Contributing to the success of London's West End

Shaftesbury

Annual report 2022

Shaftesbury is a real estate investment trust which invests exclusively in the heart of London's West End. Our 16.4-acre ownership of c.600 buildings is clustered mainly in Carnaby, Seven Dials and Chinatown, but also includes substantial ownerships in east and west Covent Garden, Soho and Fitzrovia.

shaftesbury.co.uk
Follow @shaftesburyplc
carnaby.co.uk
sevendials.co.uk
chinatown.co.uk
thisissoho.co.uk
theyardscoventgarden.co.uk

Strategic report

Pages 3-90

Governance

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Financial statements

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Other information

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Shaftesbury is a Real Estate Investment Trust (REIT) which invests exclusively in the heart of London's West End.

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 values

Responsible

Long term

Community minded

Original

Human

Read more on pages 70-72

Portfolio clustered in iconic locations

16 acres
and 1.9 acres owned in joint venture

2.0m sq ft
commercial and residential space and 0.3m sq ft in joint venture

c.600
buildings

Read more on pages 18-19

Adaptable mixed-use buildings with management flexibility

% of wholly-owned portfolio valuation

Hospitality & leisure
36%
0.7m sq ft

Retail
27%
0.4m sq ft

Offices
19%
0.5m sq ft

Residential
18%
0.4m sq ft

Read more on pages 25-30

Experienced, innovative team

Female: **69%**

Male: **31%**

Read more on pages 70-72

Employees: **52**

Senior leadership team: **17 years** average length of service

The Shaftesbury Proposition

As long-term custodians of our ownership clusters, we adopt a holistic approach to delivering long-term social and economic value for the benefit of our stakeholders. By combining our strengths, culture and values, we achieve success beyond profit to contribute to the success of the West End.

Exceptional portfolio

- Clustered in the busiest parts of the West End
- Focused on uses with a long history of occupier demand exceeding availability
- Small to medium-sized space with competitive rental levels

Pages 18-21

Experienced and innovative management team

- Forensic knowledge of the West End property and occupier markets
- Skilled in adapting our buildings and space to meet occupiers' evolving needs
- Culture of innovation

Pages 70-72

Long-term village management strategy

- Focus on sustained income growth
- Adaptable portfolio with a mix of uses
- Modest capital expenditure model
- Pipeline of value accretive schemes

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Long-term growth prospects

- Benefitting from London's global city status, scale and economic outlook
- Exceptional locations bring long-term resilience

Pages 20-21

Responsible

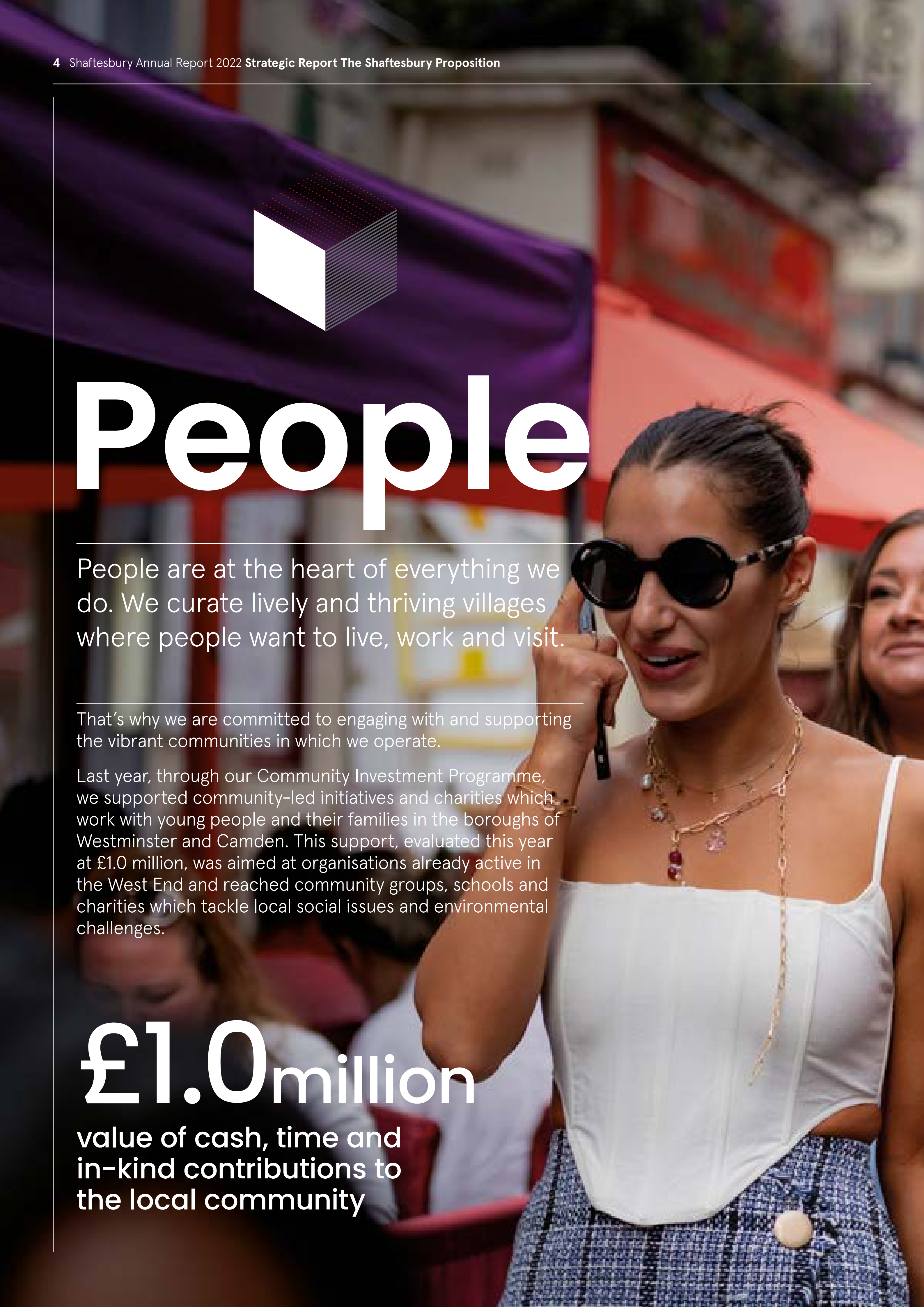
- Sustainable re-use of buildings
- Net zero carbon 2030
- Good relationships with occupiers, local authorities and local communities
- Open and inclusive culture
- Effective governance and risk management

Sustainability: pages 56-61; Stakeholder engagement: pages 64-69; Our people and culture: pages 70-72; Risk management: pages 82-83; Governance: page 101

Low risk

- Target stable long-term income and capital returns
- Prudent financial and risk management
- Tax-efficient REIT structure

Pages 50-51



People

People are at the heart of everything we do. We curate lively and thriving villages where people want to live, work and visit.

That's why we are committed to engaging with and supporting the vibrant communities in which we operate.

Last year, through our Community Investment Programme, we supported community-led initiatives and charities which work with young people and their families in the boroughs of Westminster and Camden. This support, evaluated this year at £1.0 million, was aimed at organisations already active in the West End and reached community groups, schools and charities which tackle local social issues and environmental challenges.

£1.0million

value of cash, time and in-kind contributions to the local community


VANS
NO

Spaces

We constantly adapt our buildings to create space that meets the evolving needs of occupiers.

Our approach to the stewardship of our unique portfolio of mostly heritage and period buildings has always focused on low-impact repurposing and refurbishment rather than demolition and redevelopment. This inherently sustainable practice minimises embodied carbon associated with new construction, preserves the character of our areas, and creates space that is desirable to occupiers.

2.0 million sq ft

commercial and residential space

c.600

shops, restaurants, cafés and pubs

Places

For over 30 years, we have invested exclusively in the heart of London's West End, curating vibrant, distinctive and thriving places where people want to be.

People have a choice over how and where they spend their time. Creating a sense of place, an experience and a lively atmosphere is a fundamental aspect of the curation of our areas.

Ways in which we achieve this include careful curation of the street-level occupier mix, favouring interesting, innovative brands over formulaic chains, investing in the public realm and interesting art installations, organising events, promoting areas to a wide audience, providing amenities such as greening and communal seating and services such as additional security and street cleaning.

16.4 acres

in the heart of the West End


SAVAGE MODE

Letter from the Chairman

Dear shareholder

In October, Shaftesbury marked thirty-five years as a listed company and this is our thirty-fifth annual report as an independent company. However, as we embark on an exciting new chapter with our proposed merger with Capco it is also likely to be our last.

In June, the boards of Shaftesbury and Capco announced that we had reached agreement on the terms of a recommended all-share merger to form Shaftesbury Capital PLC. The Board was delighted to receive the necessary shareholder support for the merger at the Court Meeting and General Meeting on 29 July, with Capco's shareholders giving their support at their own General Meeting. We now await clearance from the Competition and Markets Authority and, all being well, expect to complete the proposed merger during the first quarter of 2023.

The proposed merger unites two complementary and adjacent real estate portfolios under single ownership to create a £5.0 billion portfolio. Shaftesbury Capital will own an exceptional portfolio in some of the most iconic destinations across London's vibrant West End. Under the terms of the proposed merger, 3.356 new Capco shares will be issued in exchange for every Shaftesbury share. This ratio was agreed taking into account the relative EPRA net tangible assets and market capitalisations of both companies and will result in Shaftesbury shareholders (other than Capco) owning 53% of Shaftesbury Capital, and Capco's shareholders owning 47%.

By combining both companies' strengths, cultures and values, the management team will take a 'best of both' approach to operations with the aim of delivering long-term economic and social value for all stakeholders.

The combined group will have a clear governance and leadership structure with strong non-executive representation from both companies, led by me as Chairman and Ian Hawksworth as Chief Executive. Situl Jobanputra will be the Chief Financial Officer and Chris Ward will be the Chief Operating Officer. An executive committee responsible for the day-to-day management and operation of the combined group, will be established and will comprise six members: Ian, Chris and Situl will be joined by Michelle McGrath, responsible for the enlarged Covent Garden portfolio; Andrew Price, responsible for the Carnaby, Chinatown, Soho and Fitzrovia portfolios and Sam Bain-Mollison, responsible for the Group's leasing.

The experienced leadership team, with their impressive track record of innovation and curation, should ensure a sustainable and prosperous future for our destinations, the communities they serve and our wider stakeholders.

With cost and operational synergies, a strong corporate governance framework, increased scale and greater equity market liquidity, the combination provides a firm foundation for future value creation for our shareholders.

Further information on the proposed merger is available on our website.

After 36 years at Shaftesbury, including 11 years as Chief Executive, Brian Bickell will retire on completion of the proposed merger. Executive directors Simon Quayle and Tom Welton, who have been with Shaftesbury for 35 and 33 years respectively, will also leave the business on completion.

On behalf of the Shaftesbury Board, I would like to thank Brian, Simon and Tom for the truly extraordinary commitment they have shown to Shaftesbury over many decades. Their contribution to our success has been beyond measure and they will be leaving the business in a strong position for their successors.

Brian, Simon and Tom's embodiment of our values is an example followed by all our people. Following a challenging period in which the team have responded to the Covid-19 pandemic and the ensuing recovery, our staff have navigated the process of this proposed merger with dedication. I know that they will continue to do so with ambition and enthusiasm, embracing the challenge of change in spite of the possible personal uncertainties the proposed merger may present for them. The Board would like to thank them for their efforts and commitment.

Finally, the Board would also like to thank you, our shareholders, for your support for Shaftesbury over many, many years, and more recently, through the pandemic and now through the proposed merger. The Board recognises that the economic uncertainty in the UK over recent months has had a painful impact on shareholder returns. We thank you for your continued commitment to Shaftesbury and for sharing our belief in the long-term prospects of the West End. We remain confident that our proven strategy and talented team will continue to deliver long-term benefits of all our stakeholders.

Yours faithfully,

Jonathan Nicholls

28 November 2022

Chief Executive's statement

Sustained recovery in confidence and activity driving growing footfall and spending. Strong demand for space across all uses has led to a return to pre-Covid occupancy levels and growth in rental values.

"The year has seen a rapid rebound in the West End economy as Covid-related disruption receded and patterns of everyday activity returned to pre-pandemic normality.

The year has seen a rapid rebound in the West End economy as Covid-related disruption receded and patterns of everyday activity returned to pre-pandemic normality. The sustained recovery in footfall and trading since the early months of 2022 has been matched by the strength of occupier demand in our carefully curated and popular locations.

