SHAFTESBURY 2020 FULL YEAR RESULTS

Positioning the business, financially and operationally, to return to long-term prosperity and growth

Shaftesbury PLC, the Real Estate Investment Trust that owns a 16-acre portfolio in the heart of London's West End, today announces its results for the year ended 30 September 2020.

Brian Bickell, Chief Executive, commented:

"Rarely in history has the world seen such widespread disruption to normal patterns of life. Only now are we seeing the first positive signs that conditions will begin to improve in the year ahead.

The pandemic has had a significant impact on our performance, particularly during the second half of the financial year, depriving our hospitality and retail occupiers of footfall and trade and resulting in reduced rent collections, increased vacancy, reduced occupier demand and a fall in property valuations. Our key priority has been, and continues to be, supporting our occupiers through this period of disruption.

The economies of London and the West End have a long history of structural resilience, having weathered many episodes of challenge and uncertainty. Their unique features, which come from a culture of constant evolution across a broad-based economy, attracting talent, creativity, innovation and investment from across the world, will hasten their recovery and reinforce their enduring appeal to businesses, visitors and residents alike. The long-term prospects for our portfolio, located in the busiest and liveliest parts of the West End, are underpinned by these valuable qualities, together with the experience, innovation and enthusiasm of our team.

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

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

- Maintaining occupancy across our portfolio, wherever possible, to position for sustained recovery over the medium- and long-term.

- Continuing to provide operational and tailored financial support for occupiers in the form of rent waivers, drawing on rental deposits, payment plans and lease restructuring.

- Collected 53% of contracted rent for six months to 30 September 2020; 34% deferred or waived and 13% outstanding

- Moved permanently to monthly rents in advance for most commercial tenants from October 2020.

- Increased collaboration with neighbouring estates and stakeholders on operational matters and marketing to encourage visitors to return to the West End when safe to do so.

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

Impact of Covid-19 on net property income and earnings, vacancy and property values

- Net property income down 24.2% to £74.3m (2019: £98.0m) largely due to consequences of the pandemic including:
  - 3.5% like-for-like decrease in rental income
  - Charges for expected credit losses and impairments of £21.9m

- Loss after tax: £699.5m (2019: profit of £26.0m). Decrease primarily due to revaluation deficits in the current year

- EPRA earnings[1]: £29.4m, down 46.2% (2019: £54.6m).

- EPRA NAV[1]: £7.43, down 24.3% (2019: £9.82)

- EPRA vacancy: 10.2%, up 6.5 percentage points (2019: 3.7%)

- The Board has announced previously that it would not propose an interim or a final dividend.
  - Intention is to resume dividend payments as soon as the Board considers prudent, maintaining its policy of sustainable dividend growth over the long term.
  - The pace of the post-pandemic income recovery and our REIT PID obligations, will be key factors in the Board's near-term decisions on declaring dividends.

Valuation declines due to near-term income uncertainty, fall in occupier demand and increasing vacancy across the West End

Wholly-owned portfolio valuation: £3.1bn (down 18.3%)[2]; revaluation deficit of £698.5m
- Equivalent yield increased 48 basis points to 3.95% reflecting current economic and operational uncertainties: (2019: 3.47%).

- Portfolio ERV down 6.6%[2] to £140.3m (2019: £149.7m) as West End vacancy increased and ongoing social-distancing measures reduced near-term occupier demand.

- Deduction for valuers' estimates of near-term loss of rental income due to continuing tenant support and lower occupancy

- Residential values fell between 7.5% and 10%, reflecting increased near-term availability of space to let in the West End

- Portfolio reversionary potential: £30.4m, 27.7% above annualised current income, the largest components of which relate to vacant space (£14.4m) and refurbishment schemes expected to complete in the coming year (£14.3m).

Longmartin joint venture valuation[3]: £175m (down 16.9%)[3]; revaluation deficit of £35.8m[3]
- 40.1% decline in Long Acre retail space over the year; 17.4% decline in restaurant and leisure space.

- Equivalent yield: 4.11%; up 17 basis points (2019: 3.94%).

- ERV: £8.8m, down £1.2m.

Leasing and vacancy: activity since February declined sharply due to Covid-19
- Leasing activity below normal levels but now seeing encouraging levels of enquiries.

- Leasing transactions with a rental value of £23.6m, completed during the year (2019: £33.5m).

  - Commercial letting volume in six months to September 2020: £2.1m down 77% on H1.

- EPRA vacancy: 10.2%, up 6.5 percentage points (2019: 3.7%); the majority since the start of the pandemic.

Refurbishment, reconfiguration and repurposing of space: continuing to adapt to evolving demand
- Redevelopment and refurbishment schemes across 200,000 sq. ft. Capital expenditure: £34.8m.

- ERV of space under refurbishment at 30 September 2020: £14.3m, 10.1% of portfolio ERV (2019: 10.4%).

- 72 Broadwick Street: 48% of commercial space, by ERV, conditionally pre-let; pre-let of office space did not proceed; scheme completing in phases during the FY 2021, total ERV £5.9m.

- Other schemes with an ERV of £5.1m are expected to complete by spring 2021.

Acquisitions
- Acquired three buildings in Carnaby and Soho for £13.3m. One building acquired in Seven Dials for £2.8m since year end.

- 90-104 Berwick Street: scheme now completed but vendor failed to meet contractual obligations; further discussions continuing but outcome not certain.

- Covid-19 near-term uncertainties may present opportunities to add to our portfolio, but short-term priority to preserve liquidity until conditions stabilise.

Finance:

Position at 30 September 2020:
- LTV[1,4]: 31.5% (2019: 23.9%); increase due to declining property valuations.

- Available liquidity (after commitments): £166.8m; but reliant on ICR covenant waivers to deal with near-term period of lower rent collections and increasing vacancy.

- Declining property values elevating LTV risk.

- Weighted average maturity of debt: 8.3 years (2019: 9.3 years); earliest maturity £125m facility in May 2022

Equity issue in November 2020 to maintain strong financial base and prudent level of liquidity and to position for return to long-term growth as pandemic recedes
- 76.75m new shares issued at £4.00 per share; net proceeds £294.4m.

- Cancelled £125m facility due to expire in May 2022
  - removing near-term refinancing risk
  - releasing £252m of charged properties giving us greater remaining LTV headroom
  - eliminating £0.8m pa commitment cost

- Repaid £100m facility; but available to redraw subject to complying with covenants

Pro forma position at 30 September 2020
- LTV 22.1%; available liquidity (after commitments) of £336.2m to fund forecast revenue and cash outflows to September 2022.

- Weighted average maturity of debt: 9.0 years; earliest maturity now 2023 (£100m).

- Income covenant waiver extensions now agreed on term loans and revolving credit facility to between July 2021 and January 2022.

Sustainability
- Central to our strategy is the sustainable re-use of existing buildings, repurposing and enhancing their environmental impact.

- Community support through donations, time and in-kind donation of space amounted to £866,000.

  - Includes Covid-19 Community Fund provided £310,000 financial and in-kind support to local groups addressing urgent needs in Westminster and Camden through the pandemic; supported by 20% waiver of Board remuneration from April to July.

Outlook
- Pandemic control measures likely for much of 2021 but impact reducing as conditions improve.

- Gradual sustained return of local and domestic footfall as confidence returns.

- Priority to maintain occupancy and street-level activation.

- Continuing financial and operational support for occupiers but tapering as trading recovers.

- Confident the West End and Shaftesbury's portfolio will return to long-term prosperity and growth as the current global and local pandemic disruption recedes.

Statement of Comprehensive Income		**2020**	2019	Change
Reported results				
Net property income	£m	**74.3**	98.0	(24.2)%
(Loss)/profit after tax	£m	**(699.5)**	26.0	
Basic earnings per share	Pence	**(227.5)**	8.5	
Total dividends for the year	Pence	**-**	17.7	
EPRA results[1]				
Earnings	£m	**29.4**	54.6	(46.2)%
Earnings per share	Pence	**9.6**	17.8	(46.1)%
Balance Sheet				
Net assets	£m	**2,281**	3,007	(24.2)%
Net asset value per share[1]	£	**7.42**	9.78	(24.1)%
EPRA[1]				
Net assets	£m	**2,290**	3,021	(24.2)%
Net asset value per share	£	**7.43**	9.82	(24.3)%
Total Accounting Return	%	**(23.4)%**	0.8%	

15 December 2020

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 56.
2. Like-for-like
3. Our 50% share
4. Based on net debt

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See Glossary of terms on pages 71 to 74.

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

There will be a presentation to equity analysts via webcast at 9.30 am on Tuesday 15 December 2020, which can be accessed via the following link: https://brrmedia.news/tv356 or the Group's website www.shaftesbury.co.uk. A recording of the webcast will be available via these links later in the day. The presentation document is available on the Group's website.

Bondholders

For bondholders, there will be a credit update conference call at 3.00 pm on Tuesday 15 December 2020. Those wishing to participate in the call should obtain an access code ahead of the call by contacting Stuart Bell 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 16 acres, the portfolio comprises 611 restaurants, cafés, pubs and shops, extending to 1.1 million sq. ft., 0.4 million sq. ft. of offices and 624 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.

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

Chief Executive's Statement

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

Impact of the Covid-19 pandemic on London's West End

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

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

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

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

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

Shaftesbury's response to this unprecedented situation

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

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

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

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

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

Impact of the pandemic on this year's financial performance

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

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

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

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

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

Steps we have taken to maintain the financial resilience of the business

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

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

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

Supporting our team through the pandemic

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

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

Sustainability priorities

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

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

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

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

Positioning the business for recovery

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

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

In the year ahead, the widespread distribution of effective vaccines will bring a gradual return of confidence and activity across the West End and, a recovery in domestic footfall and spending to our villages. At the present time, it is not possible to predict at what point conditions will improve but it is likely social distancing and other restrictions, with the risk of further lockdowns, will continue into the spring and possibly early summer, putting further financial strain on many of our occupiers. The overhang of unusually high vacancy across the West End will take time to be absorbed, but the particular appeal of our carefully-curated locations, our innovative mid-

market offer, modest rents and flexible leasing terms, will be an important advantage for us. Once stability has returned, we will consider strategic acquisitions to our portfolio, and selective disposals of buildings no longer considered core to our long-term strategy.

