SHAFTESBURY 2021 FULL YEAR RESULTS

Confidence, footfall, trading recovering
Rebound in occupier demand driving vacancy down towards pre-pandemic levels;
Valuation recovery in second half

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 2021.

Brian Bickell, Chief Executive, commented:

““Freedom Day” on 19 July marked the first time in 17 months that our 600+ hospitality and retail occupiers, and businesses across the West End, could begin to trade normally. What followed has been a remarkable bounce back in activity, as domestic visitors and workers returned, with footfall and spending in our villages well on the way to returning to, or in some cases already exceeding, their pre-pandemic levels.

Our response to the economic and social disruption caused by the pandemic has been to support our occupiers and community and to work with our fellow West End stakeholders. Its success has been rewarded by the speedy recovery in footfall and trading across our villages, which in turn has enhanced their appeal to new businesses and residents and restored our occupancy levels. It is also an endorsement of our credentials as a long-term, responsible, supportive landlord and partner.

There has been great progress on Shaftesbury’s road to recovery in recent months. Although there is still further to travel before certainty and confidence fully returns, we believe that the combination of our exceptional and adaptable portfolio, and our culture, people and relationships will deliver a sustained return to growth and prosperity, and ensure we live up to the expectations of our shareholders and other stakeholders, for many years to come.”

Overview

- Pandemic restrictions had a material impact on results for the financial year, but trends turning positive over the second half. Valuation recovery in the second half as pandemic uncertainties began to recede.
- From 19 July 2021, occupiers were able to trade at full capacity and offices reopened, following over nine months of disruption, lockdowns and trading restrictions.
- Sustained recovery in footfall; weekends currently back to 2019 levels and weekdays at c.80%.
- Confidence and domestic spending recovering; led by hospitality and leisure but retail catching up.
- Sustained occupier demand across all uses; vacancy rapidly returning to pre-pandemic levels.
- Occupier support strategy successful in maintaining occupancy across hospitality, retail and leisure space through the disruption. Support now only being given on an exceptional, case-by-case basis.
- Resumption of progressive dividend policy; recommending final dividend: 4.0p per share
- Net zero carbon commitment: 2030; carbon-neutral in our operations: 2025.
- Positioning for the future: preparing for a faster-changing environment including adding specialist skills to our team and grow our next generation talent.

Significant improvement in occupier interest across all uses and improving rent collection

- Leasing transactions with a rental value of £33.9m completed during the year (2020: £23.6m); c.60% by rental value concluded in the second half.
    - Full year commercial lettings and renewals totalled £20.6m, concluded on average 8.0% below 30.9.2020 ERV; H2 £12.7m, concluded on average 0.7% above 31.3.2021 ERV.
    - Commercial rent reviews (£3.4m) concluded on average 10.2% above previous rents.

  - 373 residential lettings (£9.9m), on average 7.8% below previous rents.

- Momentum continued with £5.4m of lettings and renewals in the two months since 30 September 2021.

- EPRA vacancy decreased across all uses, standing at 6.0% of ERV at 30 September 2021, falling to 4.9% since year end, trending towards our long-term pre-Covid average (Peak 31.3.2021 11.9%).

- Available-to-let at 30.9.2021: 2.9% of ERV across 53,000 sq. ft.

  - No apartments available at 30 September 2021 (30.9.2020: 133)

- Space under offer: 3.1%, falling to 1.7% since year end.

- Sustained recovery in rent collection since all restrictions lifted in July.

  - 52% of contracted rent collected in the first nine months of the year, rising to 75% in the final quarter as restrictions were removed fully and occupier support tapered.
  - 80% of October rent collected to date; further collections expected.
  - Rental support now ceased other than on exceptional case-by-case basis.

- We saw a swift rebound in demand for our exceptionally busy, central West End space as confidence grew, with £33.9m of letting activity in the year and another £6.3m since 30 September.

Pandemic restrictions had a material impact on results for the financial year, but trends turning positive in the second half

- Net property income down 12.9% to £64.7m (2020: £74.3m) due to occupier support, reduced rent collections and increased vacancy, particularly in the first half of the financial year:

  - 8.5% like-for-like decrease in rental income.
  - Charges for expected credit losses and impairments: £17.7m (2020: £21.9m).
  - Increased vacancy-related costs including business rates and lower service charge recoveries, higher letting costs reflecting high volume of leasing transactions, additional costs due to pandemic-related measures across our villages.
  - Reduction in vacancy and costs, and improving rent collection and service charge recoveries, together will contribute to growth in net property income in the coming year.

- Increase in administrative expenses largely due to employee costs, including additional headcount and charges for variable remuneration. Prior year costs were lower following the Board's waiver of fees and remuneration for four months, and significantly reduced bonus charges.

- Loss after tax: £194.9m (2020: loss of £699.5m). Improvement primarily due to a lower revaluation deficit in the current year.

- EPRA earnings[1]: £13.3m, down 54.8% (2020: £29.4m).

- EPRA NTA[1]: £6.19, down 15.0% (2020 as restated[3]: £7.28) due to revaluation deficits and the equity raise in November 2020.

- Resumption of our progressive dividend policy:

  - Recommended final dividend: 4.0p (2020: nil).
  - Total dividend this year: 6.4p. including interim dividend (2.4p) paid to fulfil our 2020 PID obligations under REIT legislation.
  - Dividends will track growth in net property income and earnings over time.

Wholly-owned portfolio valuation: £3.0bn; full year like-for-like decrease 5.4% (H1: -10.1%; H2: +5.2%)

- First half valuation decrease largely due to increased yields and reduced ERVs for retail and hospitality uses.

- Second half valuation increase: rental values stabilising, valuation yields tightening and reduction in the valuer's estimate of potential short-term income loss from occupier support, reflecting improving operating conditions.

- Valuation movements[4] in the year:

    - Hospitality and leisure -6.0% (H1: -11.0%; H2 +5.6%).
    - Retail -13.3% (H1: -18.2%; H2: +6.0%).
    - Offices +0.5% (H1: -3.7%; H2 +4.3%).
    - Residential +4.4% (H1: +0.5%; H2: +3.9%).

- Equivalent yield: 3.92% (30.9.20: 3.95%; 31.3.21: 4.1%).

- Portfolio ERV down 6.4%[4] to £131.7m (30.9.20: £140.3m), but stable in the second half-year.

Longmartin joint venture: Valuation[5]: £164.5m; full year like-for-like decline 6.2% (H1: -6.4%; H2: 0.2%)

- Equivalent yield 4.0% (2020: 4.1%).

- ERV decline[4] of 6.9%, of which 6.3% occurred in the first half.

- Retail valuation decline 24.8%; hospitality and leisure up 4.9%, offices down 2.2%, residential unchanged.

- Retail performance driven by large shops on Long Acre where rental tones were down 22.2% and are now 65% below their peak in 2017.

Portfolio investment: adapting and improving buildings; core acquisitions

- Continue to adapt and repurpose buildings, enhance environmental performance and improve long-term income prospects:

    - Redevelopment and refurbishment schemes across 170,000 sq. ft. during the year. Capital expenditure in the period: £37.4m.
    - ERV of space under refurbishment: £11.8m, 8.9% of portfolio ERV (2020: 10.1%).

- 72 Broadwick Street (ERV: £5.6m, 4.2% of portfolio ERV):

    - Hospitality and retail space on lower floors (ERV: £0.5m) handed over in the year and both units now under offer.
    - Good progress being made on upper floors; completion in phases from early next year.
    - Pre-let 53% of remaining commercial space, by ERV.
    - Occupier interest in two thirds of the office accommodation.

- Acquired five buildings for £21.1m in Covent Garden and Soho.

- Disposal of non-core asset in April for £5.3m. Since year end, contracted to sell another building for £7.0m, 13.8% above valuation at 30 September 2021. Further disposals being considered from limited pool of non-core assets.

Commitment to net zero carbon by 2030

- Net zero carbon strategy and action plan launched earlier this month:
  - Carbon neutral for our own emissions: 2025.
  - Net zero carbon across the business: 2030.
  - Roadmap sets out action plan; key focus will be working with occupiers to reduce their environmental impacts of their businesses.
  - With rolling programme of incremental improvements across the portfolio, currently do not expect material increase in annual capital spend.

Strong financial base: financial capacity to weather further disruption and well positioned to take advantage of investment opportunities

- November 2020 equity raise strengthened our financial base and reduced finance risks.

- Available resources £311.3m; capital commitments: £18.8m.

- LTV[1,6]: 24.9% (2020, pro-forma for equity raise: 22.1%); increase largely due to property valuation decline.

- Weighted average maturity of debt facilities: 8.0 years; earliest maturity: £100m facility in February 2023 and refinancing discussions planned for coming months.

Statement of Comprehensive Income		**2021**	2020
Reported results			
Net property income	£m	**64.7**	74.3
Loss after tax	£m	**(194.9)**	(699.5)
Basic earnings per share[3]	Pence	**(52.0)**	(222.7)
Interim dividend to fulfil 2020 PID obligations	Pence	**2.4**	
Final dividend for the year	Pence	**4.0**	-
Total dividends for the year	Pence	**6.4**	-
EPRA results[1]			
Earnings	£m	**13.3**	29.4
Earnings per share[3]	Pence	**3.5**	9.4
Balance Sheet			
Net assets	£m	**2,373**	2,281
EPRA[1]			
EPRA NTA	£m	**2,382**	2,290
EPRA NTA per share[3]	£	**6.19**	7.28
Total Accounting Return[3]	%	**(14.6)%**	(23.3)%

[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 51.
[2] Covid-adjusted EPRA (loss)/earnings is a newly introduced APM which considers EPRA earnings "as if" the cost of pandemic-related rent waivers had been recognised immediately in the Income Statement rather than spread over the life of each lease.
[3] The 2020 comparative per share data has been adjusted for the bonus element inherent in the equity raise in November 2020
[4] Like-for-like
[5] Our 50% share
[6] Based on net debt

For further information:

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Shaftesbury PLC LEI: 213800N7LHKFNTDKAT98

See Glossary of terms on pages 64 to 67.

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

There will be a presentation to analysts at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS at 9.30 am on Tuesday 30 November 2021.

The presentation can also be accessed live via webcast or conference call. The live webcast will be available via https://brrmedia.news/SHB_FY21 or the Group's website www.shaftesbury.co.uk. A recording of the webcast will be available via these links later in the day. Conference call: In order to join via phone at 09:30am, please dial in 5-10 minutes before the start time on +44 (0)330 336 9434 and quote the confirmation code 2580105. The presentation document is available on the Group's website.

Bondholders

For bondholders, there will be a credit update conference call at 10.30 pm on Wednesday 1 December 2021. 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 heart of 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 608 restaurants, cafés, pubs and shops, extending to 1.1 million sq. ft., 0.4 million sq. ft. of offices and 633 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 contribute to the success of London's West End by curating lively and thriving villages where people live, work and visit. Our proven management strategy is to create and foster distinctive, attractive and prosperous locations. We have an experienced and innovative management team focused on delivering our long-term strategic objectives.

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.

Our approach to sustainability

Our sustainability strategy encompasses our long-established approach of reducing the environmental impact of our operations through refurbishment, change of use and reconfiguration, working with, and supporting our local community, and using our knowledge and experience to influence and motivate, to achieve positive outcomes.

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

It's been a year dominated by the Covid-19 pandemic. Although at the time of my statement in December last year there were the first signs of effective vaccines and a route out of this national and global crisis, we faced a further four months of lockdown, and then three months of gradually easing restrictions before "Freedom Day" on 19 July. That day marked the first time in 17 months that our 600+ hospitality and retail occupiers, and businesses across the West End, could begin to trade normally.

What followed has been a remarkable bounce back in activity across the West End, as domestic visitors and workers returned, with footfall and spending in our villages well on the way to returning to, or in some cases already exceeding, their pre-pandemic levels.

Particularly heartening has been the sustained recovery, starting in April, in demand from businesses looking to take space in our locations, as well as the return of residential occupiers, and since then we have concluded new lettings with a rental value of £17.0 million. With our occupancy now close to pre-pandemic levels, this is a clear endorsement of the actions we have taken throughout the pandemic to protect the offer and appeal of our villages and the long-term prospects for our portfolio.

With the long and often dispiriting days of last winter behind us, and the streets now once again buzzing with life, the year can only be described as an economic and emotional roller-coaster.

Supporting our occupiers

From the outset of the pandemic in early March 2020, our focus has been to support our occupiers, employees and local community through this unprecedented period of disruption. For businesses which relied on the West End's year-round, seven-days-a-week footfall, trading and global attraction, the sudden loss of revenue posed an existential threat to their survival. We set ourselves the task of doing all we could to give them the financial support and confidence for as long as necessary to ensure they could restart trading and repair their businesses as soon as Government restrictions allowed.

Our support, tailored to individual occupier's needs, was given through a mix of waiving and deferring rents, drawing against rent deposits, extending lease tenures, digital (and when permitted) physical marketing initiatives and providing additional al fresco seating capacity where possible. Our support has been successful in mitigating vacancy across our portfolio, enabling all our villages to fully reopen with their popular hospitality and retail line-up largely intact, driving a strong and sustained revival in footfall and spending. This in turn has been a catalyst for the swift rebound in occupancy, as businesses and residents seek space with us, which has led to a recovery in the valuation of our portfolio in the second half, reversing half of the 10% decline we saw in the first six months of the year.

Impact on our results

Occupier financial support measures have been in place throughout the year and were increased when it became clear that footfall-reliant businesses had lost most of the valuable festive trading period at the end of last year and were unlikely to resume operations until April at the earliest. With conditions improving as restrictions were lifted, our financial support began to taper and was largely withdrawn from October 2021. In the event of reimposition of extended restrictions, we will take appropriate action to further support our occupiers.

Inevitably, our net property income decreased this year, falling 13% to £64.7 million as a result of reduced occupancy, the rental support we provided, charges for expected credit losses and an increase in property charges, largely as a consequence of significantly higher vacancy levels. Compared with the year ended 30 September 2019, the 17-months of pandemic dislocation has resulted in a 34% decline in annual net property income.

Our portfolio, which was valued at the year end at £3.0 billion, is now seeing the first signs of a return to growth. The valuation deficit (net of disposal profits) reported in the first half of £331.4 million was partly offset by a recovery in values in the second half, as confidence and activity returned to the occupational market and both vacancy levels and provisions for future rental support decreased. Reflecting the more-optimistic operating and trading outlook, investor confidence became more positive, particularly in the latter months of the year. As a result, taking the year as a whole, the net valuation deficit amounted to £196.9 million, compared to £698.5 million in 2020.

The loss for the year after the annual revaluation deficit and taxation amounted to £194.9 million, compared with a loss of £699.5 million last year. EPRA earnings, which exclude valuation movements and disposal profits, were £13.3 million, compared with £29.4 million last year.

At 30 September 2021, EPRA NTA stood at £6.19 (2020: £7.28[1]), a decline of 15%. Of the decrease, 56 pence related to the equity raise in November 2020, and 53 pence mainly reflected the annual net valuation declines in the wholly-owned and Longmartin portfolios, offset by retained earnings.

The equity raise in November 2020 ensured we had the financial resilience to weather pandemic disruption this year. With the strength of our Balance Sheet, we have the financial capacity to deal with further disruption, if necessary, and we are well-positioned to take advantage of investment opportunities providing the outlook remains positive. At 30 September 2021, our loan-to-value ratio was 24.9% and available resources amounted to £311.3 million.

1. Adjusted for the bonus element inherent in our equity raise in November 2020

Resumption of dividends

In March 2020, as the implications of the pandemic for the Group's business became apparent, in order to preserve liquidity, the Board took the very difficult decision to suspend its strategy of progressive growth in dividends, for the first time since the Company floated in 1987.

In May 2021, the Board declared an interim dividend of 2.4p, primarily to meet the PID requirements of REIT legislation, which obliged us to make a distribution in respect of last year's profit, calculated by reference to tax rather than accounting rules.

The recent revival of the West End and the Group's operations, and prospects for a sustained improvement have changed our operational outlook. With our strong financial position, the Board is now able to reinstate its progressive distribution policy, with the resumption of dividends which will track the growth in net property income and earnings over time.

The Board is therefore pleased to recommend a final dividend for the year of 4.0 pence per share, which, if approved at the 2022 AGM, will be paid on 11 February 2022.

Improving our portfolio

Last year, pandemic uncertainties led us to place a moratorium on new schemes and acquisitions, other than by exception. Existing schemes have continued to completion, and where space has become vacant, we have continued to ensure it is refurbished appropriately to enhance letting prospects. This has been an important factor in enabling us to satisfy the recent rapid recovery in demand for space across our locations, leading to the continuing reduction in vacancy towards more-normal levels.