There are now growing concerns regarding the medium-term outlook for global and domestic economies. However, the pace of recovery over the last year and the inherent resilience of the West End and our portfolio means we are well placed to weather uncertainties and challenges which may be ahead.

Results and dividends

We have seen a recovery in net property income this year, up 28.0% to £82.8 million (2021: £64.7 million). With the withdrawal of rental support for our occupiers from October 2021 and the return to normal levels of occupancy, rents invoiced increased by 38% over the year. After adjustments for lease incentives, rental income was up 5.1% to £110.4 million (2021: £105.0 million). Charges for expected credit losses and impairments were much reduced, down 77.4% to £4.0 million (2021: £17.7 million), reflecting normalised rent recoveries and improved trading conditions. Property costs[1] have increased, reflecting increased activity during the pandemic recovery, and remain at c. 21.5% of rental income.

Administrative expenses, before merger costs, totalling £22.2 million (2021: £21.6 million) and net finance charges of £29.5 million (2021: £30.2 million) were broadly unchanged from 2021.

Costs incurred to date in connection with the proposed merger with Capco, amounting to £13.2 million, have been expensed in the Income Statement this year.

Over the year, the valuation of our wholly-owned portfolio rose from £3.0 billion to £3.2 billion, a like-for-like increase of 3.6%. Total portfolio ERV grew to £145.8 million (2021: £131.7 million), a like-for-like increase of 9.0% with growth across all uses.

In the first half, our valuers reported investment yields tightened from 3.92% to 3.86% as operational conditions improved.

However, in the latter part of the second half, globally-rising finance rates and a deteriorating macroeconomic outlook adversely affected investment market sentiment, resulting in equivalent yield expansion of 24bps. Taking the year as a whole, our portfolio's equivalent yield moved from 3.92% to 4.10%, and the net revaluation surplus amounted to £99.5 million (2021: deficit £196.9 million).

The profit for the year after the annual revaluation surplus and taxation amounted to £119.1 million, compared with a loss in 2021 of £194.9 million. EPRA earnings[2] were up 45.1% to £19.3 million (2021: £13.3 million), after a £13.2 million charge for merger-related costs (2021: £Nil). Underlying EPRA earnings[2], which adjusts for the cost of waivers granted during the pandemic as if they had been recognised in the Income Statement immediately when granted, and excludes the exceptional charge for merger-related costs, were £38.0 million, compared with a loss last year amounting to £7.4 million.

At 30 September 2022, EPRA NTA[2] stood at £6.41 (2021: £6.19), an increase of 3.6% over the year. Of the 22p net increase, the annual revaluations in the wholly-owned and Longmartin portfolios accounted for 25.9p, and EPRA earnings accounted for 5.0p. Dividend payments during the year totalled 8.8p.

Reflecting the recovery in our underlying EPRA earnings this year, the Board has declared a second interim dividend of 5.1p, bringing dividends for the year to 9.9p. The total distribution for the year will amount to £38.0 million. Declared in place of a final dividend for the year, the second interim dividend will be paid on 21 December 2022.

As set out in a separate announcement released today, we have reached agreement with Capco to pay a further interim dividend of up to 2.7p per share in respect of the quarter to 31 December 2022, to be paid before the proposed merger becomes effective.

Dividends: page 50

1. Excluding recoverable service charge costs
2. Alternative performance measure: see page 175

Operating environment

This year saw a marked recovery in confidence, footfall and sales across our villages. Whilst the Omicron Covid variant led the Government to reintroduce certain restrictions for seven weeks between December and January, the impact on activity was limited and short-lived, and, from the end of January, we saw a rapid bounce back in activity in our areas.

Footfall continued to improve, typically building through the working week and peaking at weekends. In the first half of the year the footfall recovery was concentrated in domestic visitors, residents and the return of local office workers. Since early summer we have seen growing numbers of international tourists and further improving trading performance, helped by the Platinum Jubilee celebrations. Inevitably, recent public transport disruption has had a short-term impact on daily visitor numbers, but our hospitality and retail occupiers continue to report good trading. Anecdotally, they are optimistic for the important and traditionally busy period leading up to, and through Christmas and New Year, without the Covid-related disruption of the last two years.

The opening of the central section of the Elizabeth Line in May has resulted in a noticeable increase in footfall on streets closest to the much improved and extended Tottenham Court Road station. Passenger numbers have also increased significantly since the opening in October of the line's Bond Street station, with its new access at Hanover Square, a few minutes' walk from Carnaby. In November, the next stage of the line's implementation schedule has provided a direct link from Heathrow airport into the West End, with an average journey time of just 35 minutes. These important new transport hubs, which are close to much of our portfolio, and the improved connectivity and convenience they are already providing, are now set to make an important long-term contribution to the prosperity of the West End.

With the steady return to normal operational conditions, rent collection rates have continued to improve, with 99% collected in respect of the year ended 30 September 2022. Importantly the pace of rent collection is now quicker than in 2019, reflecting the benefit of switching the vast majority of our occupiers from quarterly to monthly billing.

Occupational markets

Our strategy of supporting our occupiers through the very challenging periods of pandemic lockdowns and restrictive trading rules was successful in mitigating vacancy in our hospitality and retail space. As restrictions were gradually lifted in summer last year, the distinctive and popular line up of dining, leisure and retail choices we provide was largely intact, resulting in a sustained recovery in footfall and spending in our locations, enhancing their reputation for resilience and appeal, as well as our credentials as a supportive and responsible landlord. These factors have underpinned the strong demand for both commercial and residential space across our locations and our EPRA vacancy levels have now stabilised at around 4% of total portfolio ERV.

When hospitality or retail space does become available, occupier interest is considerable and we are seeing many new, well-financed concepts, often from existing or experienced operators. Rental values have continued to recover and, for hospitality accommodation, they are now at 95.1% of pre-Covid levels. For retail space, they remain 14.9% below pre-Covid levels (up from -20.8% a year ago), as structural changes in retailer requirements and customer spending patterns, together with a surplus of vacant space in the West End, continue to affect general letting market sentiment.

Office space in our locations is in demand, as employers now recognise the importance of the lively atmosphere in our central West End villages in attracting and retaining staff. Our more flexible leasing packages and fully-furnished options are proving popular with occupiers. Having been largely stable during the period of Covid disruption, our office rents are now 3.0% above 2019 levels on average.

Demand for residential accommodation grew quickly last year as overseas students and workers returned to central London, rapidly absorbing the unusually high level of vacancy which arose at the start of pandemic restrictions in 2020. As a result, we have had very limited vacancy in our 632 rental apartments throughout the year and market rental levels are now 10.5% above 2019 levels. The demand/availability tension in the residential market shows no sign of lessening, but we are mindful of potential rent affordability issues which could impact our occupiers.

Refurbishment activity

In the latter months of 2021, with the West End's post-Covid recovery firmly established and growing occupier demand in our locations, we relaxed our self-imposed 18-month moratorium on new schemes. We have now returned to our long-established strategy of proactively seeking to secure vacant possession of space to improve our buildings, unlocking latent income and capital value potential. Improving the environmental performance of the accommodation we provide in every scheme is a key priority in our sustainability and net zero carbon commitments.

During the year, we have worked on over 12% of our floorspace, incurring capital expenditure of £35.9 million. We have delivered 100,000 sq. ft. of new or refurbished space and, at 30 September 2022, schemes underway extended to 53,000 sq. ft. of hospitality and retail space, 94,000 sq. ft. of offices and 21,000 sq. ft. of residential accommodation.

Our largest scheme, 72 Broadwick Street, completed in May 2022. To date, retail, office and residential space with a rental value of £2.9 million has been let and hospitality space with a rental value of £0.2 million is under offer. Disappointingly, Equinox, the US gym operator, withdrew from its pre-letting of 28,700 sq. ft. of space on the second and third floors of the building, which we are now reconfiguring and fitting out for office use. Whilst this will incur additional expenditure, we anticipate achieving higher rental income. The works are expected to complete in summer 2023. Together with 9,000 sq. ft. of office space on the first floor which will be offered fully fitted, the total ERV of office space to be let is £3.3 million.

We are continuing to identify and progress schemes which we anticipate will start in 2023. Inevitably building cost inflation is likely to continue to impact day one returns on construction schemes across the real estate sector. As long-term owners, we assess our projects on the basis of their long-term income and capital value benefits to us, together with any compound benefits to our adjacent ownerships.

"

We have now returned to our long-established strategy of proactively seeking to secure vacant possession of space to improve our buildings, unlocking latent income and capital value potential.

Acquisitions and disposals

In our local market, opportunities to acquire buildings which meet our strict criteria are usually limited. Our focus is on buildings which add to and complement our existing ownership clusters, and which have potential, through a combination of physical improvement and integration with our existing holdings, to deliver long-term growth in income and capital values. With the West End's rapid post-pandemic recovery and positive prospects, existing owners, typically private rather than institutional, continue to be reluctant to sell their resilient and scarce assets.

Against this backdrop, this year we have completed acquisitions totalling £55.3 million. We were particularly pleased to finally acquire a long leasehold interest in 19,200 sq. ft. of retail and hospitality space in the recently redeveloped lower floors of 92-104 Berwick Street, which has always been key to our long-term strategy for this busy part of Soho. Acquired for £27.5 million (exclusive of purchase costs), we are now investing £2.6 million to put the 14,000 sq. ft. of vacant space into a market-standard condition expected by occupiers prior to commencing marketing. Other acquisitions comprised seven buildings which further consolidated holdings in our ownership clusters.

As part of our regular review of our portfolio to identify buildings we no longer consider to be core to our long-term strategy, in the first half we disposed of two buildings, producing gross proceeds of £11.4 million, 9.6% above their 2021 year end valuation.

Finance

At 30 September 2022, our loan-to-value ratio was 25.2% and available resources amounted to £255.2 million, including a £100 million undrawn revolving credit facility, which matures in February 2023. In light of the proposed merger, it is currently expected that this facility will be retired at maturity, given the other sources of liquidity in the combined group.

In the event that the proposed merger with Capco becomes effective, change of control provisions in our secured mortgage bonds will be triggered, which give bondholders the right to redeem their bonds at par. To provide funding certainty in the event that some or all of the bondholders exercise this change of control right, Capco has arranged a £576 million loan facility with a term of up to three years. Based on current market conditions, any drawdown of this facility will increase financing costs for the combined group, although steps will be taken to mitigate this, capitalising on the increased strength of the combined group balance sheet following completion.

Sustainability

With clear evidence of accelerating climate change across every continent, there is an imperative to address its causes and implications and the over-arching need to decarbonise the world's economy. In November 2021, we launched a refreshed sustainability policy, which included our targets and roadmap to be carbon neutral in our own operations by 2025, and a net zero carbon business by 2030.

Our business has always focused on the preservation and improvement of existing buildings to minimise the carbon and resource impacts associated with demolition and rebuilding. This approach is inherently sustainable for our portfolio and makes an important contribution to future-proofing the West End's heritage of protected and period building stock. Over many years, we have focused on enhancing the environmental performance of our properties as a key aspect of improving the space we provide. Currently, 61% of our demises have an EPC grade of C or above.

We are now preparing for the introduction by the Government of higher energy performance standards in the years ahead and are confident we will achieve or exceed the minimum levels of performance to ensure our space continues to be lettable and meets occupiers' expectations. We refurbish approximately 10% of our portfolio each year and an initial high-level assessment of a representative sample of our 600+ buildings has suggested that the additional cost of achieving compliance with the new standards could be in the region of £25 million over the period to 2030. This could increase our average annual capital expenditure by around 10%.

Of growing importance in the years ahead will be the need to work with our occupiers to reduce the carbon impact of their business activities, in both how they fit out and use the premises they lease from us. In the case of our hospitality and retail space, the sustainability credentials of prospective occupiers are already important criteria in our selection process, and we are providing guidelines to address sustainability in occupier fit outs. In 2023, we shall be engaging with our commercial occupiers to gain a better understanding of their sustainability aims and actions so our support can be targeted most effectively.

Community

As a responsible, long-term landowner and business, engagement and collaboration with our wide range of stakeholders has always been integral to our strategy and values. With our experience and forensic knowledge of the West End, accumulated over 36 years, we are able to make an important contribution to addressing the challenges in its complex ecosystem and often competing interests, to help find solutions to safeguard its long-term appeal and prospects.

Our local stakeholders include a wide variety of organisations from local authorities, neighbouring owners and business improvement districts, industry groups, resident groups, grassroots charities and organisations seeking to address social issues in our locality and beyond. Our active engagement, which goes beyond just financial support, helps deliver progress on the aims and ambitions we share with our community partners.