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

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

Brian Bickell
14 December 2020

Covid-19: impact and response

Impact on West End footfall and trading

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

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

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

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

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

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

- Rent collections have been significantly below normal levels. For the second half of our financial year, cash collections represented 53% of contracted income.
- Reduced net property income as a result of rental income write-offs, impairment charges and additional costs, either due to increased vacancy or tenants' inability to pay for service charge expenditure. Net property income for the year was £74.3 million, down 24.2% year-on-year.
- The amount of vacant space across the West End, in general, and in our portfolio, has increased significantly. At 30 September 2020, wholly-owned EPRA vacancy was 10.2%, compared with a 10-year pre-Covid average of 2.9%. By 30 November 2020, it had risen to 12.0%.
- Occupational demand has slowed, with operators often not prepared to commit to leases until there is better visibility on the timing of the return to more-normal footfall and trading. The rental value of commercial leasing activity in the second half of our financial year was £4.8 million, compared with £16.9 million during the same period last year. Of the total, rent reviews accounted for £2.7 million.
- The change in the balance between supply of, and demand for, space has led to pressure on rental levels. Together with general uncertainty, this has resulted in an 18.3% like-for-like decrease in the valuation of our wholly-owned portfolio in the year, most of which occurred since pandemic concerns first materialised.
- With more competition for occupiers, we are now having to incur more capital expenditure on our vacant food, beverage and retail units to maximise their letting prospects.

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

Preserving long-term value by supporting tenants and maintaining occupancy

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

Our financial support predominantly has come through a combination of:

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

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

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

Food and beverage, leisure and retail

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

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

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

Offices

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

Residential

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

Longmartin

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

Addressing financing risk

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

Looking ahead to recovery

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

The pace of recovery in our villages will depend on:

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

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

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

Portfolio valuation report

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

Presentation of Longmartin joint venture information

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

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

Wholly-owned portfolio

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

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

Wholly-owned portfolio valuation

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

1. Like-for-like. Alternative performance measure. See page 56.
2. Expressed in basis points.

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

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

- the valuer's estimate of the short-term income impact of rental support likely to be granted to occupiers as a result of the pandemic and reduced occupancy, equating to a valuation decrease of approximately £57 million.

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

- Our portfolio is unusual in its substantial number of predominantly restaurant, leisure and retail properties in adjacent, or adjoining, locations in London's West End; and

- there is a long record of strong occupier demand for these uses in this location and, as a result, high occupancy levels, which underpin the long-term prospects for rental growth.

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

Covid-19 impact on contracted rental income and ERV

Our strategy has delivered sustained growth in annualised current income and rental values over many years. However, since early March 2020, Covid-19 has had a negative impact on both.

Annualised current income

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

ERV

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

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

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

Reversion components

	Total £m
Contracted income	4.2
EPRA vacancy	14.4
Asset management schemes	14.3
Over-rented leases	(2.5)
	30.4

Longmartin valuation

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

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

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

Retail

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

Food & beverage

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

Residential and offices

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

Valuation outlook

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

Portfolio activity report

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

Rent collection

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

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

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

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

1. As at 30 November 2020

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

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

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

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

Rent collection since the first UK Covid-19 lockdown by use[1]

	6 months to 30 September 2020		**2 months to 30 November 2020**	
	Rent collected £m	% of contracted rent	Rent collected £m	% of contracted rent
Food, beverage & leisure	7.4	33%	1.5	19%
Retail	9.5	54%	1.8	31%
Offices	7.5	79%	2.1	70%
Residential	5.9	83%	1.5	88%
Total contracted	30.3	53%	6.9	37%

1. As at 30 November 2020

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

Leasing and occupier demand

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

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

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

Letting activity during the year

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

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

We have seen encouraging letting interest in recent weeks, with potential occupiers attracted by the curation of our normally buoyant and prosperous villages, with relatively affordable rents. Generally, businesses remain cautious in taking on rental and capital expenditure commitments and occupiers are looking for greater flexibility when entering into new leases, including rent suspension in the event of further lockdowns. In the case of food, beverage, leisure and retail premises, a higher specification of landlords' basic fit out, rather than taking space

in shell condition, is becoming standard market practice. We are now providing fully fitted-out space in some of our office schemes. We expect the demand for further lease flexibility to be prevalent until the West End fully recovers from the pandemic.

Occupancy

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

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

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

EPRA vacancy at 30 September 2020

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

Commercial vacancy
At 30 September 2020, commercial EPRA vacancy comprised:

- 22 restaurants and cafés (47,000 sq. ft.): total ERV of £3.5 million;

- 35 shops (45,000 sq. ft.): total ERV of £4.5 million;
  - 9 were larger shops (ERV > £150,000): total ERV of £2.7 million; and,
  - 26 were smaller shops: total ERV of £1.8 million; and

- 45 office suites (40,000 sq. ft.): total ERV of £2.5 million.

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

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

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

Refurbishment, reconfiguration and redevelopment schemes

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

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

Space held for or undergoing refurbishment at 30 September 2020

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

72 Broadwick Street, Carnaby

Works continue on our 77,000 sq. ft. mixed-use scheme to:

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

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

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

Other schemes

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

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

Largest other schemes by cost

Scheme	Description	Estimated cost £m	Cost to complete £m	Estimated completion
50 Marshall Street, Carnaby	Creation of retail unit; refurbishment/extension of office space	5.1	0.7	Q1 2021
45/49 Charing Cross Road, Chinatown	Reconfiguration and extension to provide new flagship restaurant space and five apartments at this gateway to Chinatown	4.0	0.2	Q1 2021
16-20 Short's Gardens, Seven Dials	Office reconfiguration and refurbishment	2.2	0.4	Q2 2021

Public realm improvements

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

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

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

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

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

Looking ahead to the coming year

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

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

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

Longmartin asset management

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

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

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

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

Acquisitions and disposals

Adding to our portfolio

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

- A dilapidated, mixed-use building fronting Kingly Street and Kingly Court in Carnaby, which had been in the same ownership since 1982. We have sought to acquire this property ever since our purchase of the Carnaby Estate in 1997. Plans are already being progressed for a refurbishment and reconfiguration scheme extending to two adjoining buildings; and

- two freeholds in Berwick Street which adjoin existing ownerships and will offer the opportunity, in time, to reconfigure or add space.

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

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

90-104 Berwick Street

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

Financial results

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

Presentation of financial information

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, earnings per share and NAV, making adjustments set out by EPRA in its Best Practices Recommendations. These recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency and coherence of the sector. These measures are reconciled to IFRS in note 21 to the financial statements.

Further details on APMs used, and how they reconcile to IFRS, are set out on page 56.

Accounting for Covid-19 support provided to occupiers

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

- Rent deferrals: income is recognised as normal and the deferred rent receivable balance is assessed for impairment.

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

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

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

Income statement

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

1. Alternative performance measure.

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

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

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

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

Rental income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax
As a REIT, the Group's activities are largely exempt from corporation tax and, as a result, there is no tax charge in the year (2019: £nil).

As with most businesses, we do collect and pay other taxes and levies e.g. payroll taxes, VAT, stamp duty land tax, business rates, and withholding tax on Property Income Distributions. During the year, the total amount paid in respect of these taxes amounted to £13.3 million (2019: £23.5 million). In addition, our share of taxes, including corporation tax, levied on, or collected by, Longmartin was £1.0 million (2019: £1.6 million). The decrease in taxes paid is largely due to reduced output VAT, following the decrease in rent collections from commercial tenants in the second half of the financial year.

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

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

EPRA Earnings[1]	**£m**
2019	54.6
Movements:	
Rental income	(2.9)
Expected credit losses	(13.0)
Impairment charges	(8.9)
Property costs	1.1
Net property income	**(23.7)**
Admin costs	0.8
Net finance cost	(1.3)
Longmartin	(1.0)
Total movement	**(25.2)**
2020	**29.4**

1. Alternative performance measure.

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

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

Balance Sheet

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

1. Alternative performance measure.

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

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

EPRA NAV

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

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

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

EPRA NAV per share[1]	**Pence per share**
2019	982
EPRA earnings	10
Dividends	(9)
Revaluation movements	(240)
2020	**743**

1. Alternative performance measure.

New EPRA net asset measures

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

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

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

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

At 30 September 2020, these metrics were:

- NRV: £8.16 (2019: £10.71)
- NTA: £7.43 (2019: £9.82)
- NDV: £7.29 (2019: £9.47)

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

Cash flows and net debt

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

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

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

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

Movement in net debt	**£m**
2019 net debt	905.8
Operating cash inflow	(2.5)
Dividends	27.8
Net portfolio investment	44.2
Interest waiver deposits	8.7
Net cash flow with Longmartin	2.9
Other	0.1
2020 net debt	**987.0**

Financing

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

Position at 30 September 2020

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

Equity issue

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

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

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

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

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

Use of net proceeds

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

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

Managing financing risks

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

- removing of the risks associated with expected requests for further interest cover waivers until the contracted expiry of the facility and the need to either renew or refinance this facility during a period of uncertainty regarding near-term income, cash flows, property valuations and, consequently, lenders' appetite to provide new credit;

- releasing £252 million of charged properties into our pool of uncharged assets; and

- eliminating the £0.8m p.a. commitment cost of this facility.

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

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

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

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

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

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

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

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

Impact of the equity issue on cash and liquidity

	Impact on cash £m	Impact on liquidity £m
Cash	72.8	72.8
Undrawn facilities	-	125.0
30 September 2020 position	**72.8**	**197.8**
Net proceeds	294.4	294.4
Repay RCF drawings	(100.0)	-
Terminate £125m RCF	-	(125.0)
ICR related deposits[1]	(12.0)	(12.0)
2021 operating cash flows[1]	(45.0)	(45.0)
Capital expenditure[1]	(65.0)	(65.0)
Pro forma balance	**145.2**	**245.2**
Comprising:		
Cash	145.2	145.2
Undrawn facilities	-	100.0

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

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

Liquidity maintenance

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

Given the ongoing impact of the pandemic, we expect:

- a cash outflow from operating activities in the coming year, reflecting ongoing reduced rent collections, increased vacancy and consequential increases in costs, set against a fixed finance cost base. In the reasonable worst-case scenario, prepared for the equity issue prospectus, this cash outflow was estimated at approximately £45 million for the year ending 30 September 2021.