With the revival of the West End firmly established, and strong occupier demand across each of our uses, we are now relaxing our moratorium on new schemes and acquisitions. We have already identified a number of schemes which we expect to start in 2022.

The local investment market is now coming back to life, having been exceptionally quiet during the extended period of pandemic disruption. While long-term private owners of buildings in our locations are traditionally reluctant to sell, we have been able to acquire or contract to purchase five buildings within our core ownership clusters during the year, at a total cost of £21.1 million. They each offer medium-term asset management opportunities and will benefit our adjoining holdings.

We expect further opportunities to appear in the period ahead, as the re-opening of the local investment market to domestic and overseas buyers may spur owners to sell buildings, particularly those requiring investment to restore their income potential.

We have taken advantage of investor appetite to sell two buildings which we no longer consider to be part of our longer investment strategy, realising gross proceeds of £12.3 million. This included a disposal contracted since year end for £7.0 million, 14% above book value at 30 September 2021. We intend to continue the selected disposal of the limited number of buildings that no longer meet our investment criteria.

Trends as we emerge from the pandemic

There has been a noticeable acceleration in trends which were already apparent before the onset of the pandemic, as well as changes in expectations as society begins to recover from an unprecedented period of disruption to patterns of life and activity. Being prepared for a future that may be very different to past experience is embedded in our culture, which has always encouraged, embraced and anticipated change.

Having endured long periods of lockdown and travel restrictions, it is clear that visitors are keener than ever to have fresh and exciting choices and experiences when they come back to the West End and our villages, in contrast to the limited and often formulaic offer available in their locality while travel was heavily restricted.

Our choice of occupier has always been based on offering visitors something not readily available elsewhere, whether in retail or hospitality. Our widely-admired reputation and long experience in supporting new concepts and ventures is attracting a plethora of independent operators and start-ups to our villages, further enhancing their appeal both to visitors and other similar, like-minded businesses.

A common theme across all uses is occupiers' interest in, and expectations of, our sustainability credentials and strategy, as they prefer to locate their business with a responsible space provider. We will be working even more closely with them in the years ahead to help deliver our shared sustainability goals.

Structural changes in retail have been apparent for some time, as online shopping continues to grow and consumer spending patterns change. However, retailers continue to seek space in the best locations and to cluster with complementary businesses. Interestingly, we are now seeing growing interest from internet brands which meet our exacting criteria seeking to locate in our villages, which align with their target market and brand values.

We are able to offer new retailers the certainty that comes from the long-term careful curation of our high-footfall areas, relatively smaller shops at rental levels which are competitive compared with neighbouring locations, and a landlord who will continue to support their businesses.

Shorter lease terms and a risk-sharing, turnover-related element in rental terms are increasingly common in retailers' requirements. Our successful retail leasing strategy has already adapted to these expectations.

Creativity in the hospitality sector, bringing forward exciting new casual dining concepts and experiences, has continued apace, with good investor support both for start-ups and expansion plans of experienced operators based in the best locations. Our generally smaller units in exceptionally busy, central West End locations are much sought after, which is reflected in the recent reduction in vacancy to pre-pandemic levels.

Covid restrictions have raised the popularity of al fresco seating, both for operators and their customers, and we have been able to extend our outdoor capacity to c. 2,500 seats across our mostly pedestrianised streets and courtyards. We have worked closely with Westminster and Camden Councils and local residents to provide additional temporary outdoor seating during the summer months, involving road closures and pavement extensions. We are developing proposals to reinstate some of the additional capacity on a permanent basis, subject to agreement with all stakeholders.

For some time, smaller office occupiers have had the option of taking flexible space in co-working buildings. As an important provider of the smaller space in our central locations, we now offer “Assemble by Shaftesbury”, a fully fitted and affordable option for potential occupiers, with a modular design based on collaborative working. Coupled with flexible leasing terms, this product is proving very popular and is delivering increased rent and reduced void and rent-free periods.

The first pandemic lock down last year saw an exodus from the West End of overseas students, workers and others returning to their countries of origin. The reopening of the West End and all its attractions has seen a rapid return of demand for apartments in our locations, and has reduced our residential vacancy from 123 flats at 31 March 2021 to zero at the year end.

Learning from the pandemic and shaping our plans for the future

The measures taken by governments around the world to control the pandemic have resulted in the extended periods of closure and restrictions, destabilising the ecosystems of footfall-reliant city centres. At the heart of one of the leading global cities, the West End has experienced exceptional disruption, but its revival is now firmly established.

Daily domestic visitor footfall is recovering, and the return of office-based workers is underway. However, international tourist and business visitor numbers are currently not expected to reach pre-pandemic levels for several years and could also be further affected by environmental challenges in aviation and mass long-haul travel. For us, this has reinforced our view that, first and foremost, our hospitality and retail strategy should continue to focus on a mid-market, innovative offer that appeals to the West End's huge local and domestic audience.

Collaboration between local stakeholders, ranging from local and statutory authorities and neighbouring long-established estates to local community groups, has been an important aspect of the West End's success. The pandemic has seen even greater dialogue and co-operation, and as a major owner some of its most popular and high-profile locations, we have made an important contribution to addressing the many challenges which have arisen and in planning for recovery. Working closely with those who share our commitment to ensuring the West End has a sustainable and prosperous future as a global destination will be even more important in the years ahead.

Despite the disruption caused by the pandemic, significant extra workloads and the challenges of working remotely, as a team we have devoted considerable time to ensure we learn from this period and how we position business for the years ahead. This has encompassed assessing our internal resilience, how we can manage our business more effectively, the resource we will need in a faster-changing, less-predictable post-pandemic world, and how we continue to adapt and refresh our offer both to our occupiers and the millions who visit our locations every year, and meet the expectations of other stakeholders.

Much of these discussions have been part of our "Shaftesbury: Next Chapter" project, advised and supported by Professor Greg Clark, CBE, advisor to cities across the globe.

The initial outputs from this project included:

- identifying and understanding the issues faced by London and the West End which could affect their recovery from the pandemic and longer-term macro challenges;
- the macro trends in visitor and occupier expectations and how our strategy will need to respond and adapt;
- how sustainability priorities will affect the environment in which we operate;
- the steps we need to take now to anticipate change and identify and capitalise on opportunities; and
- the resources needed to position the business in a fast-changing world.

We have already taken action to:

- adapt our operational structure and processes based on a "One Shaftesbury" cross-business approach;
- streamline our out-sourced business model;
- recruit additional resource to add specialist skills to our team and grow our "next generation" talent; and
- refresh our sustainability commitments and goals.

We will be launching further projects in the coming months, including the first stages of our three-year IT and digital transformation programme, developing the services we offer our occupiers, and how we can better engage with our West End communities and stakeholders to address the change and challenges ahead for us all.

Advancing our sustainability agenda

As a long-term, experienced and responsible investor, sustainability issues have always been an important aspect of delivering our strategy. Our approach to the stewardship of our unique portfolio of mostly heritage buildings has always focused on low impact repurposing and refurbishment rather than demolition and redevelopment. Engagement with, and practical and financial support for, our local community has also been a long-established principle in how we behave as a business.

This year our focus has been on preparing our Net Zero Carbon strategy and action plan, which we announced in November 2021. Our aim is to be carbon neutral for our own emissions by 2025 and to commit to Net Zero Carbon across the business by 2030. Rather than just announce our target date, we have also produced a roadmap of actions we will now be implementing to achieve our goals as well as signposting the challenges we will face along the way.

Engaging with our 800+ commercial occupiers, to help them reduce the carbon and other environmental impacts of their business, will make an important contribution to achieving our own goals. The close and supportive relationship we have with our occupiers, many of whom already have their own aims and strategies in place, will underpin our actions and results.

Meanwhile, our rolling programme of improving our buildings, averaging some 10% of our floor space annually, will bring incremental energy performance rewards in the period to 2030 and beyond. Our overriding aim is to deliver real improvement rather than rely on carbon offsetting to achieve our Net Zero target.

It is not feasible at present to accurately estimate the direct costs of delivering our Net Zero roadmap. However, based on the cost of the considerable incremental improvements we have made to our portfolio already as part of our modest average annual expenditure over many years of c.1% of portfolio value, we currently do not expect a material increase in future yearly capital spend.

The pandemic impact on our local community and team

Our aim is to use our expertise, resources and influence to benefit our local community. Many in our local community continue to face particular challenges as a result of the pandemic and we have maintained our efforts and financial support for those in need. In addition to addressing current to pandemic-related issues, we particularly focus on help for younger people, supporting agencies such as the Young Westminster and Young Camden Foundations, as well as educational initiatives. At our annual community breakfast in September, we brought together 34 charities and stakeholder organisations, which indicates the breadth of our local engagement.

We work with a range of partners including not-for-profit organisations, charities, schools and colleges, and other local community groups. Our support is provided in a variety of ways, from financial and in-kind donations, provision of free or subsidised space, to promoting their causes and time given by our employees. This year, our community investment totalled £1.2 million (2020: £0.9 million), which reflects increased provision of accommodation and employee volunteering time.

Throughout the entire period of pandemic disruption, we have been acutely aware of the pressures our colleagues have faced in both their work and private lives. This been exacerbated by the dramatic changes in the way we worked as a team, when we were unable to be in the office together, and the unprecedented challenges of mitigating the consequences for our business of the situation and uncertainties we faced. Our team’s commitment, enthusiasm and determination has been unwavering and the rapid recovery we are now seeing, as well as positioning the business for a return to long-term prosperity, is a testament to their dedication.

Looking ahead

The global pandemic has been the most disruptive event we have experienced in generations, within a few months bringing unprecedented uncertainties and upheaval in the normal patterns of our lives. The availability of effective vaccines has radically improved the prospects of the crisis receding, but the pandemic may have a lasting effect on behaviours and individuals’ expectations and aspirations.

It is too soon to assume the pandemic is now firmly behind us, with the continuing risks of virus variants and further disruption. In the UK and beyond, emerging concerns regarding inflation, shortages of labour, global supply chain issues, debt levels and government finances are now affecting the economic outlook. Meanwhile, the global climate crisis and the imperatives of decarbonisation and sustainability are now the priorities of governments, businesses and communities around the world.

The long-term success of London and the West End reflect their ability to embrace and adapt to challenges and change, drawing on their wealth of talent, creativity and diversity. Despite near-term challenges, they will continue to be a magnet for international businesses, tourists and investment, underpinned by their local and domestic appeal.

Our response to the economic and social disruption caused by the pandemic has been to support our occupiers and community and to work with our fellow West End stakeholders. Its success has been rewarded by the speedy recovery in footfall and trading across our villages, which in turn has enhanced their appeal to new businesses and residents and restored our occupancy levels. It is also an endorsement of our credentials as a long-term, responsible, supportive landlord and partner. Our equity issue in November 2020 provided working capital to fund expected operating losses and capital expenditure and, in doing so, ensured we had the financial resources to sustain our occupiers and the local community through the crisis and, if necessary, in any further prolonged periods of disruption.

Throughout, we have remained focused on positioning the business for a changing future, ensuring we are well equipped in terms of people, culture and strategy to navigate the macro and local changes and challenges ahead. Our 35 years of experience of the West End, the enthusiasm and commitment of our team, and the wide range of advisors who support us, are valuable and important assets.

There has been great progress on our road to recovery in recent months. Although there is still further to travel before certainty and confidence fully return, we believe that the combination of our exceptional and adaptable portfolio, and our culture, people and relationships will deliver a sustained return to growth and prosperity, and ensure we live up to the expectations of our shareholders and other stakeholders, for many years to come.

Brian Bickell
29 November 2021

Leasing activity

Following reduced levels of leasing activity in the previous year, we have seen a significant improvement in occupier interest across all uses in our carefully curated, central and popular locations, particularly in the six months to 30 September 2021 as pandemic restrictions were relaxed. During the year, we concluded 207 commercial and 373 residential leasing transactions with a combined rental value of £33.9 million. By rental value, almost 60% of the transactions occurred in the second half of the financial year.

Letting activity during the year

	2021			2020
	H1 £m	**H2 £m**	**£m**	£m
Commercial				
Lettings and lease renewals[1]	7.9	12.7	**20.6**	11.4
Rent reviews	2.0	1.4	**3.4**	6.2
	9.9	14.1	**24.0**	17.6
Residential	4.1	5.8	**9.9**	6.0
	14.0	19.9	**33.9**	23.6

[1] Includes estimated turnover rent

Commercial lettings and renewals with a rental value of £20.6 million were concluded, on average, 8.0% below September 2020 ERV, with transactions in the first and second halves of the year being concluded 11.2% and 5.9% lower than September 2020 ERV, respectively. Importantly, rents achieved in the second half were 0.7% above ERVs at March 2021, with increases for hospitality, leisure and offices being partly offset by a decrease in respect of retail transactions, particularly for larger shops, where the market trend is now to offer a greater element of turnover-related rent.

Rent reviews (rental value: £3.4 million) were concluded 10.2% above previous rents and 6.5% ahead of September 2020 ERV.

Residential lettings and renewals amounted to £9.9 million, with rents 7.8% lower than previous levels. Throughout the period of pandemic disruption, there has been an historically high level of vacant residential accommodation across the West End, depressing rents. With the rapid recovery in occupancy levels since early summer, rental levels stabilised in the second half of the year and we are now beginning to see growth.

Occupancy

With the recovery in occupier demand, we have seen a reduction in vacancy across all uses since pandemic restrictions began to be relaxed in April 2021. At 30 September 2021, EPRA vacancy was £8.0 million and represented 6.0% of portfolio ERV, down from 10.2% at 30 September 2020 and 11.9% at 31 March 2021. Of the total, 2.9% was available to let and 3.1% was under offer.

Available-to-let space

Available-to-let space has decreased for all uses during the year. At 30 September 2021, it represented 2.9% of ERV (2020: 9.1%) and extended to 53,000 sq. ft. (2020: 182,000 sq. ft.). Our upper floors now only account for 33% of available-to-let vacancy, having represented 64% of the total at 31 March 2021.

	Hospitality and leisure	**Retail[1]**	**Offices**	**Residential**	**Total**
ERV (£m)					
2021	**0.6**	**2.0**	**1.3**	**-**	**3.9**
2020	2.6	4.1	2.3	3.7	12.7
% of portfolio ERV					
2021	**0.4%**	**1.5%**	**1.0%**	**-**	**2.9%**
2020	1.9%	2.9%	1.6%	2.7%	9.1%
Area ('000 sq. ft.)					
2021	**6**	**25**	**22**	**-**	**53**
2020	35	40	38	69	182

[1] Includes nine shops let on temporary basis with an ERV of £1.0 million (0.8% of portfolio ERV); 2020: £2.4 million; 1.7% of portfolio ERV

Space under offer
At 30 September 2021, space under offer extended to 57,000 sq. ft. (2020: 22,000 sq. ft.) and represented 3.1% of ERV (2020: 1.1%).

	Hospitality and leisure	Retail	Offices	Residential	Total
ERV (£m)					
2021	**1.5**	**1.8**	**0.6**	**0.2**	**4.1**
2020	0.9	0.4	0.2	0.2	1.7
% of portfolio ERV					
2021	**1.1%**	**1.5%**	**0.4%**	**0.1%**	**3.1%**
2020	0.6%	0.3%	0.1%	0.1%	1.1%
Area ('000 sq. ft.)					
2021	**24**	**18**	**9**	**6**	**57**
2020	12	5	2	3	22

Hospitality and leisure
Demand for hospitality space has continued throughout the year, gathering pace over the second half, with interest dominated by independent businesses. Encouragingly, the best sites are now attracting multiple bids and some existing occupiers have taken additional sites with us.

We have generally achieved lettings on conventional lease terms, although with slightly longer rent-free periods and/or stepped rents to assist occupiers with their cash flows through the recovery. At 30 September 2021, we had just three restaurants and three cafés available to let, extending to 6,000 sq. ft. and with an ERV of £0.6 million. Additionally, ten restaurants, cafés and bars, extending to 24,000 sq. ft. (ERV: £1.5 million), were under offer.

Retail
After a subdued start to this financial year, we now have a healthy level of demand from a broad mix of businesses. This includes independent brands or concepts, together with established domestic and international retailers, who choose our areas as their base in central London, showing confidence in our curated and relatively affordable streets where they can trade alongside like-minded brands.

Shorter leases, structured with a stepped base rent together with a turnover-based element, have been a feature of retail lettings this year. Whilst turnover elements may remain commonplace over the near term, we are already seeing leases beginning to shift towards more normal terms with the proportion of base rent increasing as retailers' confidence recovers. Retailers continue to expect a higher specification of landlord basic fit out.