We continue to work with local authorities, neighbours and residents to address public realm issues, including extending pedestrian-priority areas and providing outdoor seating where suitable, lessening traffic congestion and pollution, and sharing our practical experiences of retro-fitting older buildings. These are important aspects of our long-term sustainability strategy and demonstrate how collaboration can leverage our experience to produce better outcomes far beyond our local ownerships and community.

Meanwhile, we continue our support and engagement with local charities and not-for-profit organisations, to address needs in the communities in our locations and beyond, providing funding, free or subsided accommodation, advice and staff volunteering. We have evaluated our community contribution this year at £1.0 million.

> Improving the environmental performance of the accommodation we provide in every scheme is a key priority in our sustainability and net zero carbon commitments.

People

We have always recognised that the long-term success of our business relies on the knowledge, experience and commitment of our innovative and enthusiastic team and our culture of responsible stewardship, transparency, collaboration and engagement. Beyond our team, we have a wide range of out-sourced professional advisors and service providers, who share our values and make an important contribution to our achievements.

Alongside the growth of our internal resource in recent years, which has brought us new skills and ideas, we have continued to invest in employee personal development, as well as adapting our structures and ways of working to ensure we continue to be a cohesive and effective management team. Importantly, the views and opinions of all our colleagues are widely sought and make an important contribution to our decisions across all aspects of the business. Over many years, we have found this open, collegiate culture fosters constructive challenge, embraces change and respect for new ideas, and importantly brings an inherent resilience in the face of testing situations, such as we faced during the unprecedented period of pandemic disruption.

Recognising that the proposed merger with Capco has inevitably resulted in considerable uncertainty for our people, we have introduced a number of initiatives to support our colleagues through this unsettling period.

It is a testament to the team's commitment and resilience that, despite uncertainties and considerable additional workloads related to the merger process, the day-to-day running of the business has been largely unaffected, delivering a good operational performance and progress on our sustainability priorities and various internal projects.

I would like to thank my colleagues, and our external partners, for their exceptional contributions to our progress this year.

Outlook

The exceptional features of London and the West End have enabled their economies to largely recover from the disruption caused by the pandemic. The actions we took in 2020 and 2021 to support our occupiers and protect our portfolio have been rewarded with a rapid return to normal operating conditions in our locations over the last 12 months, and a much-improved financial performance.

From the early months of 2022, many countries have been faced with common challenges arising from the after-effects of the pandemic and the consequences of Russia's illegal invasion of Ukraine. Together, they have led to supply chain disruption, labour shortages, rising inflation and higher interest rates, resulting in declining consumer confidence and a deteriorating medium-term global economic outlook. Whilst inflation is expected to start to decline in 2023, in common with all businesses it will continue to impact our operating and capital expenditure costs in the near term.

We have already seen an impact on investment market sentiment, with our valuers reporting an outward yield shift in the second half. The future direction of yields will be heavily influenced by macro factors and the medium-term outlook for UK interest rates. However, the prospect of continuing to deliver a robust operational performance from our portfolio will be important in tempering the impact on investor sentiment of adverse conditions in the wider real estate market.

Although London and the West End cannot be immune from the unprecedented range of challenges which are now dominating the national outlook, their long-term prospects remain bright, thanks to their enduring appeal to global, domestic and local visitors, businesses and investors, their dynamic economies and ability to attract talent and creativity from across the world. These features are mirrored in the locations in which we invest and, together with our proven, innovative management strategy and our experienced and enthusiastic team, reinforce our confidence in the long-term potential of our exceptional portfolio.

Brian Bickell

28 November 2022

PEOPLE PLACES SPACES

Neal's Yard, Seven Dials

Business model and strategy

Delivering long-term economic and social value for our stakeholders and contributing to the success of London's West End through our proven, evolving strategy.

Our resources

Portfolio of mixed-use buildings clustered in iconic locations in the heart of London's West End

- Carnaby
- Covent Garden
- Chinatown
- Soho
- Fitzrovia

Read more on pages 18-21

Experienced, innovative team

Based in Carnaby, within 15 minutes' walk of all our holdings

Employees: **52**

Senior leadership team: **17 years** average length of service

Supported by a broad range of external advisors who bring insight and perspectives

Read more on pages 70-72

Strong financial base

Loan-to-value: **25.2%**

Available resources[1]: **£155.2m**

Weighted average debt maturity[1]: **7.7 years**

Read more on pages 50-51

1. Proforma for the maturity of our £100m revolving credit facility

Underpinned by

Our cultures and values

Read more on pages 70-72

Effective governance and risk management

Read more on pages 82-83 and 101

Stakeholder relationships

Read more on pages 64-69

What we do

Investment

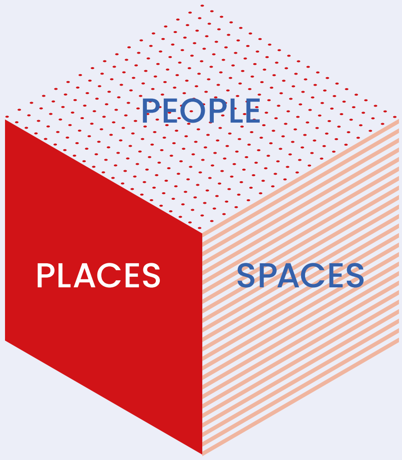
Invest in adaptable, mixed-use buildings in high footfall locations close to the West End's major employment locations, transport hubs and visitor attractions

Focus on hospitality, retail and leisure uses

Establish ownership clusters

Read more on pages 20-21

Village management



Foster vibrant and thriving places which are destinations of choice for businesses, visitors and residents

Provide spaces which meet the needs of businesses, visitors and residents

Read more on pages 22-30

Sustainability

Sustainable building **re-use** and **refurbishment**

Protect heritage of our buildings while improving energy efficiency

Engage and collaborate with occupiers and our local community to promote positive sustainable actions

Creating **healthy** and **inclusive places** where people live, work and visit

Promote diversity, talent and **creativity** across our local communities

Read more on pages 56-63

How we create long-term value

Invest in prosperous areas with an ecosystem of businesses, visitors and residents

Focus on uses with a long history of occupier demand exceeding availability of space

Establish ownership clusters

- enables a long-term cohesive strategy to unlock rental and capital value potential
- brings economies of scale
- allows the benefits of individual improvements to be compounded across nearby holdings

Leverage our knowledge and expertise

- of the West End market, our areas and their audiences
- to manage and improve buildings to unlock latent value and enhance long-term income prospects

Foster vibrant environments where occupiers can thrive

- attract growing footfall and trading
- evolve our offer to meet changing consumer trends
- provide high-quality competitively-priced space
- sustained occupier demand and high occupancy drives rental growth and returns

Improve our buildings

- adapt space to ever-changing consumer trends and occupier requirements
- extend buildings' useful economic lives
- modest capital expenditure model improves returns

Use our relationships and networks

- engaging with, understanding and balancing the needs of local stakeholders to deliver positive outcomes

To deliver on our long-term strategic priorities

Deliver sustainable, long-term benefits for all our stakeholders

Long-term growth in rents and portfolio value

Grow recurring earnings, cash flow and dividends

Minimise the **environmental impact** of our operations

Attract, develop and **retain talented people**

Near-term strategic priorities are designed with our long-term objectives in mind, rather than for short-term gain. Value creation and success against our strategic priorities and objectives are measured using KPIs, which are reflected in remuneration.

Read more on pages 33-37

This year

(38.7)%
Total Shareholder Return
2021: 25.5%

£82.8m
Net property income
2021: £64.7m

5.0%
Total Accounting Return
2021: (14.6)%

31.0p
Earnings per share
2021: (52.0)p

£2.5bn
Net assets
2021: £2.4bn

9.9p
Underlying EPRA earnings per share
2021: (2.0)p

£6.41
EPRA NTA
2021: £6.19

9.9p
Dividends per share
2021: 6.4p

£1.0m
Value of community contribution
2021: £1.2m

7.6%
Reduction in Scope 1 & 2 emissions
2021: 7.1%

Impossible-to-replicate portfolio

Since the early 1990s, we have invested exclusively in the heart of London's West End, concentrating on iconic, high-footfall locations.

TOTTENHAM COURT ROAD

Longmartin (1.9 acres)

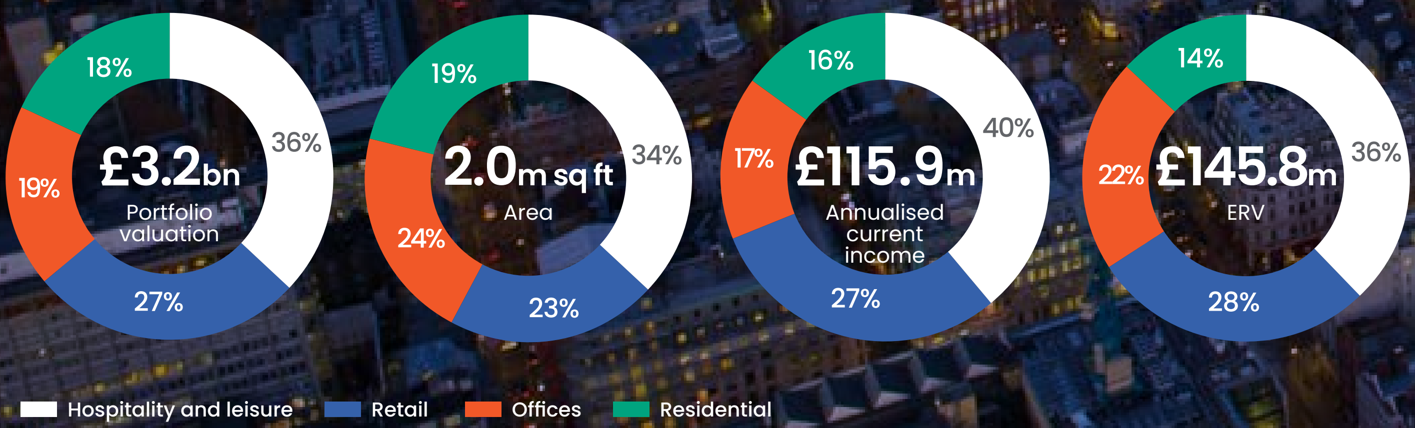
This joint venture owns a long leasehold interest in a 1.9-acre cluster of mixed-use buildings, centred on St Martin's Courtyard in Covent Garden, which offers a range of hospitality, leisure and retail concepts, alongside over 100,000 sq. ft. of office space and 75 apartments.

GOODGE STREET

Fitzrovia (0.9 acres)

London's oldest dining district, renowned for its abundance of small restaurants, bistros, cafés, pubs and bars. Its large residential, student and working populations add to the area's buzz and cosmopolitan feel. Our ownerships are on, or close to, Charlotte Street and Goodge Street.

> Wholly-owned portfolio



Covent Garden (5.1 acres)

Our wholly-owned ownerships in Covent Garden are located in Seven Dials, the Opera Quarter and the Coliseum area. Seven Dials comprises a seventeenth century network of streets, courtyards and warehouse buildings radiating from the sundial monument, which have a mix of shops, restaurants, cafés, bars, theatres and hotels.

To the east and west of the Covent Garden Piazza, the Opera Quarter and Coliseum holdings have a high concentration of restaurants, cafés and bars reflecting their close proximity to major theatres, cinemas and hotels.

Chinatown (3.8 acres)

A bustling village with a large far-eastern community at the heart of the West End's entertainment district. Its large concentration of restaurants and cafés, in predominantly pedestrianised streets, offers an evolving mix of traditional and modern Chinese and pan-Asian culture and cuisines.

Soho (1.8 acres)

Soho is home to many creative businesses, independent boutiques, iconic restaurants, cafés, bars, and clubs. By day, it offers a wide variety of independent, quirky shops and is a hub for creativity with many small businesses, typically in the media, tech and fashion sectors. In the evening and night-time, its distinctive atmosphere and proximity to the West End's main leisure and cultural attractions, makes it a popular destination for visitors and the large local working population. Our ownerships are largely centred on Berwick Street and Brewer Street.

Carnaby (4.8 acres)

An iconic shopping and dining destination. Famous for its history as the centre of "Swinging Sixties London", it has reinvented itself throughout the decades. Today, its 14 streets, the majority of which are pedestrianised for most of the day, showcase international and British labels, from flagships to independent brands and new concepts. It is also home to a lively cluster of restaurants, cafés and bars, centred on Kingly Court, Kingly Street and Ganton Street.

Investing in the heart of London's West End

Establishing and extending ownership clusters in high footfall locations in the heart of London's West End.