- capital expenditure over the coming two financial years of approximately £65 million, which includes capital commitments at 30 September 2020 of £31.0 million, new schemes and the estimated cost of refurbishing vacant space to maximise its letting prospects, given the increase in vacancy across the wider-West End, which has increased competition for occupiers.

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

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

LIBOR replacement

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

- LIBOR is an annualised forward-looking term rate, with several different tenors available ranging from one day to 12 months but SONIA is only available as an overnight borrowing rate. LIBOR is fixed in advance for a given term, meaning the interest amount can be calculated at the beginning of the interest period while SONIA will be compounded in arrears and therefore will not be precisely known until the end of the period.

- SONIA generally provides lower rates than LIBOR (which includes a banking sector risk or liquidity premium). Inevitably, this rate difference will be priced into debt instruments in another way in future.

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

Financing summary

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

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

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

Debt maturity profile

Year of maturity	Facility type	Total facility £m
2022	Revolving credit facility[1]	125
2023	Revolving credit facility[2]	100
2027	Bonds	290
2029	Term loan	135
2030	Term loan	130
2031	Bonds	285
2035	Term loan	120

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

Longmartin finance

The figures below represent our 50% share.

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

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

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

Group statement of comprehensive income

For the year ended 30 September 2020

	Notes	**2020 £m**	2019 £m
Revenue		**124.5**	126.9
Expected credit losses		**(13.0)**	-
Impairment charges		**(8.9)**	-
Property charges		**(28.3)**	(28.9)
Net property income	5	**74.3**	98.0
Administrative expenses	6	**(14.4)**	(15.2)
Operating profit before investment property disposals and valuation movements		**59.9**	82.8
Profit on disposal of investment properties	7	**0.3**	2.8
Net revaluation deficit on investment properties	10	**(698.5)**	(15.3)
Operating (loss)/profit		**(638.3)**	70.3
Finance income		**0.7**	1.0
Finance costs	8	**(32.5)**	(31.5)
Share of post-tax loss from joint venture	12	**(29.4)**	(13.8)
(Loss)/profit before tax		**(699.5)**	26.0
Tax charge for the year	9	**-**	-
(Loss)/profit and total comprehensive (loss)/income for the year		**(699.5)**	26.0
(Loss)/earnings per share:	21		
Basic and diluted		**(227.5)p**	8.5p

Group balance sheet

As at 30 September 2020

	Notes	**2020 £m**	2019 £m
Non-current assets			
Investment properties	10	**3,115.5**	3,765.9
Accrued income	11	**16.3**	13.1
Investment in joint venture	12	**96.8**	127.6
Property, plant and equipment		**1.2**	1.4
Other receivables	14	**3.7**	3.7
		3,233.5	3,911.7
Current assets			
Trade and other receivables	13	**45.0**	35.1
Cash and cash equivalents	14	**72.8**	54.0
Total assets		**3,351.3**	4,000.8
Current liabilities			
Trade and other payables	15	**19.7**	43.8
Non-current liabilities			
Borrowings	16	**1,051.0**	949.8
Total liabilities		**1,070.7**	993.6
Net assets		**2,280.6**	3,007.2
Equity			
Share capital	18	**76.9**	76.9
Share premium		**378.6**	378.6
Share-based payments reserve		**1.3**	1.3
Retained earnings		**1,823.8**	2,550.4
Total equity		**2,280.6**	3,007.2

Group cash flow statement

For the year ended 30 September 2020

	Notes	**2020 £m**	2019 £m
Operating activities			
Cash generated from operating activities	20	**33.5**	79.8
Interest received		**0.4**	1.0
Interest paid		**(31.4)**	(30.2)
Net cash from operating activities		**2.5**	50.6
Investing activities			
Investment property acquisitions		**(13.3)**	(47.2)
Investment property disposals	7	**0.3**	14.3
Capital expenditure on investment properties		**(31.2)**	(28.2)
Purchase of property, plant and equipment		**(0.1)**	(0.5)
Increase in cash held in restricted accounts	14	**(8.7)**	-
Dividends received from joint venture		**1.4**	2.5
Increase in loans to joint venture		**(4.3)**	(3.3)
Net cash used in investing activities		**(55.9)**	(62.4)
Financing activities			
Proceeds from exercise of share options		**-**	0.2
Proceeds from borrowings	16	**150.0**	-
Repayment of borrowings	16	**(50.0)**	-
Equity dividends paid	19	**(27.8)**	(52.9)
Net cash from/(used in) financing activities		**72.2**	(52.7)
Net change in cash and cash equivalents		**18.8**	(64.5)
Cash and cash equivalents at the beginning of the year	14	**54.0**	118.5
Cash and cash equivalents at the end of the year	14	**72.8**	54.0

Group statement of changes in equity

For the year ended 30 September 2020

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
Group						
At 1 October 2019		**76.9**	**378.6**	**1.3**	**2,550.4**	**3,007.2**
Loss and total comprehensive loss for the year		**-**	**-**	**-**	**(699.5)**	**(699.5)**
Dividends paid	19	**-**	**-**	**-**	**(27.8)**	**(27.8)**
Share-based payments		**-**	**-**	**0.7**	**-**	**0.7**
Release on exercise of share options		**-**	**-**	**(0.7)**	**0.7**	**-**
At 30 September 2020		**76.9**	**378.6**	**1.3**	**1,823.8**	**2,280.6**
At 1 October 2018		76.8	378.4	1.2	2,576.6	3,033.0
Profit and total comprehensive income for the year		-	-	-	26.0	26.0
Dividends paid	19	-	-	-	(52.9)	(52.9)
Exercise of share options	18	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 financial statements

For the year ended 30 September 2020

1. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 30 September 2020 included in this preliminary announcement are extracted from the audited financial statements for the year ended 30 September 2020, which were approved by the directors on 14 December 2020. The auditor's report on those financial statements was unqualified and did not include a statement under Section 498(2) or 498(3) of the 2006 Companies Act.

The 2020 Annual Report is expected to be posted to shareholders and available on the Group's website in January 2021. It will be considered at the Annual General Meeting to be held on 25 February 2021. The financial statements for the year ended 30 September 2020 have not yet been delivered to the Registrar of Companies.

The auditor's report on the financial statements for the year ended 30 September 2019 was unqualified and did not include a statement under Section 498(2) or 498(3) of the 2006 Companies Act. The financial statements for the year ended 30 September 2019 have been delivered to the Registrar of Companies.

Going concern
Given the significant uncertainties resulting from the impact of Covid-19 on the economic environment in which the Group operates, the directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the consolidated financial statements for the year ended 30 September 2020. See Covid-19: impact and response on pages 10 to 12.

In October 2020, having assessed the Group's financial position in light of the implications of the Covid-19 pandemic for its short- and medium-term prospects, the Board determined that it was in the long-term interests of the Group to raise equity to ensure the Group maintains a strong financial base and is positioned to return to long-term growth as pandemic issues recede.

On 22 October 2020, the Board announced its intention to issue up to 76.75 million shares by means of a Firm Placing, a Placing and Open Offer and an Offer for Subscription. The equity issue was approved by an Extraordinary General Meeting of the Company on 17 November 2020 and 76.75 million shares were admitted for trading the following day. Net proceeds from the equity raise were £294.4 million. See Financing on pages 28 to 33.

The Group's going concern assessment covers the period from the date of authorisation of these consolidated financial statements to 31 March 2022 (the "going concern period"), and takes into account its liquidity, committed expenditure, and likely ongoing levels of costs.

In preparing the assessment of going concern, the Board has considered a severe but plausible downside scenario, which assumes continued low levels of rent collection, increased vacancy, existing capital commitments are satisfied and there are no acquisitions or disposals. It also assumed surplus unsecured property is charged to individual loans and factored in decreases in property values of up to 40%.

The Group anticipates that Government Covid-19 containment measures will continue to adversely affect its occupiers' ability to trade through to spring 2021 and that footfall may not recover to pre-pandemic levels within the going concern period.

These continued restrictions are expected to lead to continued reduced levels of rent collection and increased EPRA vacancy throughout the going concern period as well as declining estimated rental values and asset values.

As a consequence, under the downside scenario, it is likely that the Group will not meet interest cover covenants throughout the whole of the going concern period. However, on all drawn debt facilities it has either secured waivers or has cure rights:

- The Group has secured interest cover waivers from its two term loan lenders for periods ending July 2021 and January 2022 respectively. The facilities have cash cure rights for all testing dates in the going

concern period not covered by existing waivers and the Group anticipates sufficient available cash to make any necessary deposits.

- The Group was compliant with its mortgage bonds' interest cover covenants at 30 September 2020 and expects to remain compliant during the going concern period. Should it be required, the Group has the ability to top-up the charged asset pool with additional assets with sufficient contractual income from its pool of unsecured properties.

- Since 30 September 2020, the Group has cancelled its shortest maturity revolving credit facility (£125 million, maturing May 2022) and has repaid all drawings under its remaining revolving credit facility (£100 million, maturing February 2023). In its downside scenario, the Group forecasts that it will have sufficient cash throughout the going concern period, such that it does not anticipate being reliant on the undrawn facility for liquidity and could cancel it if interest cover covenant waivers were not available.

There are no debt maturities until February 2023. See Financing on pages 28 to 33.

At 30 September 2020, the Group's loan-to-value ratio was 31.5%. Pro forma for the receipt of the proceeds of the equity raise this falls to 22.1%. The Group's individual debt arrangements have specifically charged assets as security, although the relative amounts of collateral against each arrangement are not uniform. However, as part of the Group's finance strategy, it has a pool of unsecured properties which can be used to top-up debt security pools, if necessary, to comply with loan-to-value covenants. The cancellation of the £125 million revolving credit facility has released additional assets to this pool. Through charging these unsecured properties, the Group estimates that it could withstand a 41% decrease in valuations before reaching the limit of its loan-to-value covenants. If it were to cancel the remaining revolving credit facility and release its assets to be charged against other loans, this tolerance would increase to 48%.