At 30 September 2021, fourteen smaller shops and six larger shops, extending to 25,000 sq. ft., were available to let (ERV: £2.0 million), including nine (ERV: £1.0 million) let on a temporary basis. Fourteen shops with a combined ERV of £1.8 million were under offer.

Offices
Office vacancy grew during the pandemic, reaching 3.5% of portfolio ERV in March 2021, compared with a pre-pandemic level at typically less than 1%, with office occupiers not renewing leases while their workforce was working from home. However, from 1 April 2021, we saw a noticeable pick-up in demand, as businesses planned for the return of their staff, and looked to improve the quality of their workspace. Assemble by Shaftesbury, our fully fitted option for offices over 800 sq. ft., continues to prove popular, as the trend towards greater flexibility, speed of occupation and collaboration in office working practices accelerates. We achieve higher rents with this option and, crucially both void periods and lease incentives are reduced. We are currently developing a similar product for smaller offices. During the year, we have also introduced a digital office leasing platform in Carnaby and Seven Dials, which has proved popular. We plan to extend this to other villages in the coming year.

With the increase in demand, office vacancy had fallen to 1.4% of portfolio ERV at 30 September 2021, of which 0.4% was under offer. 23 suites, extending to 22,000 sq. ft. (ERV £1.3 million) were available to let, down from 50 suites across 62,000 sq. ft. at 31 March 2021 (30 September 2020: 43 offices; 38,000 sq. ft.).

Residential
Prior to the pandemic, we typically had around 1% of our 600+ apartments available to let at any time. However, over the second half of last year, vacancy levels increased significantly to around a quarter of our residential portfolio, as occupiers from overseas returned to their countries of origin and people moved outside of central London. Since 1 April 2021, there has been a marked and sustained increase in demand for our apartments

from a broad range of occupiers, wishing to be back in our vibrant villages, and benefitting from a softening of rents compared with pre-pandemic levels. At 30 September 2021 we had no available apartments and ten flats were under offer.

Occupancy outlook

Since 1 October 2021, leasing momentum has continued, with lettings and renewals with a rental value of £5.4 million concluded. EPRA vacancy had decreased by 1.1% to 4.9% of ERV, of which 1.7% was under offer. Following completion of refurbishment schemes, available-to-let vacancy increased to 3.2% of ERV.

Economic headwinds and the risk of further Covid variants and associated disruption might dampen the recovery. However, we remain confident that our best-in-class locations, together with the size and relative affordability of our space, our flexible approach to leasing and proven long-term village management strategy, will continue to be important to potential occupiers over the long term.

Rent collection

Rent collection % as 26 November 2021

	9 months to 30 June 2021	3 months to 30 September 2021	Year ended 30 September 2021
Rent collected	52%	75%	58%
Rent waived	41%	14%	34%
Rent outstanding	7%	11%	8%
Contracted rent	100%	100%	100%

For the year ended 30 September 2021, we have now collected 58% of contracted rents. However, there has been a significant improvement in collection rates since July 2021.

Throughout the year, rent collection rates have varied by use, with residential and office collections higher than those for hospitality and retail businesses which, inevitably, are reliant on footfall.

For the nine months ended 30 June 2021, a period dominated by pandemic restrictions which prevented, or curtailed, the ability for our hospitality, retail and leisure occupiers to trade and where “work from home” guidance was in place, we collected 52% of rent and waived 41%.

The final three months of the financial year coincided with the relaxation of all legal pandemic restrictions and, from September 2021, we saw a noticeable increase in the numbers of office workers returning. During this period, our rental support began to taper, with just 14% of rent waived. To date, we have collected 75% and 11% remains outstanding.

From 1 October 2021, we ceased granting rent waivers, other than on an exceptional, case-by-case basis.

Rent collection rates continue to improve as the recovery gathers pace. We have now collected 80% of October’s rent and expect further collections will be made over the coming month.

We continue to collect arrears. However, those which relate to periods prior to the relaxation of pandemic restrictions are being dealt with separately from any post-lockdown debts. Eventual recovery of amounts due will depend on tenants’ future income generation and financial capacity to meet these commitments.

Refurbishment and reconfiguration schemes

We continue to improve and repurpose our buildings to adapt to ever-changing occupier requirements, enhance environmental performance and augment our portfolio’s long-term income prospects. In normal times, we often seek to secure vacant possession of space to create asset management opportunities.

This year, we prioritised protecting existing income, and concentrated on progressing existing schemes and carrying out improvements on space that became available, rather than actively seeking to increase scheme activity. The reconfiguration of some of our larger shops continues, reflecting the acceleration of retailer demand for smaller, more-affordable space to showcase their brands. Where space is released, we introduce alternative uses, taking advantage of recent changes in planning regulations where possible.

Given the recent recovery in footfall and spending, and with portfolio occupancy improving, we are now considering opportunities to accelerate schemes and ideas that were put on hold during the past eighteen months.

During the year, we commenced new schemes with an ERV of £5.4 million and completed projects with an ERV of £8.1 million. Capital expenditure totalled £37.4 million, including £17.2 million on our 77,000 sq. ft. scheme at 72 Broadwick Street, Carnaby.

At 30 September 2021, space held for, or under, refurbishment extended to 170,000 sq. ft., and represented 8.9% of total ERV, down from 10.1% last year.

Space held for or undergoing refurbishment

	Hospitality and leisure	Retail	Offices	Residential	Total	% of portfolio ERV
ERV (£m)						
72 Broadwick Street						
2021	**2.6**	**-**	**2.3**	**0.7**	**5.6**	**4.2%**
2020	3.4	0.4	1.5	0.6	5.9	4.1%
Other schemes						
2021	**0.8**	**1.1**	**3.6**	**0.7**	**6.2**	**4.7%**
2020	1.1	1.8	4.7	0.8	8.4	6.0%
Total						
2021	**3.4**	**1.1**	**5.9**	**1.4**	**11.8**	**8.9%**
2020	4.5	2.2	6.2	1.4	14.3	10.1%
Area ('000 sq. ft.)						
2021	**45**	**17**	**84**	**24**	**170**	
2020	63	22	85	30	200	

72 Broadwick Street, Carnaby
Whilst Covid-19 restrictions caused some disruption to site activity, particularly in the first half of our financial year, good progress has been made as this scheme approaches completion. During the year, the retail unit and basement hospitality space (together, 6,600 sq. ft.) have been handed over, both of which are under offer. Having secured dual-use planning consents over certain parts of the building, we have now reclassified 9,500 sq. ft. of space from hospitality and leisure to offices.

	Hospitality and leisure £m	Retail £m	Offices £m	Residential £m	Total £m	% of total ERV
Scheme ERV at 30 Sept 2020	3.4	0.4	1.5	0.6	5.9	4.1%
Space completed	(0.2)	(0.3)	-	-	(0.5)	
Space to now be let as offices	(0.6)	-	0.6	-	-	
Change in ERV	-	(0.1)	0.2	0.1	0.2	
Scheme ERV at 30 Sept 2021	**2.6**	**-**	**2.3**	**0.7**	**5.6**	**4.2%**
Pre-let	2.6	-	-	-	2.6	2.0%
Available to let once completed	-	-	2.3	0.7	3.0	2.2%

The scheme will complete in phases from early next year, with final completion now anticipated in spring 2022. Capital expenditure during the year was £17.2 million and, at 30 September 2021, the remaining cost to complete this scheme is estimated at £7.9 million.

The hospitality and leisure space is pre-let to Equinox, an American fitness and lifestyle brand, with handover expected in the New Year and we already have interest in two thirds of the office accommodation. Once complete, we will market the fifteen new apartments for rent on a furnished basis.

Other schemes
At 30 September 2021, other schemes extended to 101,000 sq. ft. with an ERV of £6.2 million (4.7% of ERV), of which 6,000 sq. ft (ERV: £0.4 million) was under offer and 5,000 sq. ft. (ERV: £0.3 million) was let on a short-term basis pending commencement of works.

Schemes underway included 12,000 sq. ft. of hospitality space, 17,000 sq. ft. of retail space, 58,000 sq. ft. of office accommodation and 27 apartments. A number of these schemes will complete in the coming financial year, which will initially increase EPRA vacancy but will provide a useful contribution to income and earnings once let.

Public realm improvements

In Seven Dials, work with local stakeholders has brought about a long-term traffic reduction plan, following Camden Council's successful trial this year. To be implemented in early December 2021, this plan should reduce through traffic in the area by as much as 90%, significantly improving visitors' experience and air quality.

Whilst outdoor dining has not previously been a significant feature in Chinatown, the relaxation of pandemic restrictions earlier this year saw restaurants benefiting from short-term pandemic legislation allowing them to utilise the pavements of Chinatown's pedestrianised streets. This proved to be successful, adding additional covers and bringing a new dynamic to the vibrancy of this village. We are currently working on a long-term al fresco seating strategy to ensure Chinatown evolves as an attractive high quality outdoor dining environment.

In Carnaby, proposals to provide a new public space at the increasingly important eastern entrance to Carnaby from Broadwick Street are progressing, with a public consultation on the removal of traffic expected in early 2022. We are also working with urban design specialists on plans to animate and create a greener environment in Newburgh Quarter.

Longmartin asset management

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

To date, 84% of contracted rent for the year has been collected, 11% has been waived and 5% remains outstanding. The higher relative collection rate, compared with that for the wholly-owned portfolio, mainly reflects Longmartin's higher proportion of offices and larger international retailers.

During the year, lettings and rent reviews with a rental value of £1.7 million were concluded (2020: £1.6 million), including two newly created restaurants in St Martin's Courtyard.

At 30 September 2021, the ERV of Longmartin's vacant space was £0.7 million (2020: £1.1 million) and space with an ERV of £0.6 million was under refurbishment (2020: £0.1 million), which included 12,000 sq. ft. of office accommodation, shops extending to 6,000 sq. ft. and four apartments. Capital expenditure in the year was £0.5 million.

Acquisitions and disposals

We have long found that existing private owners are traditionally reluctant to sell, other than in periods of uncertainty or financial pressure, or if their personal circumstances change. This year, acquisition opportunities remained limited, especially during periods of lockdown, which discouraged existing owners from bringing properties to the market due to uncertainty regarding the duration of restrictions and difficulties for prospective purchasers to inspect buildings. Despite this, we have added to our existing ownership clusters, acquiring four buildings in Seven Dials, Coliseum and Soho for £13.2 million, including costs. The buildings offer medium-term asset management opportunities and comprise four shops, 4,200 sq. ft. of office accommodation and four apartments. We also contracted to buy a further building in Seven Dials for £7.5 million, net of acquisition costs, which completed in October 2021.

As the revival of the West End gathers pace, we are aware of buildings potentially becoming available in our areas. Whilst they are likely to have vacancy issues and require investment to improve their accommodation or combine with our existing holdings, they represent valuable opportunities to add to the long-term value of our established ownership clusters.

We continue discussions regarding the potential purchase of a leasehold interest in 90-104 Berwick Street, although there is no certainty a transaction will be concluded.

In April 2021, we completed the disposal of a non-core building in Soho for £5.3 million. Since 1 October 2021, we contracted to sell a building in Coliseum for £7.0 million, 13.8% above book value at 30 September 2021. Further disposals from a limited pool of buildings no longer core to our long-term strategy are currently being considered.

Wholly-owned portfolio valuation

At 30 September 2021, the portfolio was valued at £3.0 billion (2020: £3.1 billion). The like-for-like decrease over the year was 5.4%, comprising a decline of 10.1% in the first half, followed by an increase of 5.2% during the second half. Rental values have now largely stabilised and both rent collection and investment sentiment continue to recover. At 30 September 2021, the portfolio equivalent yield was 3.92% (30.9.2020: 3.95%; 31.3.2021: 4.1%).

After allowing for acquisitions, disposals, capital expenditure and changes in lease incentives and costs included in receivables, the revaluation deficit for the year was £196.9 million.

Six months ended 31 March 2021

The portfolio valuation at 31 March 2021 was carried out while the UK was in its third national lockdown and prior to the initial reopening of the West End economy in April and May. Against this backdrop, our portfolio was valued at £2.8 billion, following a like-for-like capital decline over six months of 10.1%, which brought the compound decline over 18 months to 26.6%, which had largely occurred since the beginning of the pandemic.

The decline in this six-month period was predominantly driven by:

- increased valuation yields for hospitality, retail and leisure, reflecting investor sentiment for these footfall reliant businesses, given prevailing uncertainties at the valuation date; and
- like-for-like decreases in ERVs across all uses, although predominantly in hospitality and leisure and retail. For retail, the decline was significantly higher in streets with larger shops and/or rental tones compared with that for our smaller shops, which proved to be more resilient. This bifurcation was driven by more shallow retail occupier demand for larger shops, where the total occupancy costs are higher, a trend which has been accelerated by the pandemic.

Six months ended 30 September 2021

The valuation at 30 September 2021 reflected improving market conditions, higher occupancy levels and a more certain outlook.

The 5.2% like-for-like increase was largely due to:

- the stabilisation of rental values;
- a tightening of valuation yields, particularly for hospitality, retail and leisure, reflecting a more positive outlook for operating conditions and occupier demand; and
- a reduction in the valuer’s estimate of the potential short-term loss of income from occupier rental support.

Valuation analysis at 30 September 2021

	Hospitality and leisure	**Retail**	**Offices**	**Residential**	**2021 Total**	2020 Total
Valuation (£m)	1,127	812	539	533	**3,011**	3,137
Annualised current income (£m)[1]	42.3	32.4	17.2	15.9	**107.8**	109.9
ERV (£m)	49.9	36.7	28.3	16.8	**131.7**	140.3
Topped up initial yield	4.0%	4.0%	3.1%	N/A	**3.5%**	3.1%
Equivalent yield	4.2%	4.2%	4.6%	2.2%	**3.9%**	3.9%
LfL valuation movement[2]						
- 6 months to 31 March 2021	(11.0)%	(18.2)%	(3.7)%	0.5%	**(10.1)%**	(7.9)%
- 6 months to 30 September 2021	5.6%	6.0%	4.3%	3.9%	**5.2%**	(11.3)%
- Year to 30 September 2021	**(6.0)%**	**(13.3)%**	**0.5%**	**4.4%**	**(5.4)%**	(18.3)%
LfL ERV change						
- 6 months to 31 March 2021	(5.6)%	(11.3)%	(1.7)%	(4.0)%	**(6.3)%**	(0.1)%
- 6 months to 30 September 2021	(0.1)%	(0.2)%	1.9%	(2.8)%	**(0.1)%**	(6.5)%
- Year to 30 September 2021	**(5.7)%**	**(11.5)%**	**0.2%**	**(6.8)%**	**(6.4)%**	(6.6)%

[1] Including estimated turnover-related income; excluding stepped rents and rent-free periods.
[2] Like-for-like, taking into account acquisitions, disposals, capital expenditure and adjusting for reclassifications between categories.

In previous years, we have presented the key valuation data by village. However, we now consider it is appropriate to report these metrics by occupier use, being consistent with how we report operational performance. The valuation table by village is included on page 52.

The valuation decline during the year predominantly related to retail and hospitality uses which, together, represent almost two-thirds of the portfolio value. Office values were stable over the year and residential values increased.

Hospitality and leisure
During the year, the valuation of hospitality and leisure space decreased on a like-for-like basis by 6.0%, driven by ERV decline of 5.7%, of which 5.6% was in the first half. Valuation yield expansion at 31 March 2021 had largely reversed by 30 September 2021.

Currently, the valuers have not recognised any potential value from turnover-related rental top-ups. As the recovery continues, the likelihood of generating income from these income streams increases and they may then be reinstated into the valuation.

Retail
The valuation of our retail accommodation declined, on a like-for-like basis, by 13.3% during the year, with some of the 18.2% decline reported at 31 March 2021 reversing in the second half. The decrease was largely due to the 11.3% decrease in ERVs in the six months to March 2021. Over the following six months, ERVs were broadly stable. Valuation yields compressed by around 25 basis points in the second half, having previously expanded by between 15 and 35 basis points at 31 March 2021.

Where there are turnover elements in retail leases, the valuers assess a prudent estimate of the cash flow these are likely to deliver.

Offices
Office yields remained broadly stable during the year, although the valuers increased their letting period assumptions. Having declined by 1.7% in the first half of the year, ERVs recovered, increasing by 1.9% over the six months to 30 September 2021.

Residential
Residential ERVs declined by 6.8% in the year, while surplus space to let in the West End was absorbed. With strong occupier demand, rents have now stabilised.

Having increased by 0.5% in the six months to 31 March 2021, our residential values increased by 3.9% in the second half, reflecting the improving residential investment market. The average capital value of our apartments is £1,405 per sq. ft. (2020: £1,335 per sq. ft.).