For over 30 years, we have invested exclusively in the heart of London's West End, establishing and extending ownership clusters in high footfall areas which have an ecosystem of visitors, workers, and residents, close to major employment locations, transport hubs and visitor attractions.

We adopt a disciplined approach to investment, concentrating on buildings which add to our existing villages. In identifying and establishing emerging clusters, we focus on busy streets close to West End landmarks which suffer from fragmented ownership, leading to a lack of strategic curation and investment and where rental tones are significantly lower than nearby prime locations. Whilst the buildings we buy tend to contain a mix of uses, we prefer those which either have, or have the potential for, a predominance of hospitality, retail or leisure on the lower floors.

Why we invest in London's West End

One of the leading global cities, London has the largest economy of any Western European city and generates around one quarter of UK GVA. Its population is estimated at 8.9 million, with forecasts of 9.5 million by 2030[1]. Additionally, there is a similar population in south east England, within easy commuting or visiting distance. The breadth of its economy encompasses:

- a world-leading financial and commercial centre;
- a major hub for creative industries, from technology and life sciences to media;
- a globally-recognised location for education and research;
- home to world-class visual and performing arts facilities; and
- an unrivalled variety of heritage and cultural attractions which draws huge numbers of domestic and international visitors.

London's economy is currently recovering from the pandemic and, with its global appeal, is expected to continue to grow as an economic powerhouse over the long term, attracting both domestic and overseas investment.

At the heart of the city, the West End is a world-class destination for innovative and accessible dining, shopping, leisure, entertainment and culture. Its series of interconnected urban villages, each with unique character, provide a vibrant and diverse community of visitors, workers and residents.

The West End's huge working population, estimated at 768,000 in the City of Westminster alone[2], makes it the largest employment centre in the UK and provides a regular, daily customer base for its hospitality, retail and leisure businesses. Together with an overlay of exceptional numbers of domestic and international visitors, this brings a busy, seven-days-a-week trading environment, with an affluent customer base, underpinning its long-term prosperity. In turn, this drives sustained occupier demand in a market of constrained supply of commercial space, which is fundamental to our villages' long-term prospects.

The West End is at the heart of the capital's extensive transport network which makes it accessible to a wide catchment. The six underground stations closest to our villages handled 133 million passengers in the year ended 30 September 2022[3]. The central section of the Elizabeth Line opened in May 2022 and a full service is expected by spring 2023. At both Tottenham Court Road and Bond Street stations, passenger traffic has increased significantly since opening in May and October 2022, respectively. Our portfolio, located a short walk from these new interchanges, is well-placed to benefit from the material long-term increase in visitors and spending this new service is expected to bring.

Our portfolio generally benefits from high occupancy levels and growing income, which together underpin the long-term prospects for rental growth.

Benefits of ownership clusters

Ownership clusters bring opportunities to add further value through:

- implementing cohesive, long-term asset management strategies to unlock rental and capital value potential;
- the potential to combine adjacent buildings to rationalise and improve the space we offer;
- phasing the delivery of space for letting across villages;
- the ability to move uses between buildings to maximise potential income prospects; and
- economies of scale in the provision of services for us and our occupiers.

Crucially, the benefits of individual improvements we make, such as increased footfall and spending, and higher rental tones, compound across our nearby holdings, driving long-term growth in rental and capital values at modest outlays.

Mixed-use buildings focused on uses with a long history of occupier demand exceeding availability of space

Providing a diversified mix of income streams, our mixed-use portfolio comprises restaurants, shops, cafés, bars and pubs over lower floors with offices, residential, or a mix of both on upper floors. Our 1.1 million sq. ft. of hospitality, retail and leisure space provides 67% of our annualised current income and 64% of ERV.

In our areas, there is a long history of occupier demand exceeding the availability of space, which often is restricted by listed building and conservation area legislation. This limits the opportunity for large-scale redevelopment to materially increase the supply of new accommodation, particularly at lower-floor levels. Consequently, our portfolio generally benefits from high occupancy levels and growing income, which together underpin the long-term prospects for rental growth.

Buildings with management flexibility

In our long experience, our portfolio of mostly smaller, mixed-use buildings provides considerable management flexibility. This includes the ability to improve, reconfigure and repurpose space, enabling us to adapt buildings to meet current demand and anticipate future market trends in occupier requirements. Significantly, with our focus on uses which reduce our exposure to obsolescence, capital expenditure is modest – typically representing around 1% of portfolio value annually – an important factor in long-term shareholder value creation.

Disposals

With our focused acquisition strategy to establish and grow long-term ownership clusters, disposals are rare. However, we keep the portfolio under review to identify and sell individual buildings which, through change of circumstances, are no longer considered to be of core importance to our long-term strategy, and where disposals will not damage the integrity and long-term value of the portfolio.

Virtually impossible-to-replicate portfolio

Our portfolio has been assembled over 36 years. The buildings we seek to acquire are typically in long-term private, rather than institutional, ownership and existing owners are generally averse to selling assets which have a long history of high occupancy, reliable cash flow and long-term growth prospects. Consequently, it would be virtually impossible now to assemble and replicate a portfolio such as ours in the West End.

1: GLA Economics
2: City of Westminster
3: Transport for London

Long-term village asset management strategy

Through our holistic long-term management strategy, we:

- create vibrant and thriving places which are destinations of choice for businesses, visitors and residents; and
- provide spaces which meet the needs of occupiers.

Sustainability is embedded across everything we do.

Our multi-faceted and constantly-evolving strategy is to give people reasons to visit and spend time in our villages, whether it be for social interaction, cultural interest, to work, shop or dine, or the sense of community. We look to provide places where people can enjoy themselves, feel comfortable, find something interesting and different, have experiences and gain memories.

Read more on pages 25-30

What we do	Why we do this
Careful curation of street-level occupier mix	
• Activate streets by clustering hospitality, retail and leisure on lower floors • Favour new concepts, independent operators and international brands making their UK debut • Strong preference for mid-market, innovative formats, rather than formulaic national chains	• Provide visitors with differentiated, interesting and varied experiences • Select new hospitality and retail concepts to adapt to ever-changing tastes and expectations • All-day casual dining experience provides a halo effect on footfall, attracting visitors, increasing dwell time and driving improved trading in our villages
Modern, flexible approach to leasing	
• Relatively short leases for retail, offices and residential. Hospitality businesses generally require longer leases • Trial new concepts • Provide amenities and services to support occupiers' businesses	• Encourage occupier demand • Support new businesses • Provide opportunities to constantly evolve the occupier mix to bring fresh and interesting consumer experiences
Improving the streetscape	
• Work with local authorities to invest in the public realm, including widening pavements, pedestrianisation, improved lighting and traffic management initiatives • Interesting and innovative art installations • Greening and other amenities such as communal seating • Use on-site presence to promote initiatives to improve waste collection, servicing and street crime	• Create safe, clean and welcoming environments for occupiers, their customers and residents to encourage longer stays and repeat visits • Provide opportunity for al-fresco seating • Provide visitors with points of interest, "Instagram moments" and memories • Improve biodiversity and air quality
Improving our buildings and accommodation	
• Maintain the fabric of buildings, respecting their traditional features • Refurbish and reconfigure space • Repurposing under-utilised space to introduce alternative uses • Relocating uses between buildings	• Provide hospitality, retail and leisure occupiers with more efficient trading space and anticipate market trends • Provide accommodation that meets office occupiers' and residents' expectations and anticipate market trends • Enhance buildings' rental potential, unlock latent value and extend their useful lives • Improve energy efficiency of our buildings and how our accommodation is used by occupiers
Promoting villages to a wide audience	
• Multi-channel marketing targeting visitors, consumers and occupiers • Active digital strategy including village websites and extensive social media presence • Campaigns and initiatives such as shopping, food and music events • Decorate our villages e.g. at Christmas and Chinese New Year • Collaborate with occupiers' promotional and digital campaigns	• Raising awareness of the unique experiences our villages offer to differentiate them from other central London destinations • Promote footfall and occupier demand
Engagement with stakeholders and local community	
• Understand stakeholder expectations • Maintain good relationships and strong communication with occupiers, local authorities and local communities, based on trust and respect	• Creating thriving places where people and businesses want to be • Balancing the complex and differing needs of a variety of stakeholders

Beak Street, Carnaby

Hospitality and leisure

Hospitality and leisure

We are the largest single provider of hospitality space in the West End, with high-profile and busy destinations such as Chinatown, Kingly Court and Seven Dials Market.

Wide choice of creative and accessible casual dining experiences, from breakfast through to late night dining

Halo effect on footfall, attracting visitors, increasing dwell time and driving improved trading in our villages

Favour mid-market and distinctive formats, often supporting new independent concepts or international entrants, rather than formulaic chains

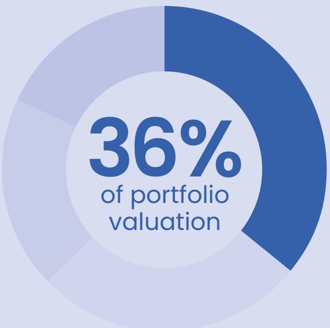
New lease terms typically 15 years with turnover-related rental top-ups, giving us the higher of market rent and a percentage of sales

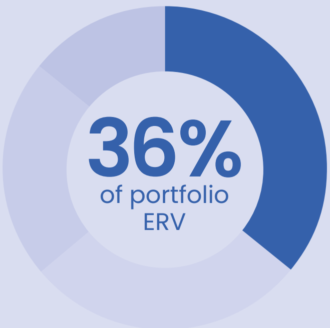
325
restaurants, cafés, bars and pubs

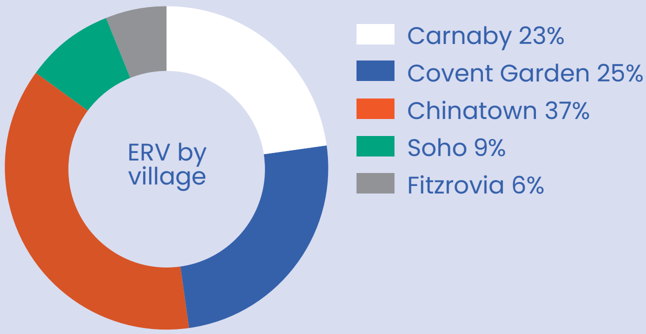
£1.1bn
valuation

0.7m
sq ft

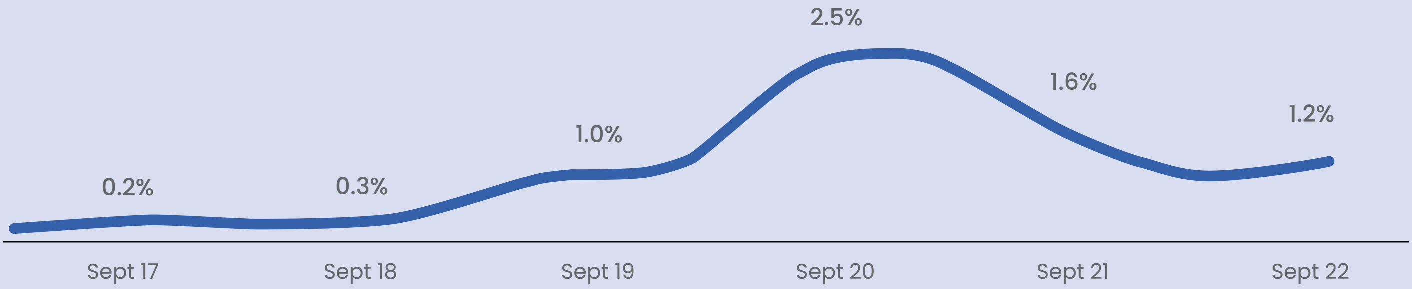
£52.2m
ERV







5 year EPRA vacancy
(% of portfolio ERV)



Retail

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

Mid-market, innovative, independent brands, rather than predictable national chains

Mix of fashion, footwear, accessories, health & wellbeing, lifestyle

Competitive rents compared with nearby streets

Wide range of shop sizes and rental tones: flexibility for retailers to expand or introduce new concepts

Leases typically 3-5 years; opportunity to keep brand line-up fresh and interesting

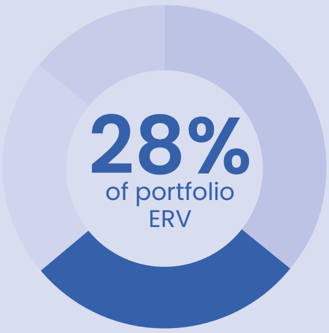
Reconfiguring larger shops and re-purposing space, where appropriate, to meet current demand for smaller shops