Under the Group's severe but plausible downside scenario, the Group has sufficient liquidity for the going concern period assuming that values do not decline beyond the tolerance levels noted above. The Board, therefore, has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Changes in accounting policies

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

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

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

IFRS 16 – Leases (effective from 1 October 2019)
The Group and Company adopted IFRS 16 on 1 October 2019, using the modified retrospective approach. Comparatives for the 2019 financial year have not been restated. For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method.

As the Group is primarily a lessor, this standard had no significant impact on the Group financial statements.
The Company leases its head office accommodation from a subsidiary company. As a result, the Company has recognised a right-of-use asset and lease liability, which were both initially measured at £4.6 million, being the present value of the £5.5 million remaining lease payments, discounted at a rate of 3.75%, at 1 October 2019.

The impact on the Company Balance Sheet on transition at 1 October 2019 is shown below:

	At 1 Oct 2019 (£m)	At 30 Sept 2020 (£m)
Property, plant & equipment (right-of-use asset)	4.6	4.2
Current trade & other payables (lease liability)	0.4	0.4
Non-current trade & other payables (lease liability)	4.2	3.8

The right-of-use asset was initially measured at an amount equal to the lease liability. As a result, there was no impact on opening retained earnings at 1 October 2019.

In applying IFRS 16 for the first time, the Group and Company have used the following practical expedient permitted by the standard:

- Exclusion of initial direct costs for the measurement of the right-of-use asset.

Whilst judgement and estimates were required in the initial adoption of IFRS 16, these were not considered significant.

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

- IFRS 9, IAS 39 and IFRS 7 (amendments) – Interest rate benchmark reform
- IAS 1 and IAS 8 (amendments) – Definition of material
- IFRS 3 (amendment) – Definition of a business
- IFRS 16 (amendment) - Covid-19 related rent concessions

3. Significant judgements, assumptions and key estimates

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

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

Valuations are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio require estimates to be made, including, but not limited to, market yields, ERVs, void periods and, currently, the likely short-term impact of rent concessions. These estimates are based on assumptions made by the valuers. The most significant assumptions are those in respect of market yields and ERVs, which are summarised in the Basis of Valuation on pages 57 to 58 and are in accordance with the RICS Valuation - Global Standards. Given the inherent subjectivity, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. This may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position.

Given market disruption as a result of the onset of the Covid-19 pandemic, the valuation reports at 31 March 2020 included statements highlighting a material valuation uncertainty, which was consistent with market practice and not specific to the Group. By 30 September 2020, the valuers had removed the material uncertainty clauses from their valuation reports.

In recognition of the potential for market conditions to move rapidly in response to changes in the control, or future spread, of Covid-19, the external valuers have highlighted the importance of the valuation date in their

reports. It is their view that, as at the valuation date, transaction volumes and other relevant evidence had returned to levels where an adequate quantum of market evidence existed upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuations at 30 September 2020 were not subject to 'material valuation uncertainty'.

Further information on the approach taken by the valuers in valuing the portfolio and a sensitivity analysis on equivalent yields and ERV, which are the most significant assumptions impacting the fair values, is set out in note 10 to the financial statements.

Provisions for expected credit losses on rent receivables, impairment of lease incentives and prepaid letting expenses

During the year, tenant default risk has increased with occupiers suffering operational and financial challenges as a result of the pandemic. The Group has supported its occupiers through a package of measures including deferrals and waivers of rent obligations. Rent collections have been significantly below normal levels. See Covid-19: impact and response on pages 10 to 12 and the Portfolio activity report on pages 16 to 21. In preparing the financial statements, estimates are made in assessing expected credit losses in respect of rent receivables, lease incentives and prepaid letting expenses. In normal circumstances, these estimates draw on historical information, such as recent payment history. However, in the current market with greater uncertainty, the focus is more on forecast information, taking into account expectations about trading levels, footfall and tenants' ability to pay rental arrears and, with respect to lease incentives and prepaid letting expenses, whether it is likely tenants will serve out the remainder of the contractual terms of their leases. In assessing provisions, the Group identifies risk factors associated with each use (food and beverage, retail, office and residential).

The Group assesses the likely recovery of rent receivables for potential provisions, which are estimated using a forward-looking expected credit loss model for each receivable from an occupier. In determining the provision, the Group considers both recent payment history and future expectations of occupiers' ability to pay or possible default in order to recognise a lifetime expected credit loss allowance.

Where the credit loss relates to revenue already recognised in the Income Statement, the expected credit loss allowance is recognised in the Income Statement. Expected credit losses totalling £13.0 million were charged to the Income Statement in the year (2019: £nil).

Accrued income from lease incentives and prepaid letting expenses are subject to impairment review at each period end. In determining the impairment provision, the Group reviews leases on an individual basis, making a provision based on an expected credit loss model, using information available about the likelihood of a lease terminating earlier than the date of contractual break or expiry.

The provision for expected credit loss in the year has increased to £14.3 million, reflecting the increased credit risk (see note 13). The provisions against lease incentives and prepaid letting expenses have increased to £8.2 million (see note 11) and £0.7 million respectively.

The directors did not make any significant judgements in the preparation of these financial statements, which is consistent with the prior year.

The two key estimates made in the current year financial statements are investment property valuation and the provision for expected credit losses for rent receivables and the impairment of lease incentives and prepaid letting expenses. The estimate for provisions was not a key estimate in the prior year, because the provision for credit losses and impairment was not material.

4. Segmental information

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

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see page 56 for an explanation on the EPRA measures used in these financial statements).

The Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with restaurants, leisure and retail on the lower floors and small offices and

apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no segmental information is presented.

5. Net property income

	2020 £m	2019 £m
Rental income (excluding lease incentives)	**102.5**	115.0
Adjustment for lease incentives	**11.9**	2.3
Rental income	**114.4**	117.3
Service charge income	**10.1**	9.6
Revenue	**124.5**	126.9
Expected credit losses	**(13.0)**	-
Impairment charges	**(8.9)**	-
	102.6	126.9
Service charge expenses	**(10.1)**	(9.6)
Other property charges	**(18.2)**	(19.3)
Property charges	**(28.3)**	(28.9)
	74.3	98.0

Impairment charges of £8.9 million (2019: £nil) include £8.2 million (2019: £nil) for tenant lease incentive balances and £0.7 million (2019: £nil) for prepaid letting expense balances.

Property charges include £1.7 million (2019: £2.0 million) in respect of investment properties that were vacant during the year.

6. Administrative expenses

	2020 £m	2019 £m
Employee costs	**8.2**	10.0
Depreciation	**0.3**	0.4
Other head office costs	**6.0**	4.9
	14.5	15.3
Less: administrative fees received from the joint venture	**(0.1)**	(0.1)
	14.4	15.2

Employee costs (including the directors)	2020 £m	2019 £m
Wages and salaries	**6.3**	7.2
Social security costs	**0.3**	0.9
Other pension costs	**0.3**	0.4
Equity-settled remuneration	**1.3**	1.5
	8.2	10.0

Included within equity-settled remuneration is a charge of £1.0 million (2019: £1.2 million) for the LTIP and SAYE schemes.

7. Profit on disposal of investment properties

	2020 £m	2019 £m
Net sale proceeds	**0.3**	14.3
Book value at date of sale	**-**	(11.5)
	0.3	2.8

Disposal profits in 2020 relate to residential long leasehold tenure extensions granted in the year.

8. Finance costs

	2020	2019
	£m	£m
Mortgage bond interest	**13.9**	13.9
Bank and other interest	**17.4**	16.4
Issue cost amortisation	**1.2**	1.2
	32.5	31.5

9. Tax charge for the year

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

10. Investment properties

	2020	2019
	£m	£m
At 1 October	**3,765.9**	3,714.8
Acquisitions	**13.3**	47.0
Disposals	**-**	(11.5)
Refurbishment and other capital expenditure	**34.8**	30.9
Net revaluation deficit on investment properties	**(698.5)**	(15.3)
Book value at 30 September	**3,115.5**	3,765.9
Fair value at 30 September:		
Properties valued by Cushman & Wakefield	**3,137.4**	3,784.2
Lease incentives and costs included in receivables	**(21.9)**	(18.3)
Book value at 30 September	**3,115.5**	3,765.9

The investment properties valuation comprises:

	2020	2019
	£m	£m
Freehold properties	**2,929.0**	3,531.2
Leasehold properties	**208.4**	253.0
	3,137.4	3,784.2

Investment properties were valued at 30 September 2020 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

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

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 57 to 58. Equivalent yields are based on current market prices, depending on, inter alia, the location and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and occupancy levels. Whilst there is market evidence for these inputs, and recent transaction prices for similar properties, there is still

a significant element of estimation and judgement. As a result of adjustments made by the valuers to market observable data, these significant inputs are deemed unobservable.

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year (2019: none).

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

Fees were agreed at fixed amounts in advance of the valuations being carried out. During the year, Cushman & Wakefield acted as letting agents for Shaftesbury Covent Garden Limited and Shaftesbury CL Limited, and provided other advice to Shaftesbury PLC. Non-valuation fees represented 34% of total fees for the valuation of the Group's investment properties. Fees payable by the Group to Cushman & Wakefield do not constitute a significant part of their fee income.

Sensitivity analysis

As noted in the significant judgements, assumptions and key estimates section on pages 40 and 41, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

Cushman & Wakefield included the following statement in their report at 30 September 2020:

> "The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. Local lockdowns are being deployed as necessary, significant further outbreaks have emerged in parts of the UK and a "second wave" is now widely considered to be taking place in many countries in Europe.
>
> "The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.
>
> "For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 we highlight the importance of the valuation date."