Rental support concessions
Starting in March 2020, the valuers have made deductions for their estimate of the short-term income impact of rental support likely to be granted to occupiers. At 30 September 2021, the majority of these deductions were removed, recognising improved footfall and trading, together with our strategy to now grant concessions only on an exceptional, case-by-case basis. At 30 September 2021, the valuation included provisions for rental support amounting to circa £10 million (2020: circa £57 million).

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

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

Valuation outlook

The combination of investor appetite for the best locations, available liquidity and affordable finance, yet scarce investment opportunities in the West End, will be important in supporting yields. The value of control over areas cannot be underestimated, bringing the ability to curate and drive growth over the long term which, together with an improving confidence in the trading outlook, will be important in the near-term valuation trend.

Whilst there is a flight to quality, near-term downside risks persist including the impact on occupiers of higher leverage post pandemic, increasing costs and supply chain disruption, as well the risk of further pandemic restrictions, increased finance rates and continued structural changes in shopping trends. A good trading period leading up to, and over, Christmas and New Year will be critical for our hospitality, retail and leisure businesses.

Annualised current income and ERV

Prior to the pandemic, over many years, our long-term village management strategy delivered sustained growth in both annualised current income and rental values; key drivers of long-term value creation. In our leasing activity, we aim to convert the portfolio's reversionary potential in to contracted income and cash flow, whilst establishing new rental tones, the benefit of which is often compounded across nearby holdings.

The pandemic has had a negative impact on rents. Current annualised income decreased as our vacancy grew and rents were reset. By March 2021, it had fallen to £104.9 million (2020: £109.9 million), more than 10% lower than the pre-pandemic level at 30 September 2019. With a high volume of leasing activity in the second half of the year, at 30 September, it had risen to £107.8 million, which will increase further on expiry of current rent-free periods, as contractual uplifts in rent fall due and as letting transactions in hand complete.

Estimated rental values have decreased by 12.6% during the pandemic, with footfall-reliant uses experiencing the largest falls compared with ERVs at 30 September 2019:

- Hospitality and leisure: -12.1%
- Retail: -20.8%
- Offices: -1.5%
- Residential: -9.0%

During the year, portfolio ERV decreased on a like-for-like basis by 6.4% to £131.7 million (2020: £140.3 million). of which 6.3% was recorded in the first half. At 30 September 2021, portfolio ERV was 22.2% ahead of annualised current income.

Components of the reversion

	Total £m
Annualised current income	107.8
Contracted income	11.1
EPRA vacancy	8.0
Asset management schemes	11.8
Over-rented leases	(7.0)
ERV	**131.7**

Typically, our portfolio has a long history of being under rented. However, following the decrease in ERVs over the past two years, our valuers estimate that our accommodation is currently over-rented, on average, by £7.0 million (30.9.20: £2.5 million; 31.3.21: £7.1 million).

Whilst the risk of further virus variants remains, currently, occupier demand is good and our vacancy is approaching pre-pandemic levels. Absent further pandemic disruption, the balance between demand for, and availability of, space in our villages should bring about a return of pricing tension..

Longmartin valuation

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

During the year, Longmartin's long leasehold property valuation decreased by 6.2% from £175.0 million to £164.5 million. As with the wholly-owned portfolio, the valuation performance in the second half was significantly better than in the first half.

The decline in the year was driven by an overall decrease in ERV of 6.9% from £8.8 million to £8.2 million, of which 6.3% was recorded in the first half of the year. At 30 September 2021, the equivalent yield was 4.0% (2020: 4.1%).

The majority of the valuation decrease was in retail, which declined by 24.8%. Hospitality and leisure increased by 4.9%, offices declined by 2.2% and residential values remained stable.

Valuation growth/(decline) by use

	% of portfolio	Six months ended 31 March 2021	Six months ended 30 September 2021	Year ended 30 September 2021
Hospitality and leisure	20%	(2.2)%	7.3%	**4.9%**
Retail	19%	(21.2)%	(4.6)%	**(24.8)%**
Offices	44%	(2.2)%	-	**(2.2)%**
Residential	17%	-	-	**-**
	100%	(6.4%)	0.2%	**(6.2)%**

After allowing for capital expenditure and changes in lease incentives and costs included in receivables, the revaluation deficit was £11.3 million.

Now valued at £31.5 million, Longmartin's retail space predominantly comprises large units on Long Acre, a street with large shops and relatively high overall rents. With occupier demand for such space continuing to be depressed, the street has a high level of both actual and shadow vacancy. Since 2017, Longmartin's retail valuation has declined by 65%. During the year, top retail rental tones have decreased by a further 22.2% to £350 per sq. ft. (30.9.20: £450; 31.3.21: £375), 51% below the peak in rental tones of £710 per sq. ft. in 2017. Retail yields are now in the range 4.0% to 4.75% (2020: 4.25% to 4.75%).

Hospitality and leisure increased by 7.3% over the second half of the year, compared with a 2.2% decline in the first half. This was largely due to a 5.8% increase in ERV over the six months to 30 September 2021, reflecting recent leasing activity, both by Longmartin and in the wider market.

Financial report

The year was dominated by pandemic disruption, with Government restrictions in place for over nine months, materially affecting our occupiers' businesses. Whilst we have seen a significant and sustained recovery in operations during the second half as restrictions were relaxed, macro conditions have inevitably had a material impact on our results for the year.

Presentation of financial information

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, earnings per share and NTA, 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.

Given the impact of the pandemic on the business over the past two financial years, we have included 2019 comparatives in the summaries of the Income Statement, Balance Sheet, liquidity and net debt below to provide users of the Annual Report with additional useful information.

Financial support provided to occupiers

Financial support provided to occupiers during the pandemic has been largely in the form of waivers of rent. In some cases, there were associated lease modifications e.g. break options removed or terms extended.

The cost of these arrangements is spread over the remaining or revised lease term. The resulting deferred cost balance is assessed for impairment, and the net 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 within net property income and an equal credit to revaluation gains or losses.

The straight lining of rental support provided results in income being recognised in excess of cash received in the year. As a result, currently, EPRA earnings are higher than the related cash flows, but this will reverse in future years as this accrued income unwinds through amortisation although the differential will also be impacted by changes in related impairment provisions. We have introduced a new APM this year, Covid-adjusted EPRA earnings, which considers EPRA earnings "as if" the cost of waivers had been recognised immediately in the Income Statement rather than spread. This only applies to waivers where there were no associated lease modifications. Whilst this is not in accordance with IFRS, we consider that it provides useful supplementary information for investors, lenders and the equity research community to assess earnings on a normalised basis, as well as under IFRS. As noted on page 26, this APM will be one measure the Board will use in considering dividends in future years.

Charges for expected credit losses and impairments

The financial statements include significant charges for expected credit losses in respect of trade receivables and impairments of lease incentives and deferred letting costs. In assessing the provisions in respect of these items, we consider a number of factors including financial challenges being experienced by tenants which reduce their ability to pay back arrears and increase the risk of tenant default. With trading conditions improving in the second half of the year, the risk of tenant default has lessened, which has led to reduced impairment provisions against lease incentive and deferred letting cost balances. Whilst our occupiers' trading has improved, the prospect of recovering material amounts of arrears that built up during periods of Government restrictions still remains uncertain, which is reflected in our provisions for expected credit losses.

Summary income statement

	2021 **£m**	2020 £m	2019 £m
Rental income[1]	**105.0**	114.4	117.3
Charges for expected credit losses and impairments	**(17.7)**	(21.9)	-
Property costs[1]	**(22.6)**	(18.2)	(19.3)
Net property income	**64.7**	74.3	98.0
Administrative expenses	**(21.6)**	(14.4)	(15.2)
Valuation deficits and disposal profits	**(196.8)**	(698.2)	(12.5)
Operating (loss)/profit	**(153.7)**	(638.3)	70.3
Net finance costs	**(30.2)**	(31.8)	(30.5)
Share of Longmartin post-tax loss	**(11.0)**	(29.4)	(13.8)
(Loss)/profit before tax	**(194.9)**	(699.5)	26.0
Tax	**-**	-	-
Reported (loss)/profit for the year	**(194.9)**	(699.5)	26.0
Basic (loss)/earnings per share[3]	**(52.0)p**	(222.7)p	8.3p
EPRA earnings[2]	**13.3**	29.4	54.6
EPRA earnings per share[2,3]	**3.5p**	9.4p	17.4p

1. Net of recoverable service charge costs.
2. Alternative performance measure.
3. 2019 and 2020 adjusted for the bonus element inherent in the equity raise in November 2020

Loss after tax for the year was £194.9 million, £504.6 million lower than last year (2020: £699.5 million) and basic loss per share was 52.0p (2020: 222.7p). The decrease in loss after tax was largely due to the £501.4 million reduction in valuation deficits, net of disposal profits, to £196.8 million (2020: £698.2 million).

The other main movements against last year were:

- a reduction in rental income, resulting from occupier pandemic support and higher vacancy levels throughout the year;
- an increase in property costs, particularly non-recoverable and vacancy-related expenses;
- higher charges for expected credit losses, reflecting the challenging conditions being experienced by our occupiers in the year; and
- increased administrative expenses, largely due to increased employee costs, including higher headcount, provisions for National Insurance, increased charges for variable and equity-settled remuneration, together with higher insurance costs and professional fees.

These factors were partly offset by:

- lower impairment charges, reflecting reduced tenant default risk; and
- a reduction in our share of losses in the Longmartin joint venture, following a decrease in its revaluation deficit.

EPRA earnings

EPRA earnings is 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.

EPRA earnings amounted to £13.3 million, £16.1 million lower than last year (2020: £29.4 million). EPRA earnings per share amounted to 3.5p (2020: 9.4p) and take into account the greater number of shares in issue, following our equity raise in November 2020. The comparatives have been adjusted for the bonus element inherent in the equity raise in November 2020.

EPRA earnings[1]	**£m**	**£m**
2020		29.4
Movements:		
Rental income	(9.4)	
Expected credit losses and impairment charges	4.2	
Property costs	(4.4)	
Net property income		(9.6)
Administrative costs	(7.2)	
Net finance costs	1.6	
Longmartin	(0.9)	
Total movement		(6.5)
2021		**13.3**

1. Alternative performance measure.

Covid-adjusted EPRA earnings[1]

	2021 **£m**	2020 £m	2019 £m
EPRA earnings	**13.3**	29.4	54.6
Less: income recognised during waivers	**(22.4)**	(11.5)	-
Movements in associated impairment provisions and write-offs	**1.7**	8.2	-
Covid-adjusted EPRA earnings	**(7.4)**	(26.1)	54.6
Covid-adjusted EPRA earnings per share	**(2.0)p**	8.3p	17.4p

1. Alternative performance measure.

At 30 September 2021, the balance of accrued income in respect of waivers was £26.5 million, and the associated impairment provisions, amounted to £2.5 million. The net balance will amortise through the Income Statement over a number of years, in line with the related unexpired lease terms. We make estimates when assessing the level of provisions and, these estimates could change in future years which would change the amount charged to the Income Statement. These estimates are set out in note 3 to the financial statements.

Net property income

Compared with last year, rental income has reduced by £9.4 million to £105.0 million (2020: £114.4 million). The decrease predominantly reflects higher vacancy levels and rental support granted to occupiers during the year. This was particularly evident in the first half of the year, a period dominated by pandemic restrictions, including over four months of lockdown. Rental income during this period was £48.9 million, 18% lower than pre-pandemic levels.

Whilst not yet back at pre-pandemic levels, during the second half of the year, rental income increased by 10.4% to £56.1 million as restrictions were gradually lifted, vacant space was let, footfall and trading recovered and our rental support started to taper.

Rental income	**2021** **£m**	2020 £m	2019 £m
6 months ended 31 March	**48.9**	59.9	58.6
6 months ended 30 September	**56.1**	54.5	58.7
	105.0	114.4	117.3

On a like-for-like basis, excluding the impact of acquisitions and disposals, the decrease in rental income over the year was 8.5%.

Service charge income reduced by £2.4 million to £7.7 million (2020: £10.1 million), reflecting increased vacancy through the year. Together with the decrease in rental income, revenue decreased by 9.5% to £112.7 million (2020: £124.5 million).

Despite improving cash collections over the second half of the year, charges for expected credit losses against tenant receivables increased by £3.4 million to £16.4 million (2020: £13.0 million).

This reflects rent arrears written off during the year, together with our assessment of the likelihood of collection of remaining arrears, particularly those in respect of our hospitality, retail and leisure occupiers which accrued prior to the full relaxation of pandemic restrictions in July 2021.

Impairment charges in respect of lease incentive and deferred letting cost balances decreased by £7.6 million to £1.3 million (2020: £8.9 million), following a reduction in our impairment provision reflecting the reduced likelihood of tenant default, given the improvement in trading conditions in the second half.

Property charges, excluding recoverable service charge costs, increased by £4.4 million to £22.6 million (2020: £18.2 million). This was largely due to:

- significantly reduced occupancy during the year, which resulted in increased vacancy-related costs, including business rates and lower service charge recoveries.
- increased letting costs following the high volume of leasing transactions, particularly in the second half.
- additional non-recoverable costs as a result of increased pandemic-related activity across our villages, including arranging additional external seating capacity, security and cleaning.

The risk of further pandemic restrictions is still with us. However, assuming a continued recovery, the benefit of lettings and the consequential improvement in occupancy during the second half will be an important factor in growth in rental income and reduced costs in the coming year.

After irrecoverable costs and charges for expected credit losses and impairments, net property income for the year was £64.7 million, £9.6 million below last year (2020: £74.3 million).

Administrative expenses

	2021 **£m**	2020 £m	2019 £m
Total employee costs	**14.7**	8.2	10.0
Other administrative expenses	**6.9**	6.2	5.2
Total administrative expenses	**21.6**	14.4	15.2

The increase in administrative expenses over the year, totalling £7.2 million, of which £6.5 million related to total employee costs, largely reflecting:

- additional headcount, an important investment in the future, strengthening the depth of talent in our team, including specialist expertise. Together with the 2020 annual pay review, and taking into account the directors waiving 20% of salary, pension contributions and fees for four months last year, this increased costs by £1.4 million over the year;
- an additional provision for National Insurance on equity-settled remuneration of £0.9 million, as a result of the increase in our share price this year, compared with a credit following the share price decrease in 2020;
- increased charges for equity-settled remuneration of £0.7 million; and
- an increase in the charge for annual bonuses, including National Insurance, of £3.1 million. The charge in 2020 was significantly reduced with the directors not being awarded a bonus and employees receiving a modest award.

The increase in other administrative costs was mainly due to higher insurance costs and professional fees, partly offset by a release of accruals for irrecoverable VAT and savings made on IT.

Valuation deficit and disposal profits

Our portfolio's revaluation deficit was £196.9 million (2020: £698.5 million). This represented a like-for-like valuation decrease of 5.4%, comprising a 10.1% decrease in the first half of the year and a 5.2% increase in the second half. The deficit takes into account the increase in lease incentive balances during the year amounting to £24.5 million.

We sold one building during the year, realising a profit on disposal, after sales costs, of £0.1 million.

Net finance costs

Net finance costs decreased by £1.6 million to £30.2 million (2020: £31.8 million) and included interest income of £0.7 million (2020: £0.7 million). Savings in bank interest and charges of £1.8 million, following the refinancing in November, were partly offset by an accelerated write-off of unamortised loan issue costs amounting to £0.2 million.

Share of Longmartin post-tax loss

Our share of Longmartin's post-tax losses decreased by £18.4 million to £11.0 million (2020: £29.4 million) and included a revaluation deficit, our share of which was £11.3 million (2020: £35.8 million). Excluding these revaluation losses and deferred tax movements, our share of EPRA earnings from Longmartin decreased by £0.9 million to £0.4 million (2020: £1.3 million) largely due to reduced rental income and increased charges for expected credit losses.

Our share of the deferred tax charge in Longmartin was £0.1 million (2020: credit £5.1 million), and comprised a charge resulting from the increase in the rate of corporation tax from 19% to 25% from April 2023, following the UK Finance Act 2021. offset by a credit in respect of the property revaluation deficit in the year.

Tax

The Group's tax strategy is to account for tax on an accurate and timely basis. Our appetite for tax risk is low and we structure our affairs based on sound commercial principles, rather than engaging in aggressive tax planning. We maintain an open dialogue with HMRC with a view to identifying and solving issues promptly. In 2019, HMRC confirmed our status as a 'low risk' taxpayer. Our tax strategy is available on our website.

As a REIT, the Group's activities are largely exempt from corporation tax and, as a result, there is no tax charge in the year (2020: £nil). We continue to meet the requirements in the REIT regulations.