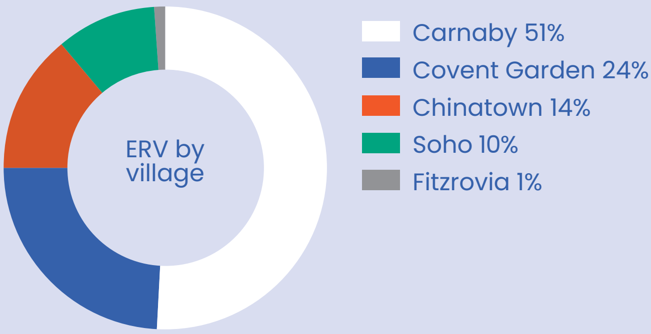
297 shops

£0.9bn valuation

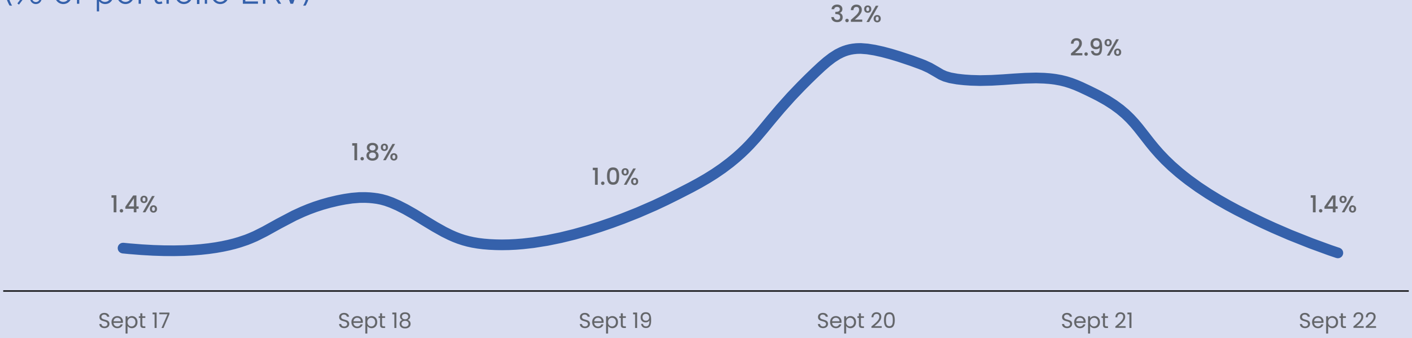
0.4m sq ft

£40.3m ERV





5 year EPRA vacancy
(% of portfolio ERV)



Retail

Offices

New office development at 72 Broadwick Street, Carnaby

Offices

We are an important provider of small, flexible office space in the West End. Office occupiers bring a regular source of customers to our villages.

Generally smaller, flexible and affordable accommodation

Range of office sizes provides opportunity for occupier expansion

Typical occupiers: SME media, creative, fashion and tech businesses

Typical lease term: 2-5 years

Continuing to increase the range of fitted-out space to maximise rental income and shorten void periods

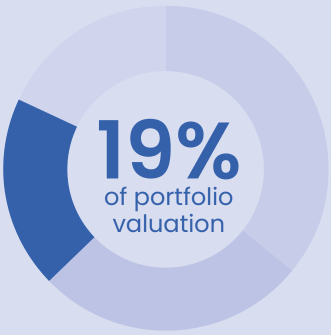
History of high occupancy and good retention rates

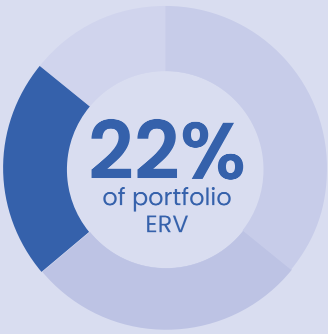
313 suites

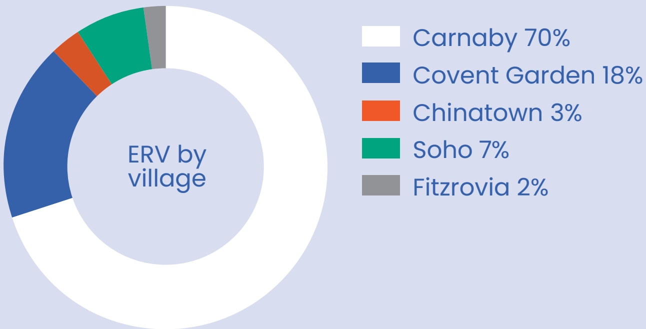
£0.6bn valuation

0.5m sq ft

£32.8m ERV

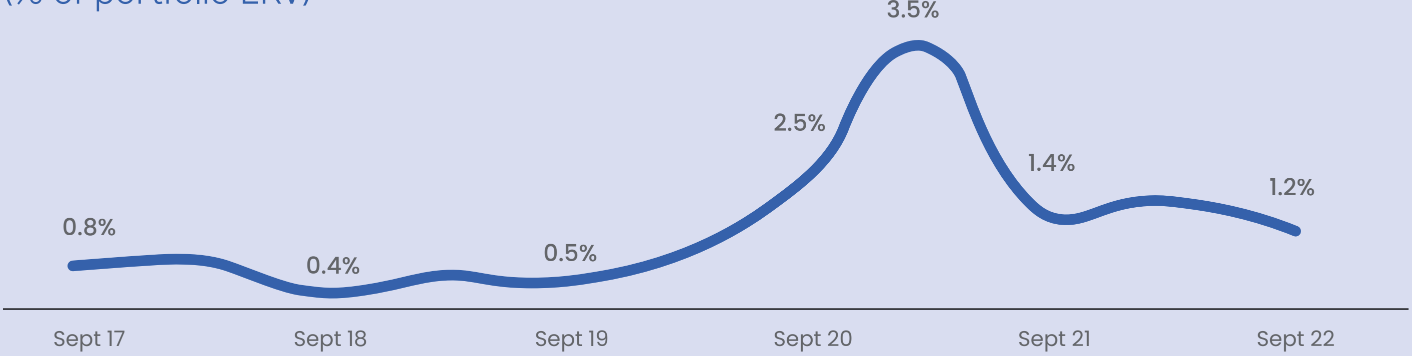






5 year EPRA vacancy

(% of portfolio ERV)



Residential

Residential is a key part of our villages' eco-systems, bringing people to shop, dine, socialise and enjoy the places we curate.

Mostly heritage buildings with a unique character that new builds cannot match

Mostly mid-market apartments:

- mainly studios, one or two-bedrooms
- largely unfurnished

Rolling upgrade programme continues – improving energy performance, modernising layouts, upgrading specifications

Occupancy traditionally high (> 98%); reliable cash flow

Lease term: 3 years with rolling break options after six months

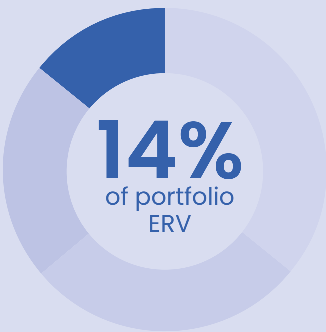
Let rather than sell apartments to retain control over whole buildings rather than compromise long-term value creation opportunities over lower floors

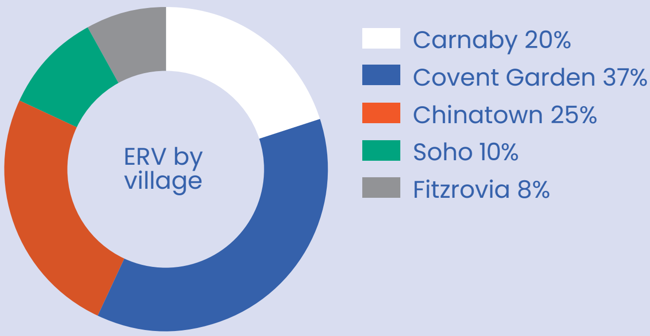
632 apartments

£0.6bn valuation

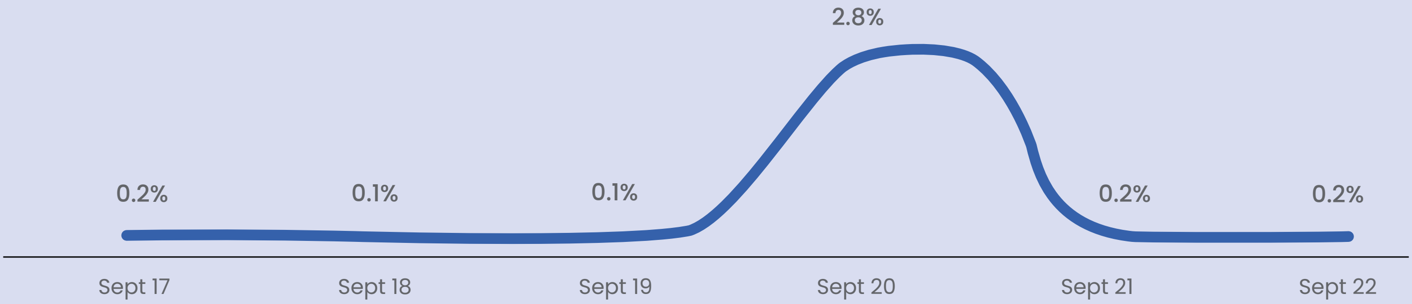
0.4m sq ft

£20.5m ERV





5 year EPRA vacancy
(% of portfolio ERV)



Residential

'Carnaby Lofts' residential development at 72 Broadwick Street, Carnaby

Newburgh Street, Carnaby

Progress against our 2021/22 priorities

2021/22 priorities

Key initiatives	Progress in the year
Grow net property income	
• Manage vacancy • Improve rent collection • Return to ERV growth • Identify new hospitality opportunities through change of use • Expand use of Assemble by Shaftesbury and develop product for smaller offices • Expand use of digital office leasing platform and consider for hospitality, retail and leasing	• EPRA vacancy stood at 4.0% at 30 September 2022 (2021: 6.0%). Available-to-let vacancy reduced to 2.4% (2021: 2.9%) • Rent collection returned to broadly pre-pandemic levels and stands at 99% for the year • ERVs grew 9.0% (like-for-like) over the year (2021: -6.4%) • We converted five units to hospitality from other uses in the year and have others in our pipeline of schemes • Installing Assemble as standard on 1,000-3,000 sq. ft. office suites as they become vacant. Developed Assemble Premium proposition for our larger floorplates • Digital office leasing in use on c.85% of the office portfolio. In light of the proposed merger, roll-out to other uses was put on hold *Portfolio report: page 38*
Investment and liquidity	
• Acquisitions within our established and emerging clusters • Selected disposals of limited number of non-core properties • Identify and implement new refurbishment schemes • Manage debt covenants • Manage property costs in an inflationary environment • Refinance revolving credit facility	• Completed the acquisition of eight properties in the year at total cost of £55.3 million (2021: four properties; £13.2 million) • Disposed of two non-core properties in the year for £11.4 million (2021: one property; £5.3 million) • Actively commenced new refurbishment schemes where opportunities to create rental growth were identified. Space under refurbishment decreased to 168,000 sq. ft. (2021: 170,000 sq. ft.) and £35.9m of investment property capital expenditure was incurred in the year (2021: £37.4 million) • Compliant with all debt covenants during the year with comfortable headroom • Property costs (net of recoverable service charge costs) totalled £23.6m; 21.4% of rental income (2021: £22.6m; 21.5%) • In anticipation of the proposed merger, plans to refinance the revolving credit facility were not progressed *Portfolio report: page 38* *Financial report: page 48*
Attract, develop and retain talent	
• Deliver planned development programmes • Create clear career progression paths and promotion criteria • Increase awareness of equality, diversity and inclusion across the business • Evolve hybrid working model, whilst retaining culture and creativity	• Leadership development programmes progressed • Career progression framework and promotion criteria developed and launched to staff • Plans to develop an equality, diversity and inclusions strategy has not progressed, but remains a priority for 2023 • Successfully embedded hybrid working model *Our people and culture: page 70*
Create a sustainable future	
• Embed targets and expand actions relating to our net zero carbon roadmap and sustainability focus areas • Engage with occupiers and supply chain to promote and support low carbon behaviours • Develop energy use intensity targets for our buildings • Improve portfolio energy efficiency through refurbishment programme	• 2030 net zero carbon roadmap targets embedded in Sustainability Action Plan • Net zero carbon requirements introduced to Supplier Code of Conduct. Progressing data collection on embodied carbon in refurbishment projects. Published low carbon fit-out guide for our restaurants. Further engagement with occupiers and supply chain to promote and support low carbon behaviours is a priority for 2023 • Progressed accuracy and completeness of necessary consumption data. Targets will be developed in 2023 • 61% of demises are now EPC - rated A-C and 96.5% A-E (2021: 93%) with improvements due to rolling programme of refurbishment *Sustainability: page 56*
Strengthen external relationships and perceptions	
• Develop and implement our community commitment • Provide financial and in-kind support to the local community and introduce 6-monthly support reviews • Grow awareness of Shaftesbury, our purpose, achievements, values and sustainability initiatives with key stakeholders and potential occupiers • Launch new corporate website	• £1.0m of financial and in-kind contributions to a range of community organisations. We request reports at the end of funded projects to record measures of success • Plans progressed for the remaining priorities including significant progress in developing our "Community Voice" project. However, in light of the proposed merger these initiatives were put on hold *Stakeholder engagement: page 64* *Portfolio report: page 38*

Measuring our performance

We use a balance of financial and non-financial metrics to measure our performance. These include both long-term performance and operational measures, aligned with our long-term strategy. Whilst performance in 2020 and 2021 was dominated by the effects of the pandemic, the strong recovery this year has led to improvements in key metrics.