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

	Change in ERV					
	-25%	**-20%**	**-15%**	**-10%**	**-5%**	**+5%**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
(Decrease)/increase in the fair value	(681.5)	(548.3)	(415.2)	(282.2)	(148.7)	126.2

	Change in Yield					
	-0.25%	**+0.25%**	**+0.5%**	**+0.75%**	**+1.0%**	**+1.25%**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Increase/(decrease) in the fair value	236.0	(199.6)	(379.4)	(538.3)	(680.5)	(808.2)

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

At 30 September 2020, the Group had capital commitments of £31.0 million (2019: £82.4 million). This included £31.0 million relating to future capital expenditure for the enhancement of the Group's investment properties (2019: £43.4 million). At 30 September 2019, it also included £39.0 million relating to the forward purchase of a long leasehold interest. The vendor failed to meet its obligations to complete the sale and at 30 September 2020, we were no longer contractually committed. See pages 16 to 21 for a discussion of the Group's property activity during the year.

Details of the restrictions on the Group's investment properties are set out in note 16.

11. Accrued income

	2020 £m	2019 £m
Accrued income in respect of lease incentives	**20.6**	16.1
Less: included in trade and other receivables (note 13)	**(4.3)**	(3.0)
	16.3	13.1

At 30 September 2020, the Group held impairment provisions totalling £8.2 million (2019: £nil) against lease incentive balances. See note 3 for further information.

12. Investment in joint venture

	2020 £m	2019 £m
Group		
At 1 October	**127.6**	143.9
Share of losses	**(29.4)**	(13.8)
Dividends received	**(1.4)**	(2.5)
Book value at 30 September	**96.8**	127.6

At 30 September 2020, the joint venture had capital commitments of £0.1 million (2019: £5.2 million) relating to future capital expenditure for the enhancement of its investment properties, of which, 50% relates to the Group.

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

	2020 £m	2019 £m
Statement of Comprehensive Income		
Rental income	**15.3**	15.0
Service charge income	**1.9**	1.8
Revenue	**17.2**	16.8
Expected credit losses	**(0.4)**	-
Impairment charges	**(0.8)**	-
	16.0	16.8
Other property charges	**(2.9)**	(2.2)
Service charge expenses	**(1.9)**	(1.8)
Property charges	**(4.8)**	(4.0)
Net property income	**11.2**	12.8
Administrative expenses	**(0.3)**	(0.2)
Operating profit before investment property valuation movements	**10.9**	12.6
Net revaluation deficit on investment properties	**(71.7)**	(38.5)
Operating loss	**(60.8)**	(25.9)
Finance costs	**(7.3)**	(6.8)
Loss before tax	**(68.1)**	(32.7)
Current tax	**(0.9)**	(1.2)
Deferred tax	**10.2**	6.3
Tax credit for the year	**9.3**	5.1
Loss and total comprehensive loss for the year	**(58.8)**	(27.6)
Loss attributable to the Group	**(29.4)**	(13.8)

	2020 £m	2019 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**358.0**	426.3
Accrued income	**1.8**	1.7
Other receivables	**1.3**	1.3
	361.1	429.3
Cash and cash equivalents	**4.3**	1.2
Other current assets	**5.7**	4.1
Total assets	**371.1**	434.6
Current liabilities	**30.0**	21.7
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**27.5**	37.7
Total liabilities	**177.5**	179.4
Net assets	**193.6**	255.2
Net assets attributable to the Group	**96.8**	127.6

13. Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**26.0**	18.3
Provision for expected credit losses	**(14.3)**	(1.5)
	11.7	16.8
Accrued income in respect of lease incentives (note 11)	**4.3**	3.0
Amounts due from joint venture	**11.8**	7.2
Other taxation	**2.9**	-
Prepayments	**1.9**	7.6
Other receivables	**12.4**	0.5
	45.0	35.1

Trade receivables represent amounts due from tenants. Within this balance is £3.6 million (2019: £3.4 million) owed for service charges.

Cash deposits totalling £14.3 million (2019: £20.7 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents and are not included within the Group Balance Sheet.

14. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank	**72.8**	54.0
Restricted cash (included in other receivables):		
Non-current other receivables	**3.7**	3.7
Current other receivables	**8.7**	-
	12.4	3.7

Restricted cash relates to cash held on deposit as security for certain secured term loans and secured bank facilities, and where there are certain conditions restricting their use.

15. Trade and other payables

	2020 £m	2019 £m
Deferred rental income	**3.4**	23.0
Accruals and deferred service charge income	**1.1**	5.1
	4.5	28.1
Trade payables and accruals in respect of capital expenditure	**4.8**	3.5
Other taxation and social security	**0.5**	2.9
Other payables and accruals	**9.9**	9.3
	19.7	43.8

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

16. Borrowings

	2020			2019		
	Nominal value £m	**Unamortised issue costs £m**	**Book value £m**	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	**575.0**	**(4.4)**	**570.6**	575.0	(4.9)	570.1
Secured bank facilities	**100.0**	**(1.0)**	**99.0**	-	(1.3)	(1.3)
Secured term loans	**384.8**	**(3.4)**	**381.4**	384.8	(3.8)	381.0
Total Group borrowings	**1,059.8**	**(8.8)**	**1,051.0**	959.8	(10.0)	949.8

Details of the Group's current financial position are discussed on pages 28 to 33.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £2,697.9 million (2019: £3,088.9 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property.

There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

		Cash flows			
	1.10.2019 £m	**Inflows £m**	**Outflows £m**	**Non-cash items £m**	**30.9.2020 £m**
Non-current borrowings					
Mortgage bonds	**575.0**	**-**	**-**	**-**	**575.0**
Secured bank facilities	**-**	**150.0**	**(50.0)**	**-**	**100.0**
Secured term loans	**384.8**	**-**	**-**	**-**	**384.8**
Loan issue costs	**(10.0)**	**-**	**-**	**1.2**	**(8.8)**
	949.8	**150.0**	**(50.0)**	**1.2**	**1,051.0**
Loan issue costs[1]	**10.0**	**-**	**-**	**(1.2)**	**8.8**
Cash & cash equivalents (note 14)	**(54.0)**	**(185.6)**	**166.8**	**-**	**(72.8)**
Net debt at 30 September 2020	**905.8**	**(35.6)**	**116.8**	**-**	**987.0**

		Cash flows			
	1.10.2018 £m	**Inflows £m**	**Outflows £m**	**Non-cash items £m**	**30.9.2019 £m**
Non-current borrowings					
Mortgage bonds	575.0	-	-	-	575.0
Secured term loans	384.8	-	-	-	384.8
Loan issue costs	(11.2)	-	-	1.2	(10.0)
	948.6	-	-	1.2	949.8
Loan issue costs[1]	11.2	-	-	(1.2)	10.0
Cash & cash equivalents (note 14)	(118.5)	(97.8)	162.3	-	(54.0)
Net debt at 30 September 2019	841.3	(97.8)	162.3	-	905.8

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

Availability and maturity of borrowings

	2020			2019		
	Committed £m	**Drawn £m**	**Undrawn £m**	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**100.0**	**125.0**	225.0	-	225.0
Repayable between 5 and 10 years	**554.8**	**554.8**	**-**	424.8	424.8	-
Repayable after 10 years	**405.0**	**405.0**	**-**	535.0	535.0	-
	1,184.8	**1,059.8**	**125.0**	1,184.8	959.8	225.0

Interest rate profile of interest bearing borrowings

	2020		2019	
	Debt £m	**Interest rate**	Debt £m	Interest rate
Secured bank facilities	**100.0**	**1.66%**	-	-
Secured term loans	**384.8**	**3.85%**	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%
Weighted average cost of drawn borrowings		**2.87%**		2.99%

The Group also incurs non-utilisation fees on undrawn facilities. At 30 September 2020, the weighted average charge on the undrawn facilities of £125.0 million (2019: £225.0 million) for the Group was 0.68% (2019: 0.66%).

The weighted average credit margin on the Group's secured bank facilities was 1.46% (2019: 1.46%).

17. Financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. The fair value of these financial instruments is £988.9 million (2019: £1,042.9 million). The difference between the fair value and the book value is not recognised in the reported results for the year. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy in IFRS 13.

The fair values of the Group's 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.

18. Share capital

	2020 number million	2019 number million	**2020 £m**	2019 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**307.4**	307.3	**76.9**	76.8
Exercise of share options	**-**	0.1	**-**	0.1
At 30 September	**307.4**	307.4	**76.9**	76.9

See note 23 for information on the equity raise completed post year end.

19. Dividends

	Pence per share			
	PID	Ordinary	**2020 £m**	2019 £m
Final dividend for:				
Year ended 30 September 2019	5.25p	3.75p	**27.8**	-
Year ended 30 September 2018	-	8.5p	**-**	26.2
Interim dividend for:				
Year ended 30 September 2019	8.7p	-	**-**	26.7
Dividends paid in the year			**27.8**	52.9

The Board announced on 25 September 2020 that no final dividend would be declared in respect of the year ended 30 September 2020. The Board intends to resume dividend payments as soon as it considers prudent, maintaining its policy of sustainable dividend growth over the long-term. The pace of the post-pandemic income recovery and our REIT PID obligations, will be key factors in the Board's near-term decisions on declaring dividends.

20. Cash flows from operating activities

Operating activities	**2020 £m**	2019 £m
Profit before tax	**(699.5)**	26.0
Adjusted for:		
Lease incentives recognised	**(3.7)**	(2.3)
Share-based payments	**0.7**	0.9
Depreciation (note 6)	**0.3**	0.4
Net revaluation deficit on investment properties (note 10)	**698.5**	15.3
Profit on disposal of investment properties (note 7)	**(0.3)**	(2.8)
Net finance costs	**31.8**	30.5
Share of post-tax loss from joint venture (note 12)	**29.4**	13.8
Cash flows from operations before changes in working capital	**57.2**	81.8
Changes in working capital:		
Change in trade and other receivables	**1.5**	(4.1)
Change in trade and other payables	**(25.2)**	2.1
Cash generated from/(used in) operating activities	**33.5**	79.8

See note 16 for the cash flow movement in net debt.