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 £2.6 million (2020: £13.3 million). The decrease was largely the result of net VAT refunds this year, reflecting lower rental cash collections, compared with VAT payments in the previous year. In addition, our share of taxes, including corporation tax, levied on, or collected by, Longmartin was £1.2 million (2020: £1.0 million).

Dividends

As a REIT, we are required to distribute a minimum of 90% of rental profits, calculated by reference to tax rather than accounting rules, as a PID. Notwithstanding this, our policy is to maintain progressive growth in dividends, reflecting the long-term trend in our income and EPRA earnings. To the extent that dividends for a year exceed the amount available to distribute as a PID, we pay the balance as ordinary dividends.

During the year an interim dividend of 2.4p per share was declared, to fulfil the Group's PID requirements for the year ended 30 September 2020. The distribution, totalling £9.3 million, was paid in July 2021.

The Board has recommended a final dividend of 4.0p per share (2020: nil). If approved at the 2022 AGM, the dividend will be paid on 11 February 2022, with 2.75p as a PID and 1.25p as an ordinary dividend. Totalling £15.4 million, the final dividend is 11.1% higher than EPRA earnings per share, reflecting the sustained revival of the West End and our operations, much improved prospects for the return to normal conditions and our strong financial position. As noted on page 22, in future years, EPRA earnings will likely be lower than the related cash flows, as the cost of rent waivers unwinds. Consequently, from next year, we will use Covid-adjusted EPRA earnings as one measure in determining the level of dividends.

Balance Sheet

	2021 **£m**	2020 £m	2019 £m
Investment properties	**2,964.1**	3,115.5	3,765.9
Investment in joint venture	**85.8**	96.8	127.6
Net debt	**(748.5)**	(987.0)	(905.8)
Other net assets	**71.3**	55.3	19.5
Net assets	**2,372.7**	2,280.6	3,007.2
EPRA NTA per share[1,2]	**£6.19**	£7.28	£9.61
Total Accounting Return[1,2]	**(14.6)%**	(23.3)%	0.8%

1. Alternative performance measure.
2. 2019 and 2020 adjusted for the bonus element inherent in the equity raise in November 2020

The increase in net assets of £92.1 million during the year was largely due to the net proceeds of the equity issue in November 2020, amounting to £294.4 million, partly offset by the loss after tax of £194.9 million and the interim dividend.

EPRA NTA

EPRA NTA makes adjustments to reported net assets 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. The comparatives for 2019 and 2020 have been adjusted for the bonus element inherent in the equity issue in November 2020.

During the year, EPRA NTA per share decreased by 15.0% to £6.19 (2020: £7.28) principally due to the impact of the equity raise in November 2020 and the revaluation deficits in the wholly-owned portfolio and Longmartin:

EPRA NTA[1]		**Pence per share**
2020 (as previously reported)		743
Adjustment for bonus element inherent in the equity raise		(15)
2020 (as adjusted)		728
Equity issue impact		(56)
Revaluation movements		
- Six months ended 31 March 2021	(89)	
- Six months ended 30 September 2021	35	
		(54)
EPRA earnings less interim dividend		1
2021		**619**

1. Alternative performance measure.

Total accounting return measures shareholder value creation, taking into account the movement in EPRA NTA together with dividends paid. This year, TAR was -14.6%, reflecting the reduction in EPRA NTA, partly offset by the interim dividend of 2.4p per share.

Financing

Having maintained our financial resilience through an equity raise in November 2020, we have weathered the pandemic storm, so far, and have the financial capacity to deal with further disruption. However, assuming the recovery is sustained, we are now well positioned to return to long-term growth and take advantage of portfolio investment opportunities.

Equity issue and associated refinancing

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 November 2020, we issued 76.75 million shares, representing approximately 25% of our issued share capital, at £4 per share. This reduced our leverage and both refinancing and asset-related covenant risks, and provided working capital to fund forecast operating losses and capital expenditure until macro and local conditions recovered. After issue costs, the net proceeds were £294.4 million.

Following completion of the equity issue, we cancelled our £125 million revolving credit facility (RCF) which was undrawn and had a contractual maturity in May 2022. In doing so, we removed a near-term refinancing risk in this period of uncertainty and released £252 million of charged properties to top up our pool of uncharged assets, reducing loan-to-value risk across our other debt arrangements. The cancellation removed the facility's annual commitment cost of £0.8 million.

We used £100 million of the proceeds to repay drawings against our remaining RCF (£100 million, maturity February 2023), 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.

Related party transactions are disclosed in note 22 to the financial statements.

Liquidity

At 30 September 2021, available liquidity was £311.3 million (2020: £197.8 million) comprising £211.3 million of cash and our undrawn RCF (£100 million). Capital commitments to be funded from these resources totalled £18.8 million.

	2021 **£m**	Pro-forma[1] 2020 £m	2020 £m	2019 £m
Cash	**211.3**	267.2	72.8	54.0
Undrawn floating rate RCF	**100.0**	100.0	125.0	225.0
Available resources	**311.3**	367.2	197.8	279.0
Commitments	**(18.8)**	(31.0)	(31.0)	(82.4)
Pro-forma available resources	**292.5**	336.2	166.8	196.6

1. 30 September 2020 position, pro-forma for the net proceeds of the equity issue in November 2020, termination of our £125 million revolving credit facility and repayment of drawings under the £100 million revolving credit facility.

Net debt and cash flows

Movement in net debt	**£m**
2020	987.0
Operating cash inflow	(8.9)
Net portfolio investment	48.8
Interest cover covenant waiver deposits	5.1
Net proceeds from share issue	(294.4)
Interim dividend	9.3
Other	1.6
2021	**748.5**

Following the repayment of drawings under our RCF, gross debt decreased by £100.0 million to £959.8 million during the year (2020: £1,059.8 million). Net debt decreased by £238.5 million to £748.5 million (2020: £987.0 million) largely due to:

- net proceeds from the equity issue, totalling £294.4 million.
- net cash inflow from operating activities, before net interest payments, of £38.3 million, £4.8 million higher over the year (2020: £33.5 million). The year-on-year increase reflected a combination of the impact on working capital of the change from invoicing occupiers quarterly in advance, to monthly in advance from 1 October 2020, which altered the timing of cash receipts, and cash collections against 2020 trade debtors, including through drawings against rent deposits. These factors were partly offset by the pandemic impact on our income and property costs this year.
- net interest paid of £29.4 million, down £1.6 million over the year (2020: £31.0 million) due to the refinancing in November 2020.
- portfolio investment of £48.8 million (2020: £44.2 million), comprising capital expenditure of £34.9 million, and £19.1 million in respect of acquisitions, net of the return of a deposit in respect of the potential acquisition of 90-104 Berwick Street and £5.2 million of disposal proceeds.

Further deposits were made in respect of interest cover covenant waivers during the year. The net cash outflow of £5.1 million is a combination of new deposits made totalling £5.4 million and the return of a deposit, amounting to £0.3 million, following the cancellation of a revolving credit facility.

Financial position

Following the equity issue, our loan-to-value ratio reduced on a proforma basis from 31.5% to 22.1%. By 30 September 2021, it had increased to 24.9% largely due to the portfolio valuation decline in the year.

At 30 September 2021, the weighted average maturity of debt facilities was 8.0 years with the earliest maturity being our £100 million RCF in February 2023. We plan to refinance this facility in the coming year. The blended cost of debt was 3.1% (2020: 2.9%) and the marginal cost of drawing on our RCF was 1.1% (2020: average marginal cost of both RCFs then in place: 0.7%).

In September 2021, we replaced LIBOR with SONIA as the pricing benchmark in our RCF ahead of its discontinuance at the end of 2021.

Debt summary[1]

		Pro-forma[2]		
	2021	2020	2020	2019
	£m	£m	£m	£m
Debt[3]	**959.8**	959.8	1,059.8	959.8
Cash	**(211.3)**	(267.2)	(72.8)	(54.0)
Net debt	**748.5**	692.6	987.0	905.8
Loan-to-value[4,5]	**24.9%**	22.1%	31.5%	23.9%
Gearing[4,5,7]	**31.4%**	26.8%	43.1%	30.0%
Interest cover[4,6]	**1.4x**	N/A	1.9x	2.7x
% drawn debt fixed	**100%**	100%	91%	100%
Blended cost of debt[4,8]	**3.1%**	3.1%	2.9%	3.2%
Marginal cost of undrawn RCF	**1.1%**	1.0%	0.7%	1.6%
Weighted average maturity of debt (years)	**8.0**	9.0	8.3	9.3
Sources of finance (fully drawn basis)				
Bonds	**54%**	54%	49%	49%
Term loans	**36%**	36%	32%	32%
Revolving credit facilities	**10%**	10%	19%	19%

1. Data excludes our 50% share of Longmartin's non-recourse debt.
2. 30 September 2020 Proforma for the net proceeds of the equity issue in November 2020, termination of our £125 million revolving credit facility and repayment of drawings under the £100 million revolving credit facility.
3. Excludes loan issue costs
4. Alternative performance measure.
5. Based on net debt.
6. Ratio of operating profit before investment property disposals and valuation movements to net finance costs.
7. Based on EPRA net assets.
8. Including non-utilisation fees on undrawn bank facilities.

Debt maturity profile

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

1. Undrawn at 30 September 2021

Debt covenants
The financial covenants in our debt arrangements are summarised on page 53.

Interest cover covenant waivers are in place at 30 September 2021 as follows:

Facility	Facility amount	ICR waiver	Notes
RCF	£100m	October 2021	1
Term loan	£134.8m	January 2022	2
Term loan	£250m	January 2022	2

1. This waiver has now expired. In the event that we require further waivers which either are not granted, or are subject to restrictions we find unacceptable, our liquidity position would allow us to part cancel or terminate the facility ahead of its contractual maturity.
2. 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.

At 30 September 2021, amounts held on deposit in respect of these waivers amounted to £13.8 million (2020: £8.7 million), which will be repaid to the Group once the waivers have ceased and we are compliant with the covenants in the respective agreements.

At the latest testing dates, we were compliant with the ICR covenants across all our finance facilities, including our bonds.

We have complied with our LTV covenants throughout the year. Our individual debt arrangements have specifically charged assets as security and we have a pool of unsecured properties. Through charging these unsecured properties, we estimate we could withstand a 39% decrease in valuations before reaching the limit of our loan-to-value covenants. If we were to cancel our RCF and release its assets to be charged against other loans, this tolerance would increase to 46%.

We have assessed ICR and LTV covenant compliance as part of our going concern analysis. In our severe but plausible scenario, we anticipate that we will continue to meet these covenants, either absolutely or through use of cash cure remedies, for the going concern period (see pages 35 and 36).

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 2021, Longmartin's net debt was £57.5 million, representing a loan-to-value ratio of 34.9%, up from 33.1% at 30 September 2020, largely due to the property valuation decrease in the year.

Longmartin has complied with the LTV covenant in its term loan agreement throughout the year and remains compliant since.

Longmartin has agreed an interest cover covenant waiver to January 2022 and the lender has confirmed that after the maturity of this waiver, it will not test the covenant until April 2022. If it were tested now, it would be compliant.

The lender holds £2.7 million on deposit in respect of this waiver, which is refundable once the waiver has ended and Longmartin is compliant with its covenants. The loan is non recourse to Shaftesbury.

Group statement of comprehensive income

For the year ended 30 September 2021

	Notes	**2021** **£m**	2020 £m
Revenue		**112.7**	124.5
Expected credit losses		**(16.4)**	(13.0)
Impairment charges		**(1.3)**	(8.9)
Property charges		**(30.3)**	(28.3)
Net property income	5	**64.7**	74.3
Administrative expenses	6	**(21.6)**	(14.4)
Operating profit before investment property disposals and valuation movements		**43.1**	59.9
Profit on disposal of investment properties	7	**0.1**	0.3
Net revaluation deficit on investment properties	10	**(196.9)**	(698.5)
Operating loss		**(153.7)**	(638.3)
Finance income		**0.7**	0.7
Finance costs	8	**(30.9)**	(32.5)
Share of post-tax loss from joint venture	12	**(11.0)**	(29.4)
Loss before tax		**(194.9)**	(699.5)
Tax charge for the year	9	**-**	-
Loss and total comprehensive loss for the year		**(194.9)**	(699.5)
Loss per share:			
Basic and diluted[1]	21	**(52.0)p**	(222.7)p

[1] The 2020 comparative per share data has been restated following the equity raise in November 2020 to adjust for the inherent bonus element. See note 21 for further information.

Group balance sheet

As at 30 September 2021

	Notes	**2021** **£m**	2020 £m
Non-current assets			
Investment properties	10	**2,964.1**	3,115.5
Accrued income	11	**34.1**	16.3
Investment in joint venture	12	**85.8**	96.8
Property, plant and equipment		**1.0**	1.2
Trade and other receivables	13	**15.9**	3.7
		3,100.9	3,233.5
Current assets			
Trade and other receivables	13	**44.4**	45.0
Cash and cash equivalents	14	**211.3**	72.8
Total assets		**3,356.6**	3,351.3
Current liabilities			
Trade and other payables	15	**31.6**	19.7
Non-current liabilities			
Borrowings	16	**952.3**	1,051.0
Total liabilities		**983.9**	1,070.7
Net assets		**2,372.7**	2,280.6
Equity			
Share capital	18	**96.1**	76.9
Share premium		**653.8**	378.6
Share-based payments reserve		**2.4**	1.3
Retained earnings		**1,620.4**	1,823.8
Total equity		**2,372.7**	2,280.6

Group cash flow statement

For the year ended 30 September 2021

	Notes	**2021** **£m**	2020 £m
Operating activities			
Cash generated from operating activities	20	**38.3**	33.5
Interest received		**0.2**	0.4
Interest paid		**(29.6)**	(31.4)
Net cash from operating activities		**8.9**	2.5
Investing activities			
Investment property acquisitions		**(19.1)**	(13.3)
Investment property disposals	7	**5.2**	0.3
Capital expenditure on investment properties		**(34.9)**	(31.2)
Purchase of property, plant and equipment		**(0.1)**	(0.1)
Increase in cash held in restricted accounts	14	**(5.4)**	(8.7)
Decrease in cash held in restricted accounts	14	**0.3**	1.4
Increase in loans to joint venture		**(1.5)**	(4.3)
Net cash used in investing activities		**(55.5)**	(55.9)
Financing activities			
Proceeds from share issue	18	**307.0**	-
Share issue costs	18	**(12.6)**	-
Proceeds from borrowings	16	**-**	150.0
Repayment of borrowings	16	**(100.0)**	(50.0)
Equity dividends paid	19	**(9.3)**	(27.8)
Net cash from financing activities		**185.1**	72.2
Net change in cash and cash equivalents		**138.5**	18.8
Cash and cash equivalents at the beginning of the year	14	**72.8**	54.0
Cash and cash equivalents at the end of the year	14	**211.3**	72.8

Group statement of changes in equity

For the year ended 30 September 2021

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
Group						
At 1 October 2020		**76.9**	**378.6**	**1.3**	**1,823.8**	**2,280.6**
Loss and total comprehensive loss for the year		**-**	**-**	**-**	**(194.9)**	**(194.9)**
Dividends paid	19	**-**	**-**	**-**	**(9.3)**	**(9.3)**
Share-based payments		**-**	**-**	**1.9**	**-**	**1.9**
Release on exercise of share options		**-**	**-**	**(0.8)**	**0.8**	**-**
Share issue	18	**19.2**	**275.2**	**-**	**-**	**294.4**
At 30 September 2021		**96.1**	**653.8**	**2.4**	**1,620.4**	**2,372.7**
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

Notes to the financial statements

For the year ended 30 September 2021

1. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 30 September 2021 included in this preliminary announcement are extracted from the audited financial statements for the year ended 30 September 2021, which were approved by the directors on 29 November 2021. 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 2021 Annual Report is expected to be posted to shareholders and available on the Group's website in December 2021. It will be considered at the Annual General Meeting to be held on 4 February 2022. The financial statements for the year ended 30 September 2021 have not yet been delivered to the Registrar of Companies.

The auditor's report on the financial statements for the year ended 30 September 2020 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 2020 have been delivered to the Registrar of Companies.

Going concern

The significant uncertainties resulting from the impact of the Covid-19 pandemic on the economic environment in which the Group operates have improved in recent months, following the success of the vaccine programme and the recovery in footfall and occupier confidence in the markets in which the Group operates.

Nevertheless, in light of remaining uncertainty, the Board has 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 2021.

The Group's going concern assessment covers the period from the date of authorisation of these consolidated financial statements to 31 December 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 forecasts of the Group's available liquidity, committed expenditure, likely ongoing levels of costs, cash flows, income, debt covenants and other performance measures in a severe-but-plausible downside scenario. This scenario envisages, in the immediate future, a resurgence of the virus and a reimposition of Covid restrictions of a scale, duration and effect consistent with those imposed in winter 2020/21. The pandemic is one among many possible triggers for the Group's principal risks. However, by focusing on a resurgence of the virus, management have modelled the simultaneous confluence of the impacts of these risks in a single plausible near-term scenario.

