4.0%	3.5% - 4.0%		4.3%
Tone of restaurant ERVs - £ per sq. ft.	10	£120 - £155	£60 - £200	£275 - £428(ZA)	£120 - £145	£90 - £125		£83 - £145
Tone of retail equivalent yields	10	3.5% - 4.0%	3.3%-4.0%	3.7% - 4.4%	3.7% - 4.4%	3.6% - 4.6%		4.2%
Tone of retail ERVs - ITZA £ per sq. ft.	10	£125 - £540	£110 - £410	£150 - £375	£165 - £305	£100 - £215		£425 - £525
Tone of office equivalent yields	10	4.1%-4.5%	4.0%-4.5%	4.5% - 4.7%	4.3% - 4.5%	4.4% - 4.5%		4.2%
Tone of office ERVs - £ per sq. ft.	10	£58 - £90	£45 - £70	£43 - £65	£50 - £75	£48 - £60		£62 - £80
Average residential ERVs - £ per sq. ft. per annum	10	£56	£52	£44	£50	£58		£47

Notes

1. The fair values at 31 March 2020 (the "valuation date") shown in respect of the individual villages are, in each case, the aggregate of the fair values of several different property interests located within close proximity which, for the purpose of this analysis, are combined to create each village. The different interests within each village were not valued as a single lot.
2. Current income includes total annualised actual and 'estimated income' reserved by leases. No rent is attributed to leases which were subject to rent-free periods at the valuation date. Current income does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. 'Estimated income' refers to gross estimated rental values in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.
3. ERV is the respective valuers' opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Where appropriate, ERV assumes completion of developments which are reflected in the valuations. ERV does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings.
4. The percentage of current income and the percentage of ERV in each of the use sectors are expressed as a percentage of total income and total ERV for each village.
5. Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases and, where relevant, by reference to tenants' options to determine leases in advance of expiry through effluxion of time.
6. Where mixed uses occur within single leases, for the purpose of this analysis, the majority use by rental value has been adopted.
7. The initial yield is the net initial income at the valuation date expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at the valuation date.
8. The topped-up initial yield, ignoring contractual rent free periods, has been calculated as if the contracted rent is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.
9. Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income so discounted at this rate equals the capital outlay at values current as of the valuation date. The equivalent yield shown for each village has been calculated by merging together the cash flows and fair values of each of the different interests within each village and represents the average equivalent yield attributable to each village from this approach.
10. The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.
11. All commercial floor areas are net lettable. All residential floor areas are gross internal.
12. For presentation purposes some percentages have been rounded to the nearest integer.
13. The analysis includes accommodation which is awaiting, or undergoing, refurbishment or development and is not available for occupation at the date of valuation.

Debt covenants

Set out below is a high-level summary of the financial covenants in our debt agreements. It does not describe every detail in the agreements.

Interest cover

	Frequency of testing	Summary of measure	Min	Comments
Bonds	Half yearly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the bonds.	1.25x	Calculation is based on the annualised income accruing at the testing date, or due to accrue within three months. Security top-up required if ICR falls below 1.15x.
Term loans	Quarterly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the loans.	1.4x -1.5x	3-month backward looking test based on actual receipts. 12-month projected test. Cure rights available.
Revolving credit facilities	Quarterly	Consolidated net rental income plus dividends from joint ventures to consolidated net interest.	1.5x	Based on Group half year and full year reported information, and management accounts in the interim quarters. Cure rights available.

Loan to value

	Frequency of testing	Summary of measure	Max	Comments
Bonds	Half yearly	Nominal value of bonds to valuation of specifically secured assets.	60%	Security top-up required if LTV exceeds 66.67%.
Term loans	Quarterly	Debt to valuation of specifically secured assets.	60% - 70%	Cure rights available. Cash waterfall applies if LTV > 65%.
Revolving credit facilities	Quarterly	Amounts drawn to valuation of specifically secured assets.	66.67%	Cure rights available.

The revolving credit facilities also contain a group gearing covenant, where the ratio of consolidated borrowings to consolidated tangible net worth cannot exceed 1.75x.

EPRA net asset measures

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

- **Net Reinstatement Value (NRV)**

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

- **Net Tangible Assets (NTA)**

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

- **Net Disposal Value (NDV)**

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

The tables below compare these measures with the current EPRA NAV and EPRA NNNAV metrics. For us, currently, EPRA NTA equates to EPRA NAV and EPRA NDV equates to EPRA NNNAV.

	31 March 2020				
	Existing measures		New measures		
	EPRA NAV £m	**EPRA NNNAV £m**	**EPRA NRV £m**	**EPRA NTA £m**	**EPRA NDV £m**
IFRS net tangible assets	2,691.7	2,691.7	2,691.7	2,691.7	2,691.7
Dilutive effect of share options	0.4	0.4	0.4	0.4	0.4
Joint venture deferred tax	11.1	-	11.1	11.1	-
Excess of fair value of debt over book value	-	(17.4)	-	-	(17.4)
Investment property purchaser's costs	-	-	248.7	-	-
Total	2,703.2	2,674.7	2,951.9	2,703.2	2,674.7
Number of shares (m)	307.8	307.8	307.8	307.8	307.8
Diluted net assets per share (£)	**8.78**	**8.69**	**9.59**	**8.78**	**8.69**

	30 September 2019				
	Existing measures		New measures		
	EPRA NAV £m	**EPRA NNNAV £m**	**EPRA NRV £m**	**EPRA NTA £m**	**EPRA NDV £m**
IFRS net tangible assets	3,007.2	3,007.2	3,007.2	3,007.2	3,007.2
Dilutive effect of share options	0.5	0.5	0.5	0.5	0.5
Joint venture deferred tax	13.6	-	13.6	13.6	-
Excess of fair value of debt over book value	-	(93.7)	-	-	(93.7)
Investment property purchaser's costs	-	-	272.9	-	-
Total	3,021.3	2,914.0	3,294.2	3,021.3	2,914.0
Number of shares (m)	307.7	307.7	307.7	307.7	307.7
Diluted net assets per share (£)	**9.82**	**9.47**	**10.71**	**9.82**	**9.47**

Shareholder Information

Corporate Timetable

Financial Calendar	
Annual results	November 2020
Annual General Meeting and AGM statement	February 2021
Bond interest	
Bond interest	30 September/31 March

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.

Registrar

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

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

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

Secretary and registered office

Desna Martin BCom, FCA(Aust), ACIS
22 Ganton Street
Carnaby
London W1F 7FD

Glossary of terms

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

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

Like-for-like growth in annualised current income is the change during a period, adjusted to remove the impact of acquisitions and disposals, expressed as a percentage of annualised current income at the start of the period.

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

Business Improvement District (BID)
A defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

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

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.

EPRA
European Public Real Estate Association.

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

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

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

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

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

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

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

EPRA vacancy
The rental value of vacant property available (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.

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

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

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).

Internal Rate of Return (IRR)
The rate of return that if used as a discount rate and applied to the projected cash flows that would result in a net present value of zero.

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

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

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

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

Net debt
The nominal value of the Group's borrowings less cash and cash equivalents.

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

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

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

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

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

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

Underlying net property income
Net property income before Covid-19 related charges.

Underlying rental income
Rental income (excluding service charge income) before Covid-19 related charges.

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.