21. Performance measures

Earnings per share

	2020			2019		
	Loss after tax £m	**Number of shares[1] million**	**Loss per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
Basic	**(699.5)**	**307.4**	**(227.5)**	26.0	307.4	8.5
Dilutive effect of share options	**-**	**-**	**-**	-	0.2	-
Diluted	**(699.5)**	**307.4**	**(227.5)**	26.0	307.6	8.5

1. Weighted average

For the year ended 30 September 2020, potential ordinary shares are excluded from the weighted average diluted number of shares when calculating IFRS diluted loss per share because they are not dilutive.

EPRA earnings per share

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

	2020			2019		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
Basic	**(699.5)**	**307.4**	**(227.5)**	26.0	307.4	8.5
EPRA adjustments:						
Net revaluation deficit on investment properties (note 10)	**698.5**		**227.2**	15.3		5.0
Profit on disposal of investment properties (note 7)	**(0.3)**		**(0.1)**	(2.8)		(0.9)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**35.8**		**11.6**	19.2		6.2
Deferred tax	**(5.1)**		**(1.6)**	(3.1)		(1.0)
EPRA earnings	**29.4**	**307.4**	**9.6**	54.6	307.4	17.8

1. Weighted average

Like-for-like rental growth

	2020 £m	2019 £m
Rental income in current year	**114.4**	117.3
Adjusted for impact of:		
Impact of acquisitions	**(1.7)**	(2.5)
Impact of disposals	**-**	-
Like-for-like rental income in current year (A)	**112.7**	114.8
Rental income in previous year	**117.3**	112.8
Adjusted for impact of:		
Impact of acquisitions	**(0.5)**	(3.0)
Impact of disposals	**-**	(0.4)
Like-for-like rental income in previous year (B)	**116.8**	109.4
Like-for like (decline)/growth in rental income (A/B-1)	**(3.5%)**	4.9%

Adjusted EPRA earnings per share

	2020			2019		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
EPRA earnings	**29.4**	**307.4**	**9.6**	54.6	307.4	17.8
Charge for share options (note 6)	**1.0**		**0.3**	1.2		0.4
Adjusted EPRA earnings	**30.4**	**307.4**	**9.9**	55.8	307.4	18.2

1. Weighted average

Net asset value per share

	2020			2019		
	Net assets £m	**Number of ordinary shares million**	**Net asset value per share £**	Net assets £m	Number of ordinary shares million	Net asset value per share £
Basic	**2,280.6**	**307.4**	**7.42**	3,007.2	307.4	9.78
Dilutive effect of share options	**0.7**	**0.6**		0.5	0.3	
Diluted	**2,281.3**	**308.0**	**7.41**	3,007.7	307.7	9.77

In October 2019, EPRA introduced three new measures of net asset value in its Best Practices Recommendations: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). These are effective from 1 October 2020 but have been presented below with a comparison to the current measures, EPRA NAV and EPRA NNNAV.

	2020				
	Existing measures		**New measures**		
	EPRA NAV £m	**EPRA NNNAV £m**	**EPRA NRV £m**	**EPRA NTA £m**	**EPRA NDV £**
IFRS net assets	**2,280.6**	**2,280.6**	**2,280.6**	**2,280.6**	**2,280.6**
Dilutive effect of share options[1]	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**
Deferred tax[2]	**8.5**	**-**	**8.5**	**8.5**	-
Difference between fair value and carrying value of debt:					
Secured term loans[3]	**-**	**(48.0)**	**-**	**-**	**(48.0)**
Mortgage bonds	**-**	**11.4**	**-**	**-**	**11.4**
Investment property purchasers' costs	**-**	**-**	**222.5**	**-**	**-**
Total	**2,289.8**	**2,244.7**	**2,512.3**	**2,289.8**	**2,244.7**
Number of diluted shares (million)	**308.0**	**308.0**	**308.0**	**308.0**	**308.0**
Diluted net assets per share (£)	**7.43**	**7.29**	**8.16**	**7.43**	**7.29**

	2019				
	Existing measures		**New measures**		
	EPRA NAV £m	**EPRA NNNAV £m**	**EPRA NRV £m**	**EPRA NTA £m**	**EPRA NDV £m**
IFRS net assets	3,007.2	3,007.2	3,007.2	3,007.2	3,007.2
Dilutive effect of share options[1]	0.5	0.5	0.5	0.5	0.5
Deferred tax[2]	13.6	-	13.6	13.6	-
Difference between fair value and carrying value of debt:					
Secured term loans[3]	-	(75.8)	-	-	(75.8)
Mortgage bonds	-	(17.9)	-	-	(17.9)
Investment property purchasers' costs	-	-	272.9	-	-
Total	3,021.3	2,914.0	3,294.2	3,021.3	2,914.0
Number of diluted shares (million)	307.7	307.7	307.7	307.7	307.7
Diluted net assets per share (£)	9.82	9.47	10.71	9.82	9.47

1. Increase in shareholders' equity, which would arise on the exercise of share options.
2. Our 50% share of deferred tax in the joint venture.
3. Includes the wholly-owned Group's secured term loans and our 50% share of secured term loans in the joint venture.

Total accounting return (TAR)

	2020 pence	2019 pence
Opening EPRA NAV (A)	**982.0**	991.0
Closing EPRA NAV	**743.0**	982.0
Decrease in the year	**(239.0)**	(9.0)
Dividends paid in the year	**9.0**	17.2
TAR (B)	**(230.0)**	8.2
TAR % (B/A)	**(23.4)%**	0.8%

Financing ratios

	2020 £m	2019 £m
Loan-to-value and gearing		
Nominal value of debt	**1,059.8**	959.8
Cash and cash equivalents	**(72.8)**	(54.0)
Net debt (A)	**987.0**	905.8
Fair value of investment properties (B)	**3,137.4**	3,784.2
Loan-to-value (A/B)	**31.5%**	23.9%
EPRA net assets (C)	**2,289.8**	3,021.3
Gearing (A/C)	**43.1%**	30.0%
Interest cover		
Operating profit before investment property disposals and valuation movements (A)	**59.9**	82.8
Finance costs	**32.5**	31.5
Finance income	**(0.7)**	(1.0)
Net finance costs (B)	**31.8**	30.5
Interest cover (A/B)	**1.9x**	2.7x
Cost of debt		
Blended cost of drawn borrowings	**2.9%**	3.0%
Commitment fees on undrawn secured bank facilities	**0.7%**	0.7%
Blended cost of debt	**2.9%**	3.2%

We are no longer presenting financing ratios including our joint venture on a proportionally consolidated basis. We now consider that it is appropriate to separately report the joint venture's activity, valuation and capital structure. We believe this presentation provides a clearer analysis and is consistent with the financial statements. Consequently, gearing and loan-to-value ratios have been restated at 30 September 2019.

See page 56 for explanations on why we use these performance measures.

22. 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 during the year between the Company and its joint venture, which have not been eliminated on consolidation are disclosed below. Amounts due from the joint venture are disclosed in note 13.

	2020 **£m**	2019 £m
Administrative fees receivable	**0.1**	0.1
Dividends receivable	**1.4**	2.5
Interest receivable	**0.4**	0.3

23. Post Balance Sheet events

On 22 October 2020, the Company announced details of an issue of equity with gross proceeds of £307.0 million, comprising £297.0 million by way of a firm placing, placing and open offer, and £10.0 million by way of an offer for subscription. The purpose of the equity issue was to ensure the Group maintains a strong financial base, is positioned to return to long-term growth as pandemic issues recede and, should conditions improve, has capacity for portfolio investment.

On 18 November 2020, the Company issued 76.75 million shares, representing approximately 25% of its issued share capital, at £4 per share. After issue costs of £12.6 million, the net proceeds were £294.4 million. Issue costs which were contingent on completion of the equity issuance were not provided for at 30 September 2020. Following the share issue, the Company's issued share capital was 384,167,537.

In respect of the equity issue, Capital & Counties Properties PLC ("Capco") and Norges Bank were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity issue in respect of 16,250,000 and 19,245,032 shares respectively, for a total consideration of approximately £65 million and £77 million respectively. In respect of Capco, this transaction was disclosed via the Regulatory News Service on 22 October 2020, in accordance with LR11.1.10R. In respect of Norges, the issue of shares was a transaction of sufficient size to require shareholder approval under chapter 11 of the Listing Rules as announced via the Regulatory News Service on 22 October 2020. This approval was granted at the Extraordinary General Meeting on 17 November 2020. Shaftesbury PLC received written confirmation from its sponsor that the terms of the transactions were fair and reasonable as far as Shaftesbury PLC's shareholders were concerned.

On 27 November 2020, the Group cancelled its £125.0 million revolving credit facility, which was undrawn. On 27 November 2020, the Group repaid £100.0 million of drawings against its remaining revolving credit facility, which remains available to be re-drawn, provided the Group remains compliant with all requirements in the loan agreement, including the financial covenants. On 20 November 2020, the Group secured an extension to the interest cover covenant waiver in respect of this facility from January 2021 to October 2021. In consideration for this extension, the Group placed a further £1.0 million on deposit with the lender for the duration of the waiver.

On 19 November 2020, the Group secured an extension to the interest cover covenant waiver in respect of its £250.0 million term loan from April 2021 to January 2022. In consideration for this extension, the Group placed a further £4.4 million on deposit with the lender for the duration of the waiver.

On 14 December 2020, in response to rising Covid-19 infection rates, the Government announced that London and parts of the Home Counties would be moving to Tier 3 restrictions, beginning from 16 December until further notice. This will have an adverse impact on both our hospitality and retail occupiers' ability to trade and will therefore likely have an adverse impact on near-term rent collection.

24. Annual General Meeting

The 2021 Annual General Meeting will be held via webcast on 25 February 2021 at 11:00 am.