The most severe impacts of this severe-but-plausible downside scenario are assumed to occur within the going concern period, including rent collection falling to c.40% in Q2 FY 2022, total vacancy reaching a peak of c.23% in Q3 FY 2022 as well as an immediate increase in property costs.

Under this severe-but-plausible downside scenario, the Group anticipates that within and immediately following the going concern period, the interest cover covenants on its term loans would be breached. The interest cover covenants on its other loans would come under pressure but are not expected to be breached. Throughout the going concern period and the anticipated subsequent breaches, for all affected term loans, the Group can make up income shortfalls using cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties. The number of occasions on which cash cure rights may be used is limited but the directors expect to have sufficient use-rights to extend through the going concern period. The Group has sufficient reserves of liquidity and uncharged assets to meet either eventuality.

The near-term impact of climate change risks within the going concern period is expected to be very limited. Interruptions to trade from severe weather events are possible but would be consistent with impacts considered in the severe-but-plausible downside scenario. Our forecasts assume an increase in capital expenditure to enable us to meet our net zero carbon targets and evolving minimum energy efficiency standards.

At 30 September 2021, the Group's loan-to-value ratio was 24.9%.

It is the Group's expectation that it will remain in compliance with the loan-to-value covenants on its individual debt arrangements even under the severe-but-plausible downside scenario.

However, were these covenants to come under pressure they can be managed through the addition of security from the Group's pool of unsecured assets.

Through charging these unsecured properties, the Group estimates that it could withstand a 39% decrease in valuations before reaching the limit of its loan-to-value covenants. If it were to cancel the undrawn revolving credit facility and release its assets to be charged against other loans, this tolerance would increase to 46%. The Board considers the likelihood of a decline of this magnitude to be remote in view of the prime nature of the assets in the portfolio and the 22.7% decline already experienced in the two years ended 30 September 2021, which has largely been a result of the pandemic.

The undrawn revolving credit facility expires in February 2023, but the Group does not expect to rely on it for liquidity at any time. There are no other debt maturities until 2027.

Whilst the severe-but-plausible downside scenario would present significant challenges over the going concern period, the directors' assessment is that, in view of the Group's cash reserves, its expected covenant compliance and cure rights, and the reverse stress testing set out above, they can have 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 2020, and did not have a significant impact on the financial statements:

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

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, IFRS 7, IFRS 4 and IFRS 16 (amendments) - Interest rate benchmark reform (Phase 2)
- IAS 1 (amendment) - Classification of liabilities as current or non-current

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.

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

Significant areas of estimation uncertainty
The key estimates made in the current year financial statements are the valuation of investment property and the provision for expected credit losses for trade receivables, impairment of lease incentives and deferred letting costs. This is consistent with the prior year.

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 on page 52 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.

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

In preparing the financial statements, estimates are made in assessing expected credit losses in respect of trade receivables, lease incentives and deferred letting costs. 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 arrears, and, with respect to lease incentives and deferred letting costs, 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 (hospitality and leisure, retail, office and residential).

The Group assesses the likely recovery of trade receivables for potential provisions, which are estimated using a forward-looking expected credit loss model for each receivable from an occupier. In determining the provision, the Group considers both recent payment history and future expectations of 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 £16.4 million (2020: £13.0 million) were charged to the Income Statement in the year.

The gross trade receivables balance subject to estimation uncertainty is £20.8 million. An increase of 5% to the provision percentage applied will increase the provision by £0.9 million. A decrease of 5% to the provision percentage applied will decrease the provision by £1.1 million.

Accrued income from lease incentives and deferred letting costs are subject to impairment review at each year 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 option or expiry. With trading conditions improving in the second half of the year, the risk of tenant default has lessened, which has led to reduced impairment provisions against lease incentive and deferred letting cost balances. Whilst occupiers' trading has improved, the prospect of recovering material amounts of arrears that built up during periods of Government restrictions still remains uncertain, which is reflected in the Group's provisions for expected credit losses.

The gross accrued income balance from lease incentives which is subject to estimation uncertainty is £46.5 million. An increase of 5% to the provision percentage applied will increase the provision by £1.9 million. A decrease of 5% to the provision percentage applied will decrease the provision by £1.3 million.

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different tenants with no single debtor representing more than 2% of the total balance due (2020: 3%). However, the Group's debtors include counterparties in sectors that have increased exposure to Government-imposed Covid-19 lockdown restrictions, which may increase the risk of non-payment.

See note 5 for further information on expected credit losses and impairment charges.

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 51 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 hospitality, leisure and retail on the lower floors and offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no segmental financial information is presented.

5. Net property income

	2021 **£m**	2020 £m
Rental income (excluding lease incentives)	**82.0**	102.5
Adjustment for lease incentives	**23.0**	11.9
Rental income	**105.0**	114.4
Service charge income	**7.7**	10.1
Revenue	**112.7**	124.5
Expected credit losses	**(16.4)**	(13.0)
Impairment charges	**(1.3)**	(8.9)
	95.0	102.6
Service charge expenses	**(7.7)**	(10.1)
Other property charges	**(22.6)**	(18.2)
Property charges	**(30.3)**	(28.3)
	64.7	74.3

Impairment charges of £1.3 million (2020: £8.9 million) include £1.7 million (2020: £8.2 million) for tenant lease incentive balances and a £0.4 million credit (2020: £0.7 million charge) for deferred letting cost balances.

6. Administrative expenses

	2021 **£m**	2020 £m
Employee costs	**14.7**	8.2
Depreciation	**0.3**	0.3
Other head office costs	**6.7**	6.0
	21.7	14.5
Less: administrative fees received from the joint venture	**(0.1)**	(0.1)
	21.6	14.4

Employee costs (including the directors)	**2021** **£m**	2020 £m
Wages and salaries	**10.5**	6.3
Social security costs	**1.7**	0.3
Other pension costs	**0.5**	0.3
Equity-settled remuneration	**2.0**	1.3
	14.7	8.2

Included within equity-settled remuneration is a charge of £1.4 million (2020: £1.0 million) for the LTIP and SAYE schemes.

7. Profit on disposal of investment properties

	2021 £m	2020 £m
Net sale proceeds	**5.2**	**0.3**
Book value at date of sale	**(5.1)**	**-**
	0.1	**0.3**

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

8. Finance costs

	2021 £m	2020 £m
Mortgage bond interest	**13.9**	13.9
Bank and other interest	**15.7**	17.4
Issue cost amortisation	**1.3**	1.2
	30.9	32.5

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

	2021 £m	2020 £m
At 1 October	**3,115.5**	3,765.9
Acquisitions	**13.2**	13.3
Disposals	**(5.1)**	-
Refurbishment and other capital expenditure	**37.4**	34.8
Net revaluation deficit on investment properties	**(196.9)**	(698.5)
Book value at 30 September	**2,964.1**	3,115.5
Fair value at 30 September:		
Properties valued by Cushman & Wakefield	**3,010.5**	3,137.4
Lease incentives and costs included in receivables	**(46.4)**	(21.9)
Book value at 30 September	**2,964.1**	3,115.5

The investment properties valuation comprises:

	2021 £m	2020 £m
Freehold properties	**2,805.7**	2,929.0
Leasehold properties	**204.8**	208.4
	3,010.5	3,137.4

Investment properties were valued at 30 September 2021 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. These assumptions include, but are not limited to, market yields, ERVs, void periods, and currently, the short-term impact of rent concessions. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out on page 52. Equivalent yields are based on current market prices, depending on, inter alia, the location, condition and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and local occupancy levels. Whilst there is market evidence for the key inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable.

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year (2020: 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. Non-valuation fees, including letting and other advice provided to the Group, represented 47% of total fees for the valuation of the Group's investment properties. Cushman & Wakefield confirmed that the total fees paid by the Group represented less than 5% of its total revenues in the current year.

Sensitivity analysis

As noted in the significant judgements, assumptions and key estimates section in note 3, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The sensitivity analysis below illustrates the impact on the fair value of the Group's properties, from changes in the key assumptions.

	Change in ERV			
	-10% **£m**	**-5%** **£m**	**+5%** **£m**	**+10%** **£m**
(Decrease)/increase in the fair value	(271.8)	(144.4)	113.5	245.2

	Change in Yield			
	-0.5% **£m**	**-0.25%** **£m**	**+0.25%** **£m**	**+0.5%** **£m**
Increase/(decrease) in the fair value	505.0	231.3	(197.5)	(370.0)

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 2021, the Group had capital commitments of £18.8 million (2020: £31.0 million). This included £15.1 million relating to future capital expenditure for the enhancement of the Group's investment properties (2020: £31.0 million) and £3.7 million for an acquisition, conditional on certain requirements being met (2020: £nil). See pages 15 to 17 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

	2021 £m	2020 £m
Accrued income in respect of lease incentives	**43.9**	20.6
Less: included in trade and other receivables (note 13)	**(9.8)**	(4.3)
	34.1	16.3

At 30 September 2021, the Group held impairment provisions totalling £2.6 million (2020: £8.2 million) against lease incentive balances. See note 3 for further information.

12. Investment in joint venture

	2021 £m	2020 £m
Group		
At 1 October	**96.8**	127.6
Share of losses	**(11.0)**	(29.4)
Dividends received	**-**	(1.4)
Book value at 30 September	**85.8**	96.8

At 30 September 2021, the joint venture had capital commitments of £3.6 million (2020: £0.1 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 equity accounting purposes are presented below:

	2021 £m	2020 £m
Statement of Comprehensive Income		
Rental income	**14.1**	15.3
Service charge income	**1.3**	1.9
Revenue	**15.4**	17.2
Expected credit losses	**(2.1)**	(0.4)
Impairment charges	**(0.4)**	(0.8)
	12.9	16.0
Other property charges	**(2.7)**	(2.9)
Service charge expenses	**(1.3)**	(1.9)
Property charges	**(4.0)**	(4.8)
Net property income	**8.9**	11.2
Administrative expenses	**(0.3)**	(0.3)
Operating profit before investment property valuation movements	**8.6**	10.9
Net revaluation deficit on investment properties	**(22.6)**	(71.7)
Operating loss	**(14.0)**	(60.8)
Finance costs	**(7.2)**	(7.3)
Loss before tax	**(21.2)**	(68.1)
Current tax	**(0.4)**	(0.9)
Deferred tax	**(0.3)**	10.2
Tax (charge)/credit for the year	**(0.7)**	9.3
Loss and total comprehensive loss for the year	**(21.9)**	(58.8)
Loss attributable to the Group	**(11.0)**	(29.4)

	2021 **£m**	2020 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**336.4**	358.0
Accrued income	**2.4**	1.8
Other receivables	**1.3**	1.3
	340.1	361.1
Cash and cash equivalents	**5.1**	4.3
Other current assets	**8.5**	5.7
Total assets	**353.7**	371.1
Current liabilities	**34.1**	30.0
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**28.0**	27.5
Total liabilities	**182.1**	177.5
Net assets	**171.6**	193.6
Net assets attributable to the Group	**85.8**	96.8

13. Trade and other receivables

	2021 **£m**	2020 £m
Current trade and other receivables		
Trade receivables	**20.8**	26.0
Provision for expected credit losses	**(14.1)**	(14.3)
	6.7	11.7
Accrued income in respect of lease incentives (note 11)	**9.8**	4.3
Amounts due from joint venture	**1.7**	11.8
Other taxation	**0.9**	2.9
Prepayments	**11.3**	1.9
Other receivables	**14.0**	12.4
Total current trade and other receivables	**44.4**	45.0
Non-current trade and other receivables		
Amounts due from joint venture	**12.2**	-
Other receivables	**3.7**	3.7
Total non-current trade and other receivables	**15.9**	3.7

Trade receivables represent amounts due from tenants. Within this balance is £3.9 million (2020: £3.6 million) owed for service charges.

Cash deposits totalling £8.3 million (2020: £14.3 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agent and are not included within the Group Balance Sheet.

14. Cash and cash equivalents

	2021 **£m**	2020 £m
Cash at bank	**211.3**	72.8
Restricted cash (included in other receivables):		
Non-current other receivables	**3.7**	3.7
Current other receivables	**13.8**	8.7
	17.5	12.4

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

	2021 **£m**	2020 £m
Deferred rental income	**3.1**	3.4
Accruals and deferred service charge income	**3.3**	1.1
	6.4	4.5
Trade payables and accruals in respect of capital expenditure	**7.3**	4.8
Other taxation and social security	**1.2**	0.5
Other payables and accruals	**16.7**	9.9
	31.6	19.7

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

16. Borrowings

	2021			2020		
	Nominal value **£m**	**Unamortised issue costs** **£m**	**Book value** **£m**	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	**575.0**	**(3.9)**	**571.1**	575.0	(4.4)	570.6
Secured bank facilities	**-**	**(0.4)**	**(0.4)**	100.0	(1.0)	99.0
Secured term loans	**384.8**	**(3.2)**	**381.6**	384.8	(3.4)	381.4
Total Group borrowings	**959.8**	**(7.5)**	**952.3**	1,059.8	(8.8)	1,051.0

In November 2020, the Group cancelled its £125.0 million revolving credit facility, which was undrawn. The Group also repaid £100.0 million of drawings against its remaining revolving credit facility, which remains available to be re-drawn.

Details of the Group's current financial position are discussed on pages 27 to 30.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £2,444.1 million (2020: £2,697.9 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

	1.10.2020	Cash flows		Non-cash	30.9.2021
		Inflows	Outflows	items	
	£m	£m	£m	£m	£m
Non-current borrowings					
Mortgage bonds	**575.0**	**-**	**-**	**-**	**575.0**
Secured bank facilities	**100.0**	**-**	**(100.0)**	**-**	**-**
Secured term loans	**384.8**	**-**	**-**	**-**	**384.8**
Loan issue costs	**(8.8)**	**-**	**-**	**1.3**	**(7.5)**
	1051.0	-	**(100.0)**	**1.3**	**952.3**
Loan issue costs[1]	**8.8**	**-**	**-**	**(1.3)**	**7.5**
Cash & cash equivalents (note 14)	**(72.8)**	**(351.0)**	**212.5**	**-**	**(211.3)**
Net debt at 30 September 2021	**987.0**	**(351.0)**	**112.5**	**-**	**748.5**

	1.10.2019	Cash flows		Non-cash	30.9.2020
		Inflows	Outflows	items	
	£m	£m	£m	£m	£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

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

Availability and maturity of borrowings

	2021			2020		
	Committed	**Drawn**	**Undrawn**	Committed	Drawn	Undrawn
	£m	**£m**	**£m**	£m	£m	£m
Repayable between 1 and 5 years	**100.0**	**-**	**100.0**	225.0	100.0	125.0
Repayable between 5 and 10 years	**839.8**	**839.8**	**-**	554.8	554.8	-
Repayable after 10 years	**120.0**	**120.0**	**-**	405.0	405.0	-
	1,059.8	**959.8**	**100.0**	1,184.8	1,059.8	125.0

Interest rate profile of interest bearing borrowings

	2021		2020	
	Debt	**Interest**	Debt	Interest
	£m	**rate**	£m	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		**2.99%**		**2.87%**

The Group also incur non-utilisation fees on undrawn facilities. At 30 September 2021, the charge on the undrawn facility of £100.0 million (2020: £125.0 million) for the Group was 0.64% (2020: 0.68%).

The credit margin on the Group's secured bank facilities was 1.6% (2020: 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 £1,005.1 million (2020: £988.9 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

	2021 number million	2020 number million	**2021 £m**	2020 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**307.4**	307.4	**76.9**	76.9
Share issue	**76.8**	-	**19.2**	-
At 30 September	**384.2**	307.4	**96.1**	76.9

On 18 November 2020, the Company issued 76.8 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 directly attributable to the transaction have been accounted for as a deduction from share premium. Following the share issue, the Company's issued share capital was 384,167,537.

In accordance with IFRS, the discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares. Earnings per share information (see note 21) has been restated for the comparative period presented, by adjusting the weighted average number of shares to include the impact of the bonus shares.

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

19. Dividends

	Pence per share[1]			
	PID	Ordinary	**2021 £m**	2020 £m
Final dividend for:				
Year ended 30 September 2019	5.25p	3.75p	**-**	27.8
Interim dividend for:				
Year ended 30 September 2019	2.4p	-	**9.3**	-
Dividends paid in the year			**9.3**	27.8

[1] Following the equity issue in November 2020, the comparative per share data has been restated to adjust for the inherent bonus element (see note 18). The restated dividends per share for the final dividend for the year ended 30 September 2019 are: 5.14p (PID) and 3.66 (ordinary). The dividend per share information included in the table above is as originally stated.