Strategic objectives to deliver a positive, long-lasting contribution to London's West End

1. Deliver long-term sustainable benefits for all of our stakeholders
2. Long-term growth in rents and portfolio value
3. Grow recurring earnings, cash flow and dividends
4. Minimise environmental impact
5. Attract, develop and retain talented people

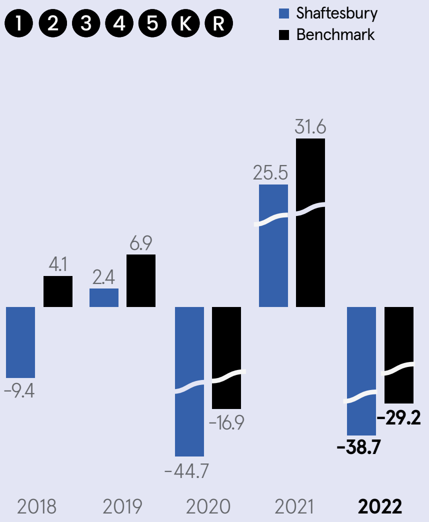
K KPI

R Remuneration

Business model and strategy: pages 16 to 17

Measures of return

Total Shareholder Return (%)



Measures shareholder value creation, taking into account share price movements and dividends in the period. We benchmark against the FTSE 350 REIT Index.

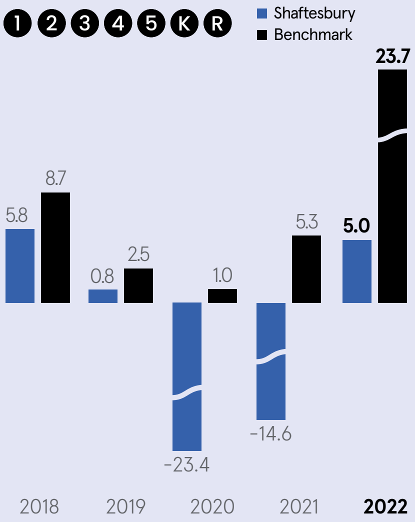
In 2022, our TSR was -38.7%, 9.5 percentage points below the benchmark, reflecting the decrease in our share price during the year.

Performance over three years relative to the benchmark is a measure in the LTIP scheme.

For LTIP awards granted in 2021, vesting will be based on the ranked position of our TSR against the constituent members of the FTSE 350 REIT Index, rather than against the Index itself.

Remuneration report: page 133

Total Accounting Return[1,2] (%)

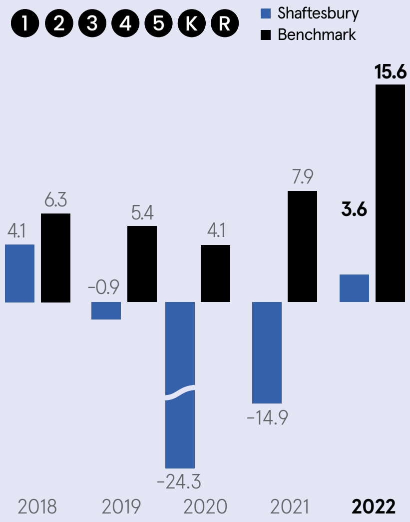


Overall measure of performance, taking into account growth in EPRA NTA plus dividends paid, as a ratio of EPRA NTA at the start of the period. For the benchmark, we use a market capital-weighted index of FTSE 350 REITs.

For our LTIP, we measure TAR over three years relative to the benchmark. Whilst we have underperformed against the benchmark over the past three years, in 2022, TAR was 5.0%, driven by an increase in NTA, largely due to a revaluation surplus in the wholly-owned portfolio in the year (see right).

Remuneration report: page 133

EPRA NTA[1,2] growth (%)



Standard real estate industry measure of valuation creation. For our LTIP, we benchmark three-year growth in EPRA NTA on an absolute basis against RPI +3%.

EPRA NTA increased by 3.6% this year, underperforming the benchmark (+15.6%), reflecting the inflationary environment.

The increase in NTA was primarily due to property valuation surpluses.

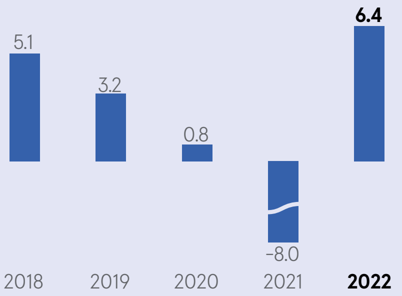
For LTIPs granted in 2020, EPRA NTA growth is based on an absolute measure (0-5% pa). From 2021, EPRA NTA growth was replaced by TAR, measured on an absolute scale (4.5% - 10.5% pa).

Financial report: page 50
Portfolio valuation: pages 42-45
Remuneration report: page 133

Rental growth

Commercial leasing vs ERV[3] (%)

2 3 K R



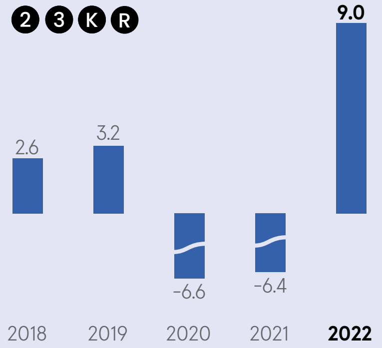
Other than during the pandemic, our strategy has delivered growth in annualised current income and rental values over many years. Through our leasing activity, we convert previously assessed rental potential into contracted income, whilst establishing new rental levels which provide evidence for leasing negotiations and for our valuers in assessing ERVs.

With rental values recovering from pandemic lows, commercial leasing transactions during the year were concluded 6.4% above ERV at September 2021.

Leasing activity: pages 38-40

Like-for-like ERV growth[3] (%)

2 3 K R



Measures growth in the rental potential of our wholly-owned portfolio.

In 2022, with footfall and spending in our villages recovering, occupier demand has been good across all uses. Like-for-like rental growth was 9.0%. On a like-for-like basis, portfolio ERV is now 4.6% below September 2019, recovering from -12.5% at 31 March last year.

Wholly-owned portfolio valuation: page 42

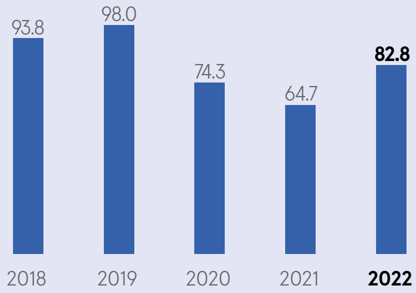
These two measures were reinstated as bonus metrics this year, having not been used in 2021 as our near-term focus was on maximising income, maintaining occupancy and controlling property costs during the pandemic.

Remuneration report: page 132

Income

Net property income (£m)

2 3 K



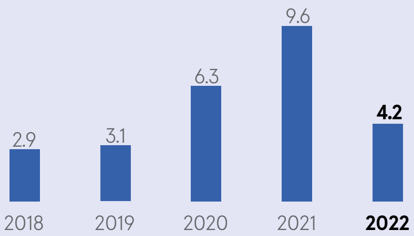
Growth in net property income is a key driver of earnings and dividends. This year, it increased by 28.0% to £82.8 million. The recovery in operating conditions, together with sustained occupier demand has led to improved rent collections, lower vacancy, and reduced charges for expected credit losses. Property charges, excluding recoverable service charge costs, increased by 4.4%, largely due to greater activity in our villages and increased letting costs, reflecting high levels of leasing activity this year.

Financial report: pages 48-49
Leasing activity: pages 38-40

Occupancy

Quarterly average underlying EPRA vacancy[3,4] (%)

2 3 K R



High occupancy is a key factor in sustaining good cash flows from our portfolio. Vacancy continued to recover from the pandemic, in particular in the first half of the year, which saw EPRA vacancy reduce from 6.0% to 4.7%. By 30 September 2022, it had reduced further to 4.0%, of which 1.6% was under offer. Quarterly average underlying EPRA vacancy was 4.2%.

Like the rental growth metrics above, this measure of vacancy was reinstated as a bonus metric this year.

Remuneration report: page 132

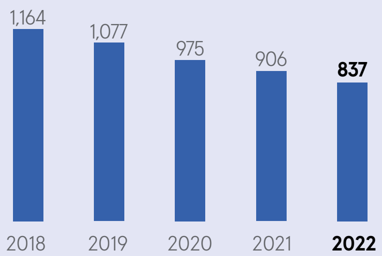
In previous years, weighted average vacant period has been a KPI. However, with the strength of occupier demand, there is a greater focus on EPRA vacancy. Consequently, this measure is no longer considered to be a KPI.

Portfolio report: page 38

Sustainability

Scope 1 & 2 emissions (tCO_2e)

1 2 4 R



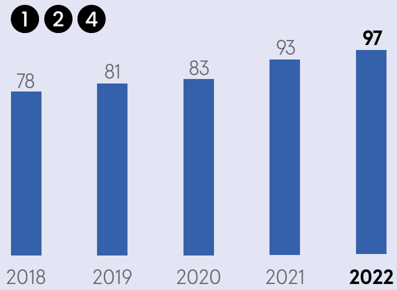
Reducing scope 1 and 2 carbon emissions in line with our 1.5 degree science-based target trajectory is an important factor in our net zero carbon target and is a bonus metric.

The 7.6% reduction in emissions in 2022 keeps us ahead of our targets against our 2018 baseline.

Sustainable building re-use: page 61;
Climate risk and opportunity: pages 76-79

% of demises with EPC rating A-E

1 2 4



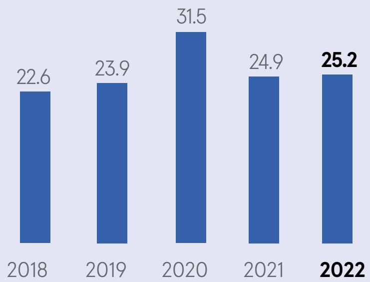
We aim to improve energy performance with each refurbishment scheme. This year, the number of demises with an EPC rating of A-E has increased by 3.5 percentage points to 96.5%. As part of our Net Zero Carbon 2030 strategy, we target minimum grade B EPC ratings on all commercial refurbishments over £250,000 and minimum grade C for residential refurbishments.

1 Alternative performance measure. See page 175.
2 2018 to 2020 adjusted for the bonus element inherent in our equity raise in November 2020
3 Wholly-owned portfolio
4 Excluding exceptional larger schemes

Financial management

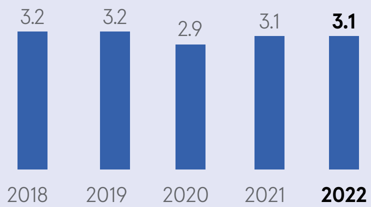
Loan-to-value[1,3] (%)

❶



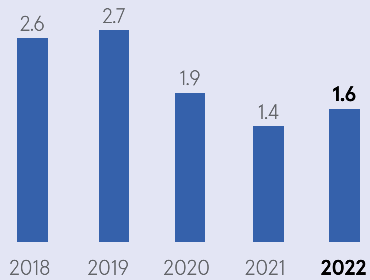
Blended cost of debt[2,3] (%)

❶ ❸



Interest cover[3] (x)

❶ ❸



We operate with conservative leverage levels with long-term fixed interest arrangements forming the core of our debt finance. In 2022, our loan-to-value ratio increased to 25.2%, as the increase in net debt arising from further investment in our portfolio, was only partly offset by the increase in the valuation of the portfolio resulting from that investment and the revaluation surplus for the year.