Directors' responsibilities in respect of the financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. We consider the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 30 September 2020, which will be available on publication at www.shaftesbury.co.uk. Accordingly, this responsibility statement makes reference to the financial statements of the Company and the Group and the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

On behalf of the Board

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

Alternative Performance Measures (APMs)

The Group has applied the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures in these annual results. An APM is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Set out below is a summary of APMs used in these annual 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 21 and Financial results (page 25)
Adjusted EPRA earnings per share	Profit and total comprehensive income for the period	Note 21 and Financial results (page 25)
Like-for-like growth in rental income	Revenue	Note 21 and Financial results (page 23)
Net asset value per share	Net assets attributable to shareholders	Note 21 and Financial results (page 26)
Diluted net asset value per share	Net assets attributable to shareholders	Note 21
EPRA net assets and NAV	Net assets	Note 21 and Financial results (page 26)
EPRA NTA	Net assets	Note 21 and Financial results (pages 26 to 27)
EPRA NDV	Net assets	Note 21 and Financial results (pages 26 to 27)
EPRA NRV	Net assets	Note 21 and Financial results (pages 26 to 27)
Total Accounting Return	N/A	Note 21 and Financial results (page 26)
Valuation growth	Net surplus on revaluation of investment properties	Valuation (pages 13 to 14)
Net debt	Borrowings less cash and cash equivalents	Note 16 and Cash flows and net debt (page 27)
Loan-to-value	N/A	Note 21 and Financing (pages 28 to 33)
Gearing	N/A	Note 21 and Financing (page 32)
Blended cost of debt	N/A	Note 21 and Financing (page 32)
Interest cover	N/A	Note 21 and Financing (page 32)

Where this report uses like-for-like comparisons, these are defined within the Glossary. Note that Adjusted EPRA earnings per share had been described as Adjusted earnings per share in previous years. Since it had always been based on EPRA earnings per share, we have changed its description this year to make it more clear.

Portfolio analysis

At 30 September 2020	Note	Carnaby	Covent Garden	Chinatown	Soho	Fitzrovia	Wholly owned portfolio	Longmartin joint venture[1]
Portfolio								
Fair value (£m)	1	1,212.3	840.8	700.6	258.7	125.0	**3,137.4**	175.0
% of total fair value		37%	25%	21%	8%	4%	**95%**	5%
Current income (£m)	2	41.7	28.8	24.7	10.4	4.3	**109.9**	6.2
ERV (£m)	3	58.0	35.4	30.1	11.3	5.5	**140.3**	8.8
Food, beverage and leisure								
Number		70	96	91	35	25	**317**	10
Area – sq. ft.		169	201	209	65	52	**696**	46
% of current income	4	24%	44%	66%	42%	60%	**41%**	7%
% of ERV	4	24%	37%	62%	39%	48%	**37%**	18%
Average unexpired lease length – years	5	8	7	9	9	6	**8**	14
Shops								
Number		99	99	49	38	9	**294**	20
Area – sq. ft.		173	131	82	45	15	**446**	64
% of current income	4	44%	27%	18%	29%	17%	**31%**	29%
% of ERV	4	38%	29%	20%	26%	16%	**30%**	26%
Average unexpired lease length – years	5	3	4	4	3	3	**3**	2
Offices								
Area – sq. ft.		274	89	25	41	10	**439**	102
% of current income	4	27%	11%	4%	15%	4%	**16%**	47%
% of ERV	4	32%	15%	4%	19%	8%	**20%**	42%
Average unexpired lease length – years	5	3	3	3	1	1	**2**	4
Residential								
Number		117	222	159	70	56	**624**	75
Area – sq. ft.		68	137	103	37	27	**372**	55
% of current passing rent	4	5%	18%	12%	14%	19%	**12%**	17%
% of ERV	4	6%	19%	14%	16%	28%	**13%**	14%

1: Shaftesbury Group's 50% share

Basis of valuation

At 30 September 2020	Note	Carnaby	Covent Garden	Chinatown	Soho	Fitzrovia	Wholly owned portfolio	Longmartin joint venture
Portfolio								
Overall initial yield	7	3.0%	3.0%	3.1%	3.5%	2.9%	**3.0%**	2.8%
Topped-up initial yield	8	3.1%	3.0%	3.2%	3.6%	2.9%	**3.1%**	3.8%
Equivalent yield	9	4.2%	3.6%	3.8%	3.8%	3.8%	**3.9%**	4.1%
Restaurants								
Tone of equivalent yields	10	4.0% - 4.5%	3.8% - 4.4%	4.0% - 4.5%	3.9% - 4.2%	3.8% - 4.2%		4.3% - 4.8%
Tone of ERVs - £ per sq. ft.	10	£120 - £145	£55 - £175	£250 - £400 (ZA)	£110 - £135	£85 - £120		£70 - £265
Retail								
Tone of equivalent yields	10	4.0% - 4.3%	3.5% - 4.3%	4.0% - 4.5%	4.0% - 4.7%	3.9% - 4.8%		4.3% - 4.8%
Tone of ERVs - ITZA £ per sq. ft.	10	£120 - £500	£85 - £325	£150 - £365	£145 - £290	£100 - £200		£94 - £450
Office								
Tone of equivalent yields	10	4.3% - 4.5%	4.0% - 4.5%	4.5% - 4.8%	4.5%	4.5% - 4.7%		4.0% - 4.5%
Tone of ERVs - £ per sq. ft.	10	£58 - £90	£40 - £68	£40 - £65	£45 - £73	£40 - £63		£63 - £80
Residential								
Average ERVs - £ per sq. ft. per annum	10	£51	£50	£42	£48	£56		£43

Portfolio analysis

Notes

1. The fair values at 30 September 2020 (the "valuation date") shown in respect of the individual villages are, in each case, the aggregate of the fair values of several different property interests located within close proximity which, for the purpose of this analysis, are combined to create each village. The different interests within each village were not valued as a single lot.

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

3. ERV is the respective valuers' opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Where appropriate, ERV assumes completion of developments which are reflected in the valuations. ERV does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings.

4. The percentage of current income and the percentage of ERV in each of the use sectors are expressed as a percentage of total income and total ERV for each village.

5. Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases and, where relevant, by reference to tenants' options to determine leases in advance of expiry through effluxion of time.

6. Where mixed uses occur within single leases, for the purpose of this analysis, the majority use by rental value has been adopted.

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

8. The topped-up initial yield, ignoring contractual rent-free periods, has been calculated as if the contracted rent is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.

9. Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income so discounted at this rate equals the capital outlay at values current as of the valuation date. The equivalent yield shown for each village has been calculated by merging together the cash flows and fair values of each of the different interests within each village and represents the average equivalent yield attributable to each village from this approach.

10. The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.

11. All commercial floor areas are net lettable. All residential floor areas are gross internal.

12. For presentation purposes some percentages have been rounded to the nearest integer.

13. The analysis includes accommodation which is awaiting, or undergoing, refurbishment or development and is not available for occupation at the date of valuation.

Debt covenants

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

Interest cover

	Frequency of testing	Summary of measure	Min	Comments
Bonds	Half yearly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the bonds.	1.15x	Calculation is based on the annualised income accruing at the testing date, or due to accrue within three months. Security top-up (or purchase and cancel sufficient bonds) to 1.25x required if ICR falls below 1.15x
Term loans	Quarterly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the loans.	1.4x - 1.5x	3-month backward looking test based on actual receipts. 12-month projected test. Cure rights available. Waivers until July 2021 (£134.8m term loan) and January 2022 (£250m term loan)
Revolving credit facility[1]	Quarterly	Consolidated net rental income plus dividends from the joint venture to consolidated net interest.	1.5x	Based on Group half year and full year reported information, and management accounts in the interim quarters. Waiver until October 2021

1. Ignoring our £125m facility which was terminated in November 2020.

Loan-to-value

	Frequency of testing	Summary of measure	Max	Comments
Bonds	Half yearly	Nominal value of bonds to valuation of specifically secured assets.	66.67%	Security top-up (or purchase and cancel sufficient bonds) to 60.0% required if LTV exceeds 66.67%.
Term loans	Quarterly	Debt to valuation of specifically secured assets.	60% - 70%	Cure rights available. Cash waterfall applies if LTV > 65%.
Revolving credit facility[1]	Quarterly	Amounts drawn to valuation of specifically secured assets.	66.67%	Cure rights available. Draw stop at 50% during term of ICR waiver.

1. Ignoring our £125m facility which was terminated in November 2020.

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

Longmartin Term loan

	Frequency of testing	Summary of measure	Max	Comments
Interest cover	Quarterly	Net property income of specifically secured assets, adjusted to exclude certain costs, to gross interest payable under the loan.	1.3x	3-month backward looking test based on actual receipts. 12-month projected test. Cure rights available Waiver to April 2021
Loan-to-value	Quarterly	Debt to valuation of specifically secured assets.	60%	Cure rights available.

Risk management

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

Context

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

Important factors in considering risk across the Group include:

- An experienced executive and senior leadership team, with an average tenure of over 14 years, and an in-depth knowledge of our business and the West End property market. We are based in one location, close to all our holdings;
- The nature of our portfolio does not expose us to risks inherent in material speculative development schemes;
- Our diverse tenant base limits exposure to any single occupier;
- Our Balance Sheet is managed on a conservative basis with moderate leverage, long-term finance, a spread of loan maturities, and with the majority of interest costs fixed;
- A culture which encourages open dialogue within the whole team and with our wide range of external advisors;
- A simple group structure; and
- A governance framework which includes clearly defined responsibilities and limits of authority.

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

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

Risk appetite

Inevitably, investing in one location presents an inherent geographic concentration risk and there are certain external factors which we cannot control. However, in executing our management strategy, we seek to minimise exposure to operational, reputational and financial risks, recognising that our appetite to risk varies across different elements of our strategy.

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

Monitoring and managing risk

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

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

Informal consideration

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

Formal consideration

- Bi-annually (or as needed) by the Risk Committee.

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

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

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

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

Assessing risk and internal controls

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

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

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

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

Assurance

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

Principal Risks and Uncertainties

Risk landscape

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

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

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

Principal strategic risks and uncertainties

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

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

Macroeconomic factors

Potential causes

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

Consequences

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

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

Decline in the UK real estate market

Potential causes
- Changes to political landscape.
- Increasing bond yields and cost of finance.
- Reduced availability of capital and finance.
- Lower relative attractiveness of property compared with other asset classes.
- Changing overseas investor perception of UK real estate.
- Covid-19 accelerating structural changes in retail and office sectors.

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

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

Changes in regulatory environment

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

- Growing complexity and level of sustainability regulation.
- Increased stakeholder focus on ESG.
- Regulation/guidance in respect of social distancing both within our portfolio and in connection with domestic and international travel for the duration of the pandemic.