A final dividend of 4.0p per share was recommended by the Board on 29 November 2021. Subject to approval by the shareholders at the 2022 AGM, the final dividend will be paid on 11 February 2022 to shareholders on the register at 14 January 2022. 2.75p of the dividend will be paid as a PID and 1.25p will be paid as an ordinary dividend. The dividend totalling £15.4 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2022.

20. Cash flows from operating activities

Operating activities	2021 £m	2020 £m
Profit before tax	**(194.9)**	(699.5)
Adjusted for:		
Lease incentives recognised	**(21.3)**	(3.7)
Share-based payments	**1.9**	0.7
Depreciation (note 6)	**0.3**	0.3
Net revaluation deficit on investment properties (note 10)	**196.9**	698.5
Profit on disposal of investment properties (note 7)	**(0.1)**	(0.3)
Net finance costs	**30.2**	31.8
Share of post-tax loss from joint venture (note 12)	**11.0**	29.4
Cash flows from operations before changes in working capital	**24.0**	57.2
Changes in working capital:		
Change in trade and other receivables	**6.4**	1.5
Change in trade and other payables	**7.9**	(25.2)
Cash generated from operating activities	**38.3**	33.5

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

21. Performance measures

Earnings per share

	2021			2020 (as restated)[2]		
	Loss after tax £m	**Number of shares[1] million**	**Loss per share pence**	Loss after tax £m	Number of shares[1] million	Loss per share pence
Basic and Diluted	**(194.9)**	**374.8**	**(52.0)**	(699.5)	314.1	(222.7)

EPRA earnings per share

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

	2021			2020 (as restated)[2]		
	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	**(194.9)**	**374.8**	**(52.0)**	(699.5)	314.1	(222.7)
EPRA adjustments:						
Net revaluation deficit on investment properties (note 10)	**196.9**		**52.5**	698.5		222.4
Profit on disposal of investment properties (note 7)	**(0.1)**		**-**	(0.3)		(0.1)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**11.3**		**3.0**	35.8		11.4
Deferred tax	**0.1**		**-**	(5.1)		(1.6)
EPRA earnings	**13.3**	**374.8**	**3.5**	29.4	314.1	9.4

1. Weighted average number of shares.
2. Earnings per share information has been restated for the comparative period presented by adjusting the weighted average number of shares to include the impact of the equity issue (see note 18). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

Covid-adjusted EPRA (loss)/earnings per share

	2021			2020 (as restated)[2]		
	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
EPRA earnings	**13.3**	**374.8**	**3.5**	29.4	314.1	9.4
Less: Income recognised for tenant waivers	**(22.4)**		**(6.0)**	(11.5)		(3.7)
Add: Movement in associated impairment provisions & write-offs	**1.7**		**0.5**	8.2		2.6
Covid-adjusted EPRA (loss)/earnings	**(7.4)**	**374.8**	**(2.0)**	26.1	314.1	8.3

1. Weighted average number of shares.
2. Earnings per share information has been restated for the comparative period presented by adjusting the weighted average number of shares to include the impact of the equity issue (see note 18). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

Like-for-like rental growth

	2021 £m	2020 £m
Rental income in current year	**105.0**	114.4
Adjusted for impact of:		
Impact of acquisitions	**(0.3)**	(1.7)
Impact of disposals	**(0.2)**	-
Like-for-like rental income in current year (A)	**104.5**	112.7
Rental income in previous year	**114.4**	117.3
Adjusted for impact of:		
Impact of acquisitions	**-**	(0.5)
Impact of disposals	**(0.2)**	-
Like-for-like rental income in previous year (B)	**114.2**	116.8
Like-for like (decline)/growth in rental income ((A/B)/B)	**(8.5%)**	(3.5%)

EPRA net asset measures

	2021		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**
IFRS net assets	**2,372.7**	**2,372.7**	**2,372.7**
Dilutive effect of share options[1]	**0.8**	**0.8**	**0.8**
Deferred tax[2]	**8.6**	**8.6**	**-**
Difference between fair value and carrying value of debt:			
Secured term loans[3]	**-**	**-**	**(51.5)**
Mortgage bonds	**-**	**-**	**(1.1)**
Investment property purchasers' costs	**213.3**	**-**	**-**
Total	**2,595.4**	**2,382.1**	**2,320.9**
Number of diluted shares (million)	**385.0**	**385.0**	**385.0**
Diluted net assets per share (£)	**6.74**	**6.19**	**6.03**

	2020[4]		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS net assets	2,280.6	2,280.6	2,280.6
Dilutive effect of share options[1]	0.7	0.7	0.7
Deferred tax[2]	8.5	8.5	-
Difference between fair value and carrying value of debt:			
Secured term loans[3]	-	-	(48.0)
Mortgage bonds	-	-	11.4
Investment property purchasers' costs	222.5	-	
Total	2,512.3	2,289.8	2,244.7
Number of diluted shares (million) (as restated)	314.7	314.7	314.7
Diluted net assets per share (£) (as restated)	7.98	7.28	7.13

Total accounting return (TAR)

	2021 **pence**	As restated[4] 2020 pence
Opening EPRA NAV (A)	**728.0**	961.0
Closing EPRA NAV	**619.0**	728.0
Decrease in the year	**(109.0)**	(233.0)
Dividends paid in the year	**2.4**	8.8
TAR (B)	**(106.6)**	(224.2)
TAR % (B/A)	**(14.6)%**	(23.3)%

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.
4. Net asset per share information has been restated for the comparative period presented by adjusting the number of shares to include the impact of the equity issue (see note 18). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

Financing ratios

	2021 £m	2020 £m
Loan-to-value and gearing		
Nominal value of debt	**959.8**	1,059.8
Cash and cash equivalents	**(211.3)**	(72.8)
Net debt (A)	**748.5**	987.0
Fair value of investment properties (B)	**3,010.5**	3,137.4
Loan-to-value (A/B)	**24.9%**	31.5%
EPRA net assets (C)	**2,382.1**	2,289.8
Gearing (A/C)	**31.4%**	43.1%
Interest cover		
Operating profit before investment property disposals and valuation movements (A)	**43.1**	59.9
Finance costs	**30.9**	32.5
Finance income	**(0.7)**	(0.7)
Net finance costs (B)	**30.2**	31.8
Interest cover (A/B)	**1.4x**	1.9x
Cost of debt		
Blended cost of drawn borrowings	**3.0%**	2.9%
Commitment fees on undrawn secured bank facilities	**0.6%**	0.7%
Blended cost of debt	**3.1%**	2.9%

See page 51 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.

	2021 £m	2020 £m
Administrative fees receivable	**0.1**	0.1
Loans advanced to the joint venture	**1.5**	4.3
Dividends receivable	**-**	1.4
Interest receivable	**0.6**	0.4

23. Annual General Meeting

The 2022 Annual General Meeting will be held on 4 February 2022 at 11:00 am at the Ham Yard Hotel, 1 Ham Yard, London, W1D 7DT.

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 2021, 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	Chief Financial Officer

Alternative Performance Measures (APMs)

The Group has applied the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures in these annual. 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. APMs provide supplementary information which we consider to be useful to the users of the Preliminary Statement, but should not be viewed in isolation.

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 sector as set out in EPRA's in its Best Practices Recommendations (BPR). The 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. Except for EPRA measures, APMs may not be comparable with similarly titles measures presented by other companies.

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 Report (pages 23 to 24)
Covid-adjusted EPRA earnings and earnings per share	Profit and total comprehensive income for the period and earnings per share	Note 21 and Financial Report (page 24)
Like-for-like growth/decline in rental income	Revenue	Note 21 and Financial Report (page 24)
EPRA net tangible assets (NTA) and NTA per share	Net assets	Note 21 and Financial Report (page 27)
EPRA net disposal value (NDV) and NDV per share	Net assets	Note 21
EPRA net reinstatement value (NRV) and NRV per share	Net assets	Note 21
Total Accounting Return	N/A	Note 21 and Financial Report (page 27)
Valuation growth/decline	Net surplus on revaluation of investment properties	Valuation (pages 18 to 21)
Net debt	Borrowings less cash and cash equivalents	Note 21 and Net debt and cash flows (pages 28 to 29)
Loan-to-value	N/A	Note 21 and Financial position (page 29)
Gearing	N/A	Note 21 and Financial position (page 29)
Blended cost of debt	N/A	Note 21 and Financial position (page 29)
Interest cover	N/A	Note 21 and Financial position (page 29)

Following the introduction by EPRA of three new measures of net asset value in its Best Practices Recommendations in October 2019, EPRA NAV and EPRA NNNAV are no longer in use, and, accordingly are no longer presented as APMs. The new measures are EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV). These measures became effective from 1 October 2020. We are no longer presenting net asset value per share and diluted net asset per share as separate APMs on the basis that they are not materially different from EPRA NTA. Also, we are no longer using nor presenting adjusted EPRA earnings. This had been a measure of EPRA earnings adjusted to add back the non-cash accounting charge for equity-settled remuneration and was used to assist the Board in making decisions on dividends. However, in future the Board plans on using a new measure, Covid-adjusted EPRA earnings, as its benchmark in making dividend decisions. It removes the impact of rent waivers (where there were no associated lease modifications, such as lease extensions) granted during the pandemic from EPRA earnings. here this report uses like-for-like comparisons, these are defined within the Glossary.

Portfolio valuation analysis

	Hospitality & leisure	Retail	Offices	Residential	Wholly owned portfolio	Longmartin joint venture[1]
Fair value (£m)	1,127	812	539	533	**3,011**	165
Annualised current income[5] (£m)	42.3	32.4	17.2	15.9	**107.8**	6.0
ERV (£m)	49.9	36.7	28.3	16.8	**131.7**	8.2
% of total fair value	37%	27%	18%	18%	**100%**	
% of annualised current income	39%	30%	16%	15%	**100%**	
% of ERV	38%	28%	21%	13%	**100%**	
Average ERV (£ psf)	72	83	63	44	**67**	61
WAULT (years)	8	3	3	Note 2		Note 3
Initial yield	3.5%	3.6%	2.7%	2.1%	**3.1%**	2.8%
Topped up initial yield	4.0%	4.0%	3.1%	N/A	**3.5%**	3.2%
Equivalent yield	4.2%	4.2%	4.6%	2.2%	**3.9%**	4.0%
Area (sq. ft. m)	0.7	0.4	0.4	0.4[4]	**1.9**	0.3
Units	325	283	313	633[4]		121

1. Shaftesbury's 50% share (fair value, annualised current income and ERV).
2. Residential typically let on three-year assured shorthold tenancies with mutual rolling two-month break options after the first six months.
3. Hospitality & leisure: 12 years, retail: 3 years, offices: 4 years.
4. Excluding apartments which are sold off on long leases, covering approximately 224,000 sq. ft.
5. Including estimated turnover related rents.

Wholly-owned portfolio valuation by village

	Valuation £m	Annualised current Income[1] £m	ERV £m	Valuation decline[2] %	Equivalent yield %
Carnaby	1,147	39.7	54.1	(7.3)%	4.2%
Covent Garden	800	27.6	33.5	(6.7)%	3.7%
Chinatown	690	26.8	28.2	(2.1)%	3.8%
Soho	253	9.9	10.8	(1.6)%	3.8%
Fitzrovia	121	3.8	5.1	(4.6)%	3.7%
2021	**3,011**	**107.8**	**131.7**	**(5.4)%**	**3.9%**
2020	**3,137**	**109.9**	**140.3**		**3.9%**

1. Including estimated turnover related rents
2. Like-for-like, taking into account acquisitions, disposals, capital expenditure and changes in lease incentives and costs included in receivables. Alternative performance measure. See page 51.

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 January 2022.
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.

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% (£250m term loan).
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 January 2022.
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. During the pandemic, our near-term risk landscape changed and adapting to rapidly- shifting circumstances to manage risk was crucial. Whilst pandemic uncertainties remain, as the recovery gathers pace, the challenges and risks are starting to abate.

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. Although the Covid-19 pandemic disrupted performance over the past eighteen months, we are now experiencing a marked improvement in operating conditions. Whilst some challenges remain, the near-term risk landscape is improving.

Important factors in considering risk across the Group include:

- An experienced executive and senior leadership team, with an average tenure of over 16 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 tenant risk remains medium to high. A key aspect of our long-term village management strategy is careful occupier selection. We choose innovative and often independent concepts rather than formulaic national chains. We are interested in what they bring to our villages, rather than prioritising their financial covenant. For us, the security is in the land we own, recognising that occupier demand normally exceeds availability of space in the West End.

Monitoring and managing risk

Effective management of risk is critical to the successful delivery of the Group's strategic priorities. Ultimate responsibility for risk rests with the Board but day-to-day management of risk is integrated in the way the Group conducts business and its culture. Risks are addressed as they arise and, where significant, are discussed more widely with the Strategy and Operations Executive.

During the pandemic, in common with many businesses, the ability to predict near-term income has been impaired. Therefore, the Group's financial forecasts have been prepared under a variety of market scenarios to reflect a range of potential outcomes, including severe but plausible downside cases. While some uncertainties remain, this will continue to be the case.

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

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

The Board has overall responsibility for risk management and the systems of internal control. The Audit Committee monitors the effectiveness of the risk management process and regularly assesses the adequacy and effectiveness of the internal control systems, reporting on its conclusions to the Board. 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 with oversight and decision making remaining with the Group. The Group monitors managing agent performance and has established financial and operational controls to ensure that they maintain an acceptable level of service and provide reliable financial and operational information. The managing agent shares its 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.

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 Covid-19 pandemic had a major impact on the West End and all aspects of our business. In last year's Annual Report, we reported that significantly reduced footfall, together with restrictions on opening hours and social distancing measures, presented our occupiers with tough operational and financial challenges. For us, this resulted in reduced rent collections, increased costs, a slowdown in occupier demand, increasing vacancy, pressure on rental values, decreased valuations and increased financing risks. With these challenges, a number of principal risks were elevated. However, as the pandemic recovery got underway during the second half of the financial year, some of these risks and challenges are beginning to subside.

Throughout the pandemic, the Strategy and Operations Executive 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 frequently during this period and has received updates from management.

In November 2020, we strengthened the Balance Sheet through an equity raise, which reduced our leverage and both refinancing and asset-related covenant risks. It also provided working capital to ensure we could fund expected operating losses and capital expenditure until conditions stabilised.

Our tenant support strategy during the pandemic was successful in preserving much of our hospitality, retail and leisure tenant base. With significantly improving operating conditions over recent months, we are now only granting occupier rental support on an exceptional, case-by-case basis.

The risk of further Covid variants, and whether current vaccines will deal with them effectively, remains. Infection surges may result in further government restrictions which could disrupt or prevent our hospitality and retail occupiers from trading and set back the post-pandemic recovery. Our experiences and learnings since March 2020 will be extremely important should this be the case.

Principal strategic risks and uncertainties

The Board has carried out a robust assessment of the principal strategic and emerging risks and uncertainties which might prevent the Group achieving its strategic objectives. Principal risks and uncertainties are those with a residual risk rating of high or above. These risks are set out below.

Macroeconomic factors

Potential causes

- Macroeconomic shocks or events.
- Increasing cost of finance.
- Longer-term Covid-19 impacts:
    - Higher inflation.
    - Taxation increases.
    - Recessionary environment.

Consequences

- Lower consumer confidence/spending.
- Reduced visitor numbers.
- Reduced business confidence and investment.
- Supply chain disruption, higher import costs and skills shortages.
- 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 capital values and NAV (amplified by gearing).
- Risk of loan covenant breaches.

Mitigation

- Focus on locations and uses which historically have proved to be economically resilient.
- Actively promote our areas to drive footfall.
- Curation of our villages to maintain places that are popular.
- Regularly review our capital structure and debt covenants; forecasts include covenant headroom review. Gearing maintained at low levels.
- We maintain a pool of uncharged assets to top up security held by lenders, if required

Commentary

- Our equity raise in November 2020 ensured our financial base remains strong.
- The pool of uncharged assets was bolstered through the release of security following the termination of an undrawn revolving credit facility, providing further headroom in our loan-to-value covenants.
- Interest cover covenant waivers extended during the year and we expect to meet interest cover covenants in our debt facilities through secured waivers and the improving operating conditions. Additionally, our term loans have interest cover cash cure mechanisms.
- Covenants have been forecast under a severe-but-plausible downside described in the viability assessment and are expected to be met.

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.
- 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.

Mitigation

- Focus on assets, locations and uses where, in normal conditions, there is a structural imbalance between availability of space and demand.
- Establish asset clusters to provide the opportunity to drive long-term growth and returns.