Interest on our drawn financing arrangements is fixed, and accordingly, the blended cost of debt has remained at 3.1%. However, with growing operating profit before investment property disposals and valuation movements, interest cover has increased from 1.4x to 1.6x.

Financial report: page 51

Other operational measures

In addition to our KPIs, other operational metrics we monitor in assessing the performance of the business include:

Portfolio management	2022	2021
Growth/(decline) in annualised current income 3 *See page 45*	**7.5%**	(1.9)%
Reversionary potential 2 *See page 45*	**25.8%**	22.2%
Space undergoing refurbishment (% of portfolio ERV) 2 3 *See page 40*	**8.3%**	8.9%

Our people	2022	2021
Staff retention 5 *See page 70*	**92%**	100%
Staff engagement 5 *See page 71*	**N/A[4]**	90%

Financial	2022	2021
EPRA earnings per share[3] 3 *See page 48*	**5.0p**	3.5p
Underlying EPRA earnings per share[3] 3 *See page 49*	**9.9p**	(2.0)p

Sustainability and stakeholders	2022	2021
Value of community contribution as a % of EPRA earnings 1 *See page 62*	**5.0%**	9.0%

Underlying EPRA earnings per share has been included in the table, having become a key operating measure for the Board this year.

1 Based on net debt
2 Including non-utilisation fees on undrawn bank facilities
3 Alternative performance measure. See page 175.
4 This year, we conducted a staff wellbeing survey, which did not measure staff engagement.

Portfolio report

Sustained recovery in confidence and activity with footfall, spend and occupancy recovering to pre-pandemic levels and rental values returning to growth. The portfolio valuation grew in the year, but first half gains were partly reversed in the second half as valuation yields increased in response to globally-rising finance rates and the deterioration in the macroeconomic outlook.

Operating environment and leasing activity

The exceptional and enduring appeal of the West End and our villages and their inherent resilience have been reflected in the sustained recovery in confidence and activity following the relaxation of Covid restrictions last year. In our locations, monthly footfall continues to track higher than 2021, buoyed by the return of domestic visitors, growing numbers of office workers choosing to spend time in our lively areas over working from home, and a rebound in international visitors.

Despite wider UK trends, consumer spending in the West End remains good. Since spring 2022, our hospitality, retail and leisure occupiers have reported trading revenues, on average, at or above 2019 levels, with monthly sales now 6% ahead of pre-pandemic levels. Demand for space in our carefully curated, popular locations continues to be strong across all uses, reflected in a return to pre-Covid occupancy levels and further growth in rental values.

The central section of the Elizabeth Line opened in May 2022 and a full service is expected by spring 2023. At both Tottenham Court Road and Bond Street stations, passenger traffic has increased significantly since opening in May and October 2022, respectively. Our portfolio, located a short walk from these new interchanges, is well placed to benefit from the material long-term increase in visitors and spending this new service is expected to bring.

With good occupier demand, leasing momentum has continued. During the year, we concluded 243 commercial and 270 residential leasing transactions with a combined rental value of £40.9 million, 20.6% above the volume in 2021, with healthy increases over September 2021 ERVs and previous rents.

Leasing transactions concluded during the year

	2022				2021
	H1 £m	H2 £m	£m		£m
Commercial					
Lettings and lease renewals[1]	13.3	12.2	**25.5**	+6.4% vs 9.21 ERV	20.6
Rent reviews	3.3	3.6	**6.9**	+19.0% vs previous rent; (+16.8% vs 9.21 ERV)	3.4
	16.6	15.8	**32.4**	+8.5% vs 9.21 ERV	24.0
Residential	2.3	6.2	**8.5**	+11.4% vs previous rent	9.9
	18.9	22.0	**40.9**		33.9

1. Includes estimated turnover rent, where applicable.

Occupancy

Over the year, vacancy has reduced across all uses. At 30 September 2022, EPRA vacancy totalled £5.8 million and represented 4.0% of portfolio ERV, down from 6.0% at 30 September 2021 and 4.7% at 31 March 2022. Of the total, 2.4% was available to let and 1.6% was under offer.

Available-to-let space

At 30 September 2022, available-to-let space represented 2.4% of ERV (2021: 2.9%) and extended to 46,000 sq. ft. (2021: 53,000 sq. ft.), with decreases in both retail and offices, offset by a small increase in hospitality and leisure space. Residential vacancy has been negligible throughout the year.

	Hospitality and leisure	Retail[1]	Offices	Residential	Total
ERV (£m)					
2022	**1.0**	**1.6**	**0.9**	**-**	**3.5**
2021	0.6	2.0	1.3	-	3.9
% of portfolio ERV					
2022	**0.7%**	**1.1%**	**0.6%**	**-**	**2.4%**
2021	0.4%	1.5%	1.0%	-	2.9%
Area ('000 sq. ft.)					
2022	**13**	**18**	**15**	**-**	**46**
2021	6	25	22	-	53

1. Includes five shops let on temporary basis with an ERV of £0.4 million (0.3% of portfolio ERV); 2021: £1.0 million; 0.8% of portfolio ERV.

Space under offer

At 30 September 2022, space under offer extended to 36,000 sq. ft. (2021: 57,000 sq. ft.) and represented 1.6% of ERV (2021: 3.1%).

	Hospitality and leisure	Retail	Offices	Residential	Total
ERV (£m)					
2022	**0.7**	**0.4**	**0.9**	**0.3**	**2.3**
2021	1.5	1.8	0.6	0.2	4.1
% of portfolio ERV					
2022	**0.5%**	**0.3%**	**0.6%**	**0.2%**	**1.6%**
2021	1.1%	1.5%	0.4%	0.1%	3.1%
Area ('000 sq. ft.)					
2022	**10**	**7**	**13**	**6**	**36**
2021	24	18	9	6	57

Hospitality and leisure (36% of portfolio ERV)

With the post-pandemic return in footfall and spending, the promising recovery in the leasing market previously reported has continued through 2022, despite growing headwinds including inflation, staffing challenges and increasing finance costs. Our hospitality and leisure operators are reporting trade, on average, 6% ahead of 2019 levels and, anecdotally, businesses are reporting positive levels of advance bookings for the forthcoming Christmas period.

Demand is typically from experienced domestic independent concepts, although interest from international operators has increased over recent months. Demand for smaller, partially- or fully-fitted sites, which remain in short supply, remains strong and presents an opportunity to re-let space quickly should such space become available. Occupiers are attracted by the opportunities for outside seating and the vibrancy of our seven-day-a-week locations.

Lettings and renewals with a rental value of £5.4 million were completed in the year, with rents achieved 9.4% ahead of September 2021 ERV. Rent reviews totalled £5.7 million, 20.2% above previous rents. We are achieving lettings on conventional lease terms.

At 30 September 2022, five restaurants, two cafés and one bar were available to let, extending to 13,000 sq. ft. and with an ERV of £1.0 million. Additionally, six restaurants and cafés, extending to 10,000 sq. ft. (ERV: £0.7 million), were under offer.

Read more on hospitality and leisure on page 25

Retail (28% of portfolio ERV)

Retail trading continued to grow throughout the year, albeit initially at a slower pace than we saw for hospitality and leisure. However, by April 2022, average sales data showed trade at pre-pandemic levels and is now on average 6% ahead of 2019 levels.

Occupier demand has shown a similar recovery, with interest from independent brands, and both domestic and international retailers. We continue to see growing demand from online brands looking for space in areas that resonate with their target audience. For many retailers, the costs of online trade have increased significantly, and our space provides an affordable opportunity to showcase their product and build their brand through better connection with their customers. We are also seeing increasing levels of interest from "home-grown" brands that manufacture their products in the UK and are relatively more insulated from the global supply chain issues experienced by those who manufacture or source their products overseas. Brands with good sustainability credentials are increasingly important to our customer base and this remains a factor in our careful selection of occupiers.

Having often structured retail leases with turnover-related or stepped base rents during the pandemic and the early stages of recovery, leases have now generally reverted to conventional, pre-pandemic terms, although we continue to see transactions spending longer in solicitors' hands than they would have in the past.

With economic uncertainties, pressure on operating costs and relatively short lease terms, retailers continue to expect a higher specification of landlord's basic fit out, and our generally smaller "white-boxed" units meet this need. This fit out is re-useable for future occupiers.

Reflecting growing demand during the year, we completed lettings and renewals with a rental value of £11.7 million, representing almost half our total commercial letting volume. Rents, on average, were 3.8% above September 2021 ERV. Rent reviews with rental value of £0.7 million were concluded, 6.2% ahead of previous rents.

During the year, retail EPRA vacancy reduced from 3.0% of total ERV to 1.4%, a normal, pre-pandemic level. At 30 September 2022, 14 shops, extending to 18,000 sq. ft., were available to let (ERV: £1.6 million), including five let on a temporary basis (ERV: £0.4 million). Seven shops with a combined ERV of £0.4 million were under offer.

Read more on retail on page 26

Offices (22% of portfolio ERV)

Demand for office space in our villages continues to be strong, particularly for high quality suites, with occupiers attracted to the best space, prioritising collaborative working environments in vibrant areas with good amenities. To meet this demand, we are increasingly fitting out our office suites and creating outdoor terraces so that the quality of the office space holds as much appeal as the location.

Our "Assemble by Shaftesbury" offer for offices over 800 sq. ft., which provides occupiers with lease flexibility, speed of occupation and collaboration space, continues to be popular and benefits us through shorter letting voids, reduced lease incentives and higher rents. The market for fitted-out office space is maturing and occupiers are becoming ever more sophisticated consumers of workspaces. Responding to this, we are developing an "Assemble Premium" proposition to flex our offer, particularly for our larger floorplates, to deliver fitted space at the right price point, to the right specification, for the right occupier, which we plan to trial in our high specification refurbishment schemes being delivered next year.

During the year, we concluded lettings and renewals with a rental value of £8.4 million, 8.2% up on September 2021 ERV. These included the letting of 17,000 sq. ft. at 72 Broadwick Street to a global investment group; an example of the recent trend for financial businesses being drawn to Soho by both the quality of the space and amenities offered. Rent reviews with rental value of £0.5 million were completed, 26.9% ahead of previous rents.

Over the year, office vacancy reduced by 0.2 percentage points to 1.2% of portfolio ERV at 30 September 2022, of which 0.6% was under offer. 20 suites, extending to 15,000 sq. ft. (ERV £0.9 million) were available to let.

Read more on offices on page 29

Read more on refurbishment schemes on pages 40-41

Residential (14% of portfolio ERV)

The central London residential letting market has been particularly strong in the year, with interest from a broad range of occupiers, including overseas students. Our proposition of characterful period buildings with modern specification which are located in vibrant well-managed villages is extremely popular. Apartments are often letting within days of coming to market, usually with competitive bidding, and we have rarely had more than two available to let at any time this year.

In anticipation that demand would accelerate in 2022, we intentionally agreed a number of one-year lettings in 2021, shorter than our usual three years. We have, therefore, been able to let or agree renewals this year on nearly half of our apartments in a buoyant market, with £8.5 million of lettings and renewals, 11.4% ahead of previous rents. 26 new or refurbished apartments were let during the year, including 15 new fully-furnished apartments on the top floor of 72 Broadwick Street, all of which let within days of launch at rents ahead of expectations.

At 30 September 2022, we had one available apartment and eight flats were under offer.

Read more on residential on page 30

Occupancy outlook

Leasing momentum has continued since 1 October 2022 with commercial and residential lettings and renewals with a rental value of £4.4 million concluded and further lettings have been put into solicitors' hands.

At 30 September 2022, refurbishment schemes underway represented 8.3% of portfolio ERV (see below). Most 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.

Despite the strong post-pandemic recovery experienced this year, the macroeconomic outlook has deteriorated in recent months. Whilst we have not yet seen a significant impact on footfall or trading in our areas, rising inflation could reduce consumer confidence. Together with increasing cost, or reduced availability of finance, this could place additional pressures on occupiers, which could lead to increased vacancy and reduced occupier demand. Our portfolio in popular West End destinations has long demonstrated a high level of resilience and a relative low vacancy rate. We remain confident that the fundamentals of our strategy and our portfolio will continue to be important to potential occupiers:

- the domestic and international appeal of the West End and our popular locations;
- the size and relative affordability of our space;
- our flexible approach to leasing; and
- our proven village management strategies.

Together these will provide us with a degree of protection from national headwinds.

Read more on our long-term village asset management strategy on page 22

Rent collection

With the operating environment recovering strongly, our pandemic-related rental support ceased at the end of September 2021. Rent collection rates have recovered to levels in line with those before the pandemic, reflecting the much-improved trading environment and the lifting of the Government's moratorium on landlords' ability to recover commercial rent arrears in late March 2022. For the year to 30 September 2022, we have now collected 99% of invoiced rent.

Refurbishment and reconfiguration schemes

A key aspect of our management strategy is to continually improve and, where appropriate, repurpose the space we offer to meet ever-changing occupier requirements and improve its environmental performance. Our initiatives unlock latent value and enhance our portfolio's long-term income prospects.

Our focus during the pandemic was to protect existing income and new schemes were put on hold, other than by exception. With the return of sustained occupier demand and limited vacancy across our portfolio, from early 2022 we resumed our strategy of actively securing vacant possession of space where we see opportunities to accelerate income- and value-enhancing schemes, including those put on hold during the pandemic.

At 30 September 2022, space held for, or under, refurbishment extended to 168,000 sq. ft., and represented 8.3% of total ERV, down from 8.9% last year, with the impact of completion of elements of our 72 Broadwick Street scheme being partly offset by an increase in other schemes during the year. Capital expenditure during the year totalled £35.9 million, including £9.9 million at 72 Broadwick Street, Carnaby.

72 Broadwick Street, Carnaby

At our mixed-use scheme at 72 Broadwick Street, the fourth floor office space and residential accommodation were handed over in the year. Along with the retail unit handed over in 2021, they have been let in the year at a combined rent of £2.9 million.

Read more on page 39

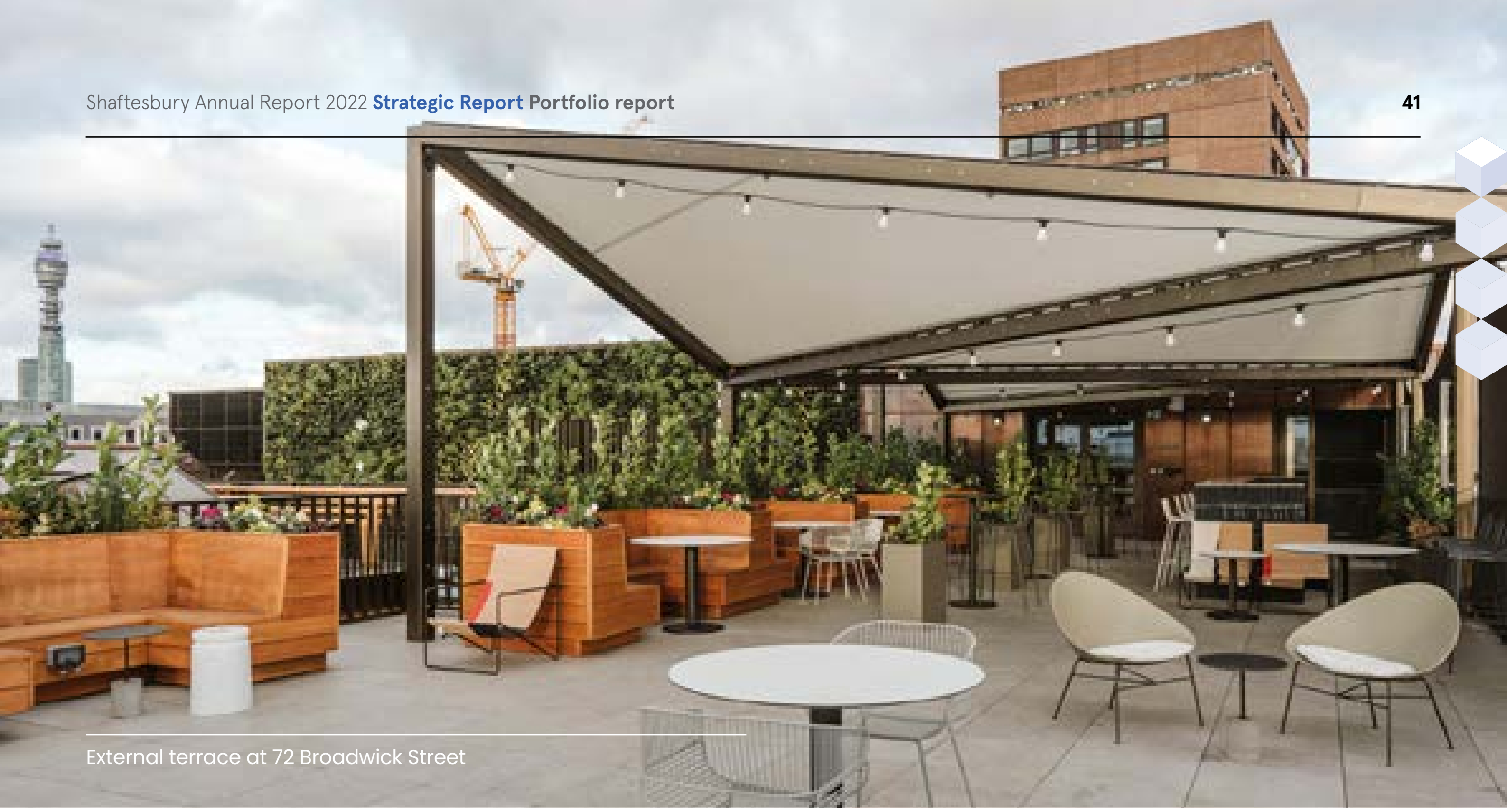
The first floor office space, extending to 9,000 sq. ft., is being fully fitted out to a high specification that will maximise its appeal to potential occupiers. Marketing of the space is now underway.

In April 2022, Equinox, the US gym operator, informed us that it was no longer able to complete its lease of the second and third floors. Following termination of the agreement for lease, the 28,700 sq. ft. space is now being converted, fitted out and marketed for office use, with completion expected in summer 2023. Whilst this requires further expenditure, we expect increased rental income from the space. At 30 September 2022, the ERV of these three floors was £3.3 million (2.3% of portfolio ERV). The remaining cost to complete this scheme is estimated at £8.2 million.

The scheme has retained most of the building's original structure, in line with our sustainable building re-use strategy. It incorporates a number of sustainability features including low carbon heat pumps, photovoltaic panels and integrated biodiversity including extensive planters, living walls and a green roof.

Space held for or undergoing refurbishment

	Hospitality and leisure	Retail	Offices	Residential	Total	% of portfolio ERV
ERV (£m)						
72 Broadwick Street						
2022	**-**	**-**	**3.3**	**-**	**3.3**	**2.3%**
2021	2.6	-	2.3	0.7	5.6	4.2%
Other schemes						
2022	**2.1**	**1.7**	**4.0**	**1.0**	**8.8**	**6.0%**
2021	0.8	1.1	3.6	0.7	6.2	4.7%
Total						
2022	**2.1**	**1.7**	**7.3**	**1.0**	**12.1**	**8.3%**
2021	3.4	1.1	5.9	1.4	11.8	8.9%
Area ('000 sq. ft.)						
2022	**29**	**24**	**94**	**21**	**168**	
2021	45	17	84	24	170	



External terrace at 72 Broadwick Street

Other schemes

At 30 September 2022, other schemes extended to 130,000 sq. ft. with an ERV of £8.8 million (6.0% of portfolio ERV), of which 17,000 sq. ft. (ERV: £1.2 million; 0.8% of portfolio ERV) was under offer.

During the year, we commenced new schemes with an ERV of £6.3 million and completed projects with an ERV of £5.0 million. New projects include two larger grade-A office-led schemes in Carnaby:

Scheme	Description	Estimated cost £m	Cost to date £m	Estimated completion
5-7 Carnaby Street	• Extension and refurbishment of 3rd floor office space, and construction of new 4th and 5th floor offices with terrace at 6th floor • Sustainability features including living wall, terrace greening, improved energy rating • Area: 12,800 sq. ft. • ERV: £1.0m, c. 45.6% higher than pre-scheme ERV	£4.7m	£1.6m	Summer 2023
2-4 Kingly Street	• Combination and reconfiguration of three buildings, including one acquired during the pandemic, to provide four floors of offices with roof terrace, a bar (pre-let) and a new restaurant, both fronting Kingly Street and Kingly Court • Retaining most of the original building structures • Sustainability features including terrace greening, improved energy rating • 3,200 sq. ft. newly configured bar pre let • Area: 14,400 sq. ft. • ERV: £1.2m, c. 35.6% higher than pre-scheme ERV	£8.4m	£2.4m	Winter 2023

Other schemes include 14,000 sq. ft. of retail and hospitality space at 92-104 Berwick Street in Soho. Representing £1.1 million of ERV, this space is being fitted out to a high-quality white-box standard and we expect strong interest from occupiers when it is launched to the market in early 2023.

Remaining schemes underway comprise 21,000 sq. ft. of hospitality space, 13,000 sq. ft. of retail space, 35,000 sq. ft. of office accommodation and 29 apartments.

Longmartin asset management

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

During the year, lettings and rent reviews with a rental value of £1.3 million were concluded (2021: £1.7 million), including 3 newly refurbished offices with a rental value of £0.4 million.

To date, 99% of invoiced rent for the year has been collected and 1% remains outstanding.

At 30 September 2022, the ERV of Longmartin's vacant space was £0.5 million (2021: £0.7 million). Space with an ERV of £0.6 million was under refurbishment (2021: £0.6 million), which included 12,000 sq. ft. of office accommodation, 8,000 sq. ft of hospitality space, shops extending to 19,000 sq. ft. and five apartments. Capital expenditure in the year was £2.2 million.

Acquisitions and disposals

Acquisitions

In May 2022, we acquired a 200-year ungeared leasehold interest in the lower floors of 92-104 Berwick Street, Soho, for £29.2 million (including purchase costs). The interest comprises c. 15,700 sq. ft. of retail accommodation and c. 3,600 sq. ft. which is suitable for restaurant use. Importantly, this strategic acquisition takes our ownership to over 50% of active frontages on Berwick Street. Of the total space, 5,200 sq. ft. is let to a supermarket, which is open and trading. The remainder is vacant and being fitted out to bring it into a lettable condition for occupiers.

Read more on page 12

We acquired seven other buildings in Soho, Covent Garden, Chinatown and Fitzrovia for £26.1 million (including acquisition costs). These buildings further consolidate the holdings in our ownership clusters, bringing additional long-term value creation opportunities.

With the rapid recovery in the West End economy, existing owners, typically private rather than institutional, remain reluctant to part with their resilient and scarce buildings, other than if their personal circumstances change.

Disposals

During the period, we sold two non-core buildings for £11.4 million (gross), 9.6% above book value at 30 September 2021.

Wholly-owned portfolio valuation

At 30 September 2022, the portfolio was valued at £3.2 billion (2021: £3.0 billion). The like-for-like increase over the year was 3.6%, comprising a 7.5% increase in the six months to 31 March 2022, followed by a decrease of 3.6% in the second half.

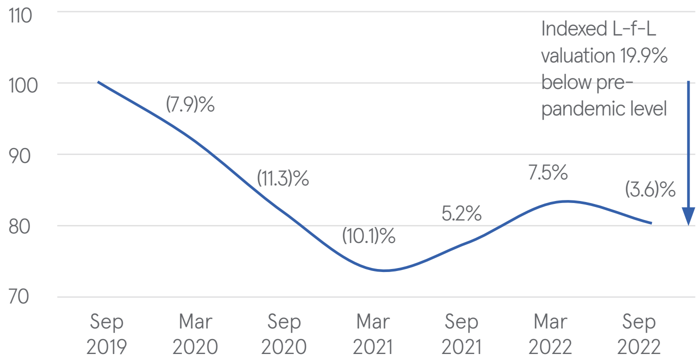
Encouragingly, rental values have grown across all uses during the year, reflecting the recovery in the trading environment, occupier demand and occupancy, and demonstrating the exceptional qualities, appeal and long-term resilience of our portfolio. ERV growth for the year was 9.0%, comprising 6.4% in the first half and 2.4% in the second half. Portfolio ERV is now 4.6% lower than pre-pandemic levels, recovering c. 63% of the 12.5% decline experienced during the 18 months to 31 March 2021.

This year, the valuers removed the remaining provision for Covid rent waivers, which totalled £10.6 million at 30 September 2021. Also, to reflect the sustained recovery in trading across the portfolio, they reinstated potential income from turnover-related income top-ups, primarily in respect of restaurants, which has added £3.7 million to the year end valuation.