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

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

- We ensure our properties are operated in compliance with local and national regulations.

- We use specialist advisors on planning and licensing and make representations on proposed policy changes, to ensure our views and experience are considered.

- Tenant compliance with planning consents and licences is regularly monitored.

- The Town and Country Planning (Use Classes) (Amendment) Regulations 2020, effective from September 2020, provide flexibility to change uses of commercial, business and service accommodation, eg between retail and restaurants. Whilst this could increase the supply of certain uses, eg restaurants, in the West End over the longer-term, subject to other planning and licensing regulations being met, it also presents opportunities to evolve the use mix in our portfolio.

- Increasing national regulation, including corporate social responsibility targets and obligations raise costs and, in extremis, could limit the ability to maximise values and income.

- Head of Sustainability recruited to develop our long-term sustainability strategy and our already extensive community engagement.

- Sustainability targets are included in remuneration, including for each refurbishment or reconfiguration scheme appraisal.

- Social distancing regulation continues to impact our occupiers’ ability to trade.

Reduction in spending and/or footfall in our areas

Potential causes
- Pandemics.
- Macro economic conditions including recession, declining disposable income, unemployment etc.
- Fall in the popularity of the West End and particularly our areas leading to decreasing visitor numbers.
- Changes in consumer tastes, habits and spending power.
- Terrorism or the threat of terrorism.
- Competing destinations.
- Possibility that Covid-19 induces permanent structural changes in frequency of visits and spending behaviour.
- UK plans to end tax-free shopping for overseas visitors.

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

- Risk of loan covenant breaches.

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

- Key aspects of our management strategy are to: ensure our areas maintain a distinct identity; seek out new concepts, brands and ideas to keep our areas vibrant and appealing; and actively promote our areas.Board regularly monitors performance and prospects.

- The pandemic, social distancing regulations and Government advice to work from home have dramatically reduced footfall.

- The new “normal” following Covid-19, including how people choose to work and shop, could reduce footfall and spending in the medium to long term. A significant proportion of our customer base is local workers and Londoners, and we expect footfall and spending to improve once the return to offices commences, although flexible home working may change the daily pattern of footfall. We will continue to adapt our portfolio to meet occupier requirements.

- Whilst being invested in one area is a risk, our ownership clusters are also a strength and an opportunity, allowing us to adopt a holistic curation of our villages.

- Public transport is important in making our areas more accessible to a wide range of visitors. Whilst delayed, the Elizabeth Line is now scheduled to open in 2022. This line is expected to bring an additional 1.5 million people within 45 minutes of the West End.

- It is too early to tell if or how the pandemic will impact long-term international travel patterns, particularly in the long-haul sector. The UK’s plans to end tax-free shopping for overseas visitors, making it the only EU country to do so, could further impact overseas visits to the UK and the amount spent by international tourists. However, the impact on our areas is expected to be less significant due to our focus on local workers, Londoners and domestic tourists, and our mid-market offer.

- Changing leasing structure landscape (e.g. more flexibility for occupiers and risk sharing) may lead to volatility in income and earnings.

Significant increase in tenant default/failure

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

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

Commentary
- This risk has increased substantially this year, and continues to rise.

- Tenant trading monitored regularly by the Operations Committee

- Whilst the rent from any single tenant is not material - the top ten tenants represent less than 10% of our rent roll - many of our tenants are small, independent businesses, which have suffered significant operational and financial distress throughout the pandemic. Many have used debt to cover shortfalls. The longer Government restrictions persist, the greater the risk that their businesses become unviable.

- In normal times, occupier demand exceeds availability of space in our areas. Therefore, covenant has not been a major factor in when selecting tenants. Rather, we favour interesting concepts which help bring footfall to our villages. Currently, vacancy across the wider West End has led to available space exceeding demand, although we believe the supply and demand balance will revert once pandemic issues have receded and available space is absorbed.

- Our support through rent concessions has been critical to support our restaurant, retail and leisure occupiers in this challenging period. Despite this, we have seen a number of failures and tenants not wishing to renew at expiry.

- We continue to lobby Government on our tenants' behalf and provide marketing support.

- Tenant deposits held against unpaid rent obligations at 30 September 2020: £14.3 million.

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

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

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

Commentary
- The wholly-owned portfolio's ERV declined on a like-for-like basis by 6.6% in the year. We expect further pressure on rental values until a sustained recovery is underway and vacancy levels begin to subside.

- The current imbalance between availability of space in the West End and occupier demand is resulting in tenants and potential tenants being more demanding, especially given the competition for occupiers. We are having to spend more on unit fit outs to maximise letting prospects and more lettings are on an inclusive basis, where service charge and insurance costs are not necessarily fully recoverable.

- However, occupiers are still focusing on the quality of the location. Through the holistic curation of our villages, we have competitive advantage, compared with owners of single buildings in streets with fragmented ownerships.

- Our portfolio of mostly smaller mixed-use buildings provides considerable management flexibility to adapt our accommodation to meet space requirements, an important factor with the current trend towards smaller-sized units where occupiers can retain a physical brand and product touch point for their customers.

- We typically seek innovative, mid-market concepts and brands for our villages. As footfall builds in the pandemic aftermath, the range of rental tones and unit sizes we can offer across our villages, together with our relatively affordable rents and approach to leasing flexibility will be more important than ever.

Financing risk

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

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

Commentary
- We review our capital structure and debt covenants regularly; quarterly forecasts include covenant headroom review.

- We maintain a pool of uncharged assets to top up security held by lenders, if required.

- We adopt a prudent approach to our capital structure to minimise financing risk. However, the prolonged period of reduced rent collections during the pandemic put stress on our debt covenants and the ability to refinance debt that was maturing in the near-term.

- Our equity raise in November 2020 ensured that we maintain a strong equity base and are positioned to return to long-term growth as pandemic issues recede.

- The pandemic continues to put pressure on net property income. However, throughout our viability assessment period, we currently expect to meet interest cover covenants in our debt facilities, either through secured waivers or by utilising cure mechanisms.

- Our pool of unsecured properties has been bolstered through the release of security following the termination of an undrawn revolving credit facility, providing further headroom in our loan-to-value covenants.

Climate risk

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

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

Our mitigation actions include:

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

Shareholder information

Corporate Timetable

Financial Calendar	
Annual General Meeting and AGM statement	25 February 2021
2020 half year results	May 2021

Dividends and bond interest	
Bond interest	31 March and 30 September 2021

The timing of the next dividend payment is to be determined.

Shareholder enquiries

All enquiries relating to holdings of shares or bonds in Shaftesbury PLC, including notification of change of address, queries regarding dividends and interest payments, or the loss of a certificate, should be addressed to the Company's registrar. Contact details for the registrar are outlined below.

All enquiries relating to the capital raise announced on 22 October 2020, or any other enquiry that requires the attention of the Company, should be sent to Investor.Relations@Shaftesbury.co.uk

Company Website

The Company has a corporate website, which maintains a digital version of the most recent Annual Report and financial statements, as well as other information. Other information includes announcements made by the Company and the current share price of the Company. The site can be found at www.shaftesbury.co.uk

Effect of REIT status on payment of dividends

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

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

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

Where we pay an ordinary dividend this will be treated in the same way as dividends from non-REIT companies. As announced in the Trading Statement of 25 September 2020, the Board has not recommended a final dividend.

Registrar

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

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

Equiniti can also be contacted by email. Emails should be sent to customer@equiniti.com

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

Secretary and registered office

Desna Martin, FCA
22 Ganton Street
Carnaby
London W1F 7FD

Glossary of terms

Adjusted EPRA earnings
EPRA earnings adjusted to add back the non-cash accounting charge for equity-settled remuneration.

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

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

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

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

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

Carbon emissions
In the context of this report this is shorthand for greenhouse gas emissions.

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

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

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

EPRA
European Public Real Estate Association.

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

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

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

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

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

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

as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA Net Reinstatement Value (NRV)
The value of net assets on a long-term basis, assuming no disposals. Assets and liabilities that are not expected to crystallise in normal circumstances, such as deferred taxes on property valuation surpluses, are excluded. It is a reflection of what would be needed to recreate the company. Purchasers' costs which have been deducted in arriving at the fair value of investment properties are added back. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA Net Tangible Assets (NTA)
A measure of net assets which recognises that companies buy and sell assets and therefore takes into account deferred tax liabilities on sales, unless there is no intention to sell in the long run. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

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

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

EPRA sBPR
EPRA Best Practice Recommendations on Sustainability Reporting.

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

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

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

ESG
Environment, Social and Governance.

ESOS
Energy Savings Opportunity Scheme.

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

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

FCA
Financial Conduct Authority.

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

IFRS
International Financial Reporting Standards.

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

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

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

Leasing activity
The rental value secured across the wholly-owned property portfolio of the Group from lettings, rent reviews and lease renewals during a period.

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

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

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

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

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

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

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

Net Zero Carbon
When relevant GHG emissions attributable to operations of the business are minimised and outstanding emissions are balanced by removing an equivalent amount from the atmosphere.

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.

Science Based Targets
A carbon emissions target that it is in line with the scale of reductions determined to be required to prevent the worst effects of climate change.

SDG
UN Sustainable Development Goals.

Sharesave or SAYE (Save-As-You-Earn)
A savings-related share option scheme. Employees are granted options to acquire shares at the end of a three or five-year vesting period using savings accumulated through salary sacrifice.

SONIA
The Sterling Overnight Index Average. A benchmark "risk free" rate used by the banking sector in pricing debt instruments. SONIA will replace LIBOR in 2021.

Topped-up net initial yield
Net initial yield at the valuation date as if the contracted rent in respect of leases which are subject to contractual rent free periods is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.

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

Underlying EPRA vacancy
The rental value of available to let vacant property (excluding property which is held for, or undergoing, refurbishment and EPRA vacancy due to exceptional larger refurbishment schemes) expressed as a percentage of ERV of the Group's wholly-owned property portfolio. It is measured at the reporting date and, when reported for a reporting period, it is presented as the quarterly average during that period.

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