- Regularly review investment market conditions including bi-annual external valuations. Reconfigure and repurpose space to respond to, and anticipate, changing occupier demand.
- Gearing maintained at low levels.
- We maintain a pool of uncharged assets to top up security held by lenders, if required.

Commentary
- The value of control over areas, bringing the ability to curate and drive growth over the long term which, together with an improving operational outlook, will be important in the near-term valuation trend.
- Our wholly-owned portfolio valuation declined by 10.1% in the first half of the year. With improved operating and investment conditions, it increased by 5.2% in the second half.
- Occupier demand recovery has led to a significant decrease in vacancy.
- The combination of investor appetite for the best locations, available liquidity and affordable finance, yet scarce investment opportunities in the West End, will be important in supporting yields.
- Whilst there is a flight to quality, near-term downside risks persist including the impact on occupiers of higher leverage post pandemic, increasing costs and supply chain disruption, as well as the risk of further pandemic restrictions, increased finance rates and continued structural changes in shopping trends. A good trading period over Christmas and New Year will be critical for our hospitality, retail and leisure businesses.
- Our equity raise in November 2020 ensured our financial base remains strong.
- The pool of uncharged assets was bolstered through the release of security following the termination of an undrawn revolving credit facility, providing further headroom in our loan-to-value covenants.
- Interest cover covenant waivers extended during the year and we expect to meet interest cover covenants in our debt facilities through secured waivers and the improving operating conditions. Additionally, our term loans have interest cover cash cure mechanisms.
- Covenants have been forecast under a severe-but-plausible downside described in the viability assessment and are expected to be met.

Reduction in spending and/or footfall in our areas

Potential causes
- An event that adversely impacts our occupiers’ ability to trade, e.g. pandemics, terrorism or the threat of terrorism.
- Macro economic conditions e.g. recession, declining disposable income, unemployment.
- Decline in the popularity of the West End and particularly our areas leading to decreasing visitor numbers.
- Changes in consumer tastes, habits and spending power.
- Change in working habits and/or people choosing to live outside of London.
- Competing destinations.

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.

Mitigation
- Footfall and customer spending are important ingredients for the success of our restaurant, leisure and leisure tenants
- Key aspects of our management strategy are to: ensure our areas maintain a distinct identity; seek out
- new concepts, brands and ideas to keep our areas vibrant and appealing; and actively promote our areas.
- The Board regularly monitors performance and prospects.
- Maintain building reinstatement and loss of rent insurance.
- Detailed business continuity and crisis communications plans in place.
- Gearing maintained at low levels.
- We maintain a pool of uncharged assets to top up security held by lenders, if required.

Commentary
- Whilst being invested in one area is a risk, our ownership clusters are also a strength and an opportunity, giving us control and allowing us to curate our villages to maintain places that are popular.
- Lifting of legal pandemic social distancing regulations has led to a recovery in footfall.

- Leases largely based on turnover have been limited to retail lettings, and as the recovery has progressed, the proportion of rents linked to turnover in new lettings has reduced. Retail represents 28% of portfolio ERV.
- Whilst hybrid working has grown in prevalence, we are finding that office workers' socialising and spending habits are compressed into fewer days and they are more likely to visit at the weekends.
- Public transport is important in making our areas more accessible to a wide range of visitors. The central section of the Elizabeth Line is now scheduled to open in the first half of 2022, with a wider service later that year or in early 2023. This line is expected to significantly improve the West End's connectivity.
- Covenants have been forecast under a severe-but-plausible downside described in the viability assessment and are expected to be met.

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 increased leverage due to the pandemic
- Pandemic restrictions being re-introduced
- Wind down of Government Covid-19 support, including increase in business rates in April 2021 and removal of concessionary VAT rate for restaurants.
- Economic headwinds including recession, declining disposable income, unemployment, inflation, cost of finance.

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.

Mitigation
- Rent from any single tenant is not material - the top ten tenants represent less than 10% of our rent roll. • Flexible leasing strategy.
- Curation of our villages to drive footfall and spending to give occupiers the potential to thrive. Regular monitoring of tenant trading by the Executive Operations Committee.
- Head of Insights recruited and project underway to transform how we manage and interpret data.
- Majority of occupiers now invoiced monthly to help manage their cash flows.
- Tenant deposits held against unpaid rent obligations at 30 September 2021: £8.3 million
- Gearing maintained at low levels.
- We maintain a pool of uncharged assets to top up security held by lenders, if required

Commentary
- Our support through rent concessions was critical for our hospitality, retail and leisure occupiers during the pandemic. Footfall and spending is recovering and our support is now only being granted on an exceptional, case-by-case basis.
- Occupier demand has improved and available space in our villages has now largely been absorbed. Vacancy levels are now close to the long-term average.
- Occupiers face a number of headwinds including inflation, energy costs, staff shortages, and the wind down of Government support, which could reduce profitability or their ability to service their debt.
- Covenants have been forecast under a severe-but-plausible downside described in the viability assessment and are expected to be met.

Principal risks downgraded during the year

Taking into account the changing risk landscape and the mitigating actions/controls, the residual risks in respect of the following strategic risks have been reduced this year. In each case, the residual risk is now considered to be medium and, consequently, are now not considered to be principal risks or uncertainties:

Changes in regulatory environment
- All legal social distancing restrictions lifted in July 2021.
- Net Zero Carbon strategy developed; includes plans to improve buildings to meet more stringent Minimum Energy Efficiency Standards.

- Sustainability targets are included in remuneration and each refurbishment or reconfiguration scheme appraisal.
- We ensure our properties are operated in compliance with local and national regulations.
- We use specialist advisors on planning and licensing.
- Tenant compliance with planning consents and licences is regularly monitored.

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

- With the improvement in the operating environment, ERVs stabilised over the second half of the financial year.
- Occupiers are still focusing on the quality of the location. Through the holistic curation of our villages, our flexible approach to leasing and our relatively affordable rents, we have competitive advantage, compared with owners of single buildings in streets with fragmented ownerships.
- Developing occupier offer, including white-boxing of retail units, and introducing Assemble by Shaftesbury.
- Record leasing levels in the second half and available-to-let vacancy had fallen to 2.9% by 30 September 2021.
- Our portfolio of mostly smaller mixed-use buildings provides considerable management flexibility to adapt our accommodation to meet space requirements.
- Improved data insights capability following recruitment of Head of Insights during the year.
- Increased engagement with occupiers following our support during the pandemic.
- Covenants have been forecast under a severe-but-plausible downside scenario described in the going concern statement and are expected to be met.

Financing risk

- Our equity raise in November 2020 ensured that we maintain a strong equity base, have the financial capacity to deal with further pandemic disruption and are well placed to return to long-term growth as pandemic issues recede.
- Vacancy has decreased significantly in the second half and cash collections are improving. Occupier rental support is now only being granted on an exceptional, case-by-case basis.
- We review our capital structure and debt covenants regularly; forecasts include covenant headroom review.
- Interest cover covenant waivers extended during the year and we expect to meet interest cover covenants in our debt facilities through secured waivers and the improving operating conditions. Additionally, our term loans have interest cover cash cure mechanisms.
- Gearing maintained at low levels.
- We maintain a pool of uncharged assets to top up security held by lenders, if required. This pool was bolstered through the release of security following the termination of an undrawn revolving credit facility, providing further headroom in our loan-to-value covenants.
- Covenants have been forecast under a severe-but-plausible downside scenario described in the going concern statement and are expected to be met.

Climate risk

We regard climate change to be a principal risk. Our net zero carbon strategy and roadmap consider the near to medium-term horizons. However, we recognise that climate change and the transition to a low carbon economy will present significant long-term risks and opportunities for our business. Whilst we consider the physical risks to our portfolio (e.g. flooding) to be low, the longer-term implications of climate change are less well known, and so, over a longer time horizon, this is an emerging risk.

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.

Governance

- **Board Oversight**
  In November 2021, we established a Board level Sustainability Committee which includes two non-executive directors and the CEO. This Committee will meet at least three times a year and has oversight of climate related issues, which are a recurring agenda item. Annually, the sustainability strategy and associated policies are considered for the year ahead. The Board Sustainability Committee reports to the main Board periodically, and as required.

- **Management role**
  Our Executive Sustainability Committee, chaired by our CEO, meets at least quarterly. The committee has oversight of climate related risks including policy, regulatory and legal risk. It reports directly to the Board Sustainability Committee and the Risk Committee. Executive Sustainability Committee membership is drawn from across the organisation and includes executive management, finance, and the Head of Sustainability.

  Responsibilities for the implementation of our sustainability strategy and policies, which include actions on climate change, are set out in our Sustainability Action Plan which is updated annually and is available on our website. These responsibilities apply to employees as well as managing agents and project managers working on behalf of the Group.

Strategy

- **Risks that have been identified over the short, medium and long term**
  Our business is wholly located in the West End of London, which limits the scope of the risks that we face but does increase the aggregated risk of a physical single event. There are several risks identified associated with the transition to a low carbon future, in terms of consumer behaviour, market expectation, regulation and technology changes. The location of our portfolio, in a single legal jurisdiction, means that we adhere to a single set of national regulations.

  Through a detailed scenario analysis, we have identified a range of climate change related risks and opportunities, the most material of which are set out below. We recognise that the climate related risks become less predictable over the longer term, and we will continue to review and update our risk analysis.

  Short term (0-1 years)
  - Challenges of significantly improving building energy efficiency and addressing future Minimum Energy Efficiency Standards (MEES) in current domestic and non-domestic refurbishment projects, especially for many of the heritage buildings in our portfolio.
  - Current and prospective tenants are increasingly concerned about the energy efficiency and sustainability credentials of the buildings that they occupy.

  Medium term (1-5 years)
  - We expect to see a continuing evolution of planning requirements and tenant expectations for sustainable buildings, which will require a continued investment in our portfolio.
  - Achieving the necessary reduction in carbon emissions across our portfolio required to meet our net zero carbon strategy and science-based targets.
  - Potential increased levies on fossil fuel heating systems or additional costs associated with transition to lower emissions technologies.

Long term (5-30 years)

- Challenges of meeting evolving MEES requirements.
- Energy performance in buildings is likely to require improvements beyond those of MEES for both domestic and commercial properties.
- Hotter summers will increase costs for maintaining required levels of cooling or create a reputational risk of not being able to provide the indoor environment required by tenants.
- Costs associated with designing/retrofitting buildings for increased resilience to more intense rainfall.
- Water supplies to London may be insufficient, requiring local authorities to constrain supply at times.
- Increased disruption to the local energy network due to extreme weather events.
- Impact on existing and future biodiversity installations from increasing temperatures or changes in rainfall patterns.
- Carbon offset costs inflate beyond the parameters used for our net zero carbon analysis, resulting in higher costs.

- **Impact of identified risks and opportunities on business strategy and financial planning**

  The identified climate-related risks impact our approach to the procurement and refurbishment of buildings, the management of the portfolio and the evolution of our sustainability strategy.

  Central to our strategic response to climate change is the development of our net zero carbon 2030 commitment and the actions that are being taken to increase the energy efficiency of our portfolio and decarbonise our activities in line with our science-based targets which have been validated by the Science Based Targets initiative (SBTi).

  Our refurbishment strategy, which addresses about 10% of floorspace a year, has a positive mitigation effect on many of the key risks that we have identified. This approach improves the overall energy efficiency and resilience of our portfolio to climate change, helping to meet legislative requirements and the changing needs of our stakeholders. Our policy of refurbishment of properties rather than demolition and rebuild minimises our embodied carbon emissions associated with construction activities.

  Targets have been set for the minimum EPC of new refurbishment projects and we are considering how best to ensure that we are able to comply with potential future changes to MEES regulation.

  We have continued our annual review process, which measures energy consumption within the common parts of the portfolio and monitors the extent to which refurbishment of existing buildings increases portfolio energy efficiency. We have limited third party verification for our carbon reporting.

  We are now collecting energy consumption data from tenant-controlled areas of our portfolio. This improves our overall view of the portfolio and enables us to monitor progress in line with our net zero carbon target. As a landlord we are in a strong position to positively influence our tenants and encourage energy efficiency and low carbon behaviour.

  We are also committed to increasing green space, which is an important tool in climate change adaptation. Since 2016 we have achieved significant increases in green space across the portfolio and have set targets for 2025.

- **Resilience of our strategy**

  Our strategy considers a broad range of potential climate scenarios, from a ‘2 degree or lower’ or ‘tailwinds’ best-case scenario, on one hand, to a series of high emissions (physical risks) or ‘headwinds’ (transition risks) scenarios, on the other.

  We are committed to investing for the long-term in the West End, continually improving our portfolio and delivering efficient and resilient buildings. This is underpinned by our established policies and procedures, which are set out in our Sustainability Action Plan. Consideration is given to the costs of upgrading EPCs and achieving BREEAM certification on eligible projects.

  Setting an ambitious net zero carbon and science-based target aligned with a 1.5-degree scenario puts our strategy in line with the latest climate science, reducing the risk that we will need to recalibrate our targets or make significant changes to our long-term strategy. We have clearly set out the level of decarbonisation required by 2030, ensuring that the business is making resilient long-term decisions and individuals across the business and supply chain are aware of our commitments.

  Despite a significant level of resilience, we are aware of the need to continue to develop our understanding of climate change risks and adapt our response.

Risk Management

- **Process for identifying and assessing climate risks**
  Climate change risks are assessed by the Executive Sustainability Committee, the Risk Committee and the Board.

  The Risk Committee meets twice a year and is chaired by our CFO. It reviews key strategic and emerging risks, both operational and financial, including sustainability-related issues. We regard climate change to be a principal risk. However, as the longer-term implications of climate change are less well-known, it is also considered an emerging risk.

  Read more on risk management and principal risks and uncertainties on pages 54 to 59.

  We have completed a climate risk scenario analysis which has been reviewed by our Sustainability Committee and Board Sustainability Committee in November 2021. These scenarios include low and high emission pathways for the UK and consider 'balanced', 'tailwinds' and 'headwinds' pathways that will impact our transitional risks:

  - Low Emission 'better than 2 degrees' scenario, consistent with the IPCC's Representation Concentration Pathway (RCP) 2.6 global forcing scenario
  - High Emission '4 degree' scenario consistent with the IPCC's RCP 8.5 global forcing scenario.
  - Balanced scenario, which sits between the following two scenarios, with regard to the timescale and magnitude of the various aspects of the transition to zero carbon buildings.
  - Tailwinds scenario characterised by high levels of behavioural change, research & development (R&D) and implementation of low carbon technology.
  - Headwinds scenario whereby the UK still meets its 2050 Net Zero target, but initial progress is slow. Under this scenario, there is limited progress in behavioural change, energy efficiency measures and low carbon technology roll-out.

- **Process for managing identified risks**
  Our approach to climate change risk management is embedded in our Sustainability Policy and Sustainability Action Plan, which set out our climate related policies, targets and KPIs. We have set science-based carbon reduction targets for scope 1 and 2 emissions and a comprehensive net zero carbon 2030 commitment, which will be the foundation of our carbon emissions reduction strategy over the next 9 years.

  Performance against a KPI for carbon emissions reduction will be considered in the calculation of executive and management financial remuneration for the year to 30 September 2022. We have clearly set out our commitment to becoming a net zero business and ensuring that the business is aware of the scale of the challenge and the actions that we need to take.

  Physical risks are managed and mitigated through our ongoing programme to improve the energy efficiency of our buildings and our investment in increasing green space across our portfolio. We are committed to identifying and reducing the fundamental risks, despite the purchase of comprehensive insurance policies.

  We have robust policies and procedures in place to manage supply chain risks, including green lease clauses to encourage sustainable behaviour from tenants. These are reviewed annually.

- **How processes are integrated into overall risk management process**
  The Head of Sustainability is a member of the Risk Committee and is responsible for highlighting climate risks in the context of wider business risk discussions. This Committee meets twice a year, or more frequently as required.

  The Risk Committee reviews significant risks to the business, operational and financial, including sustainability-related issues. An internal risk control report is produced from the meeting. The report is submitted to the Board but not publicly available. Key risks disclosed in the annual report and half year report.

  Read more on risk management and principal risks and uncertainties on pages 54 to 59.

Shareholder information

Corporate Timetable

Financial Calendar	
Annual General Meeting and AGM statement	4 February 2022
2022 half year results	May 2022
Dividends and bond interest	
Proposed 2021 final dividend:	
- Ex-dividend	13 January 2022
- Record date	14 January 2022
- Payment date	11 February 2022
2022 interim dividend	July 2022
Bond interest	30 September/31 March

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.

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.

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, BCom, FCS(Aust), ACIS
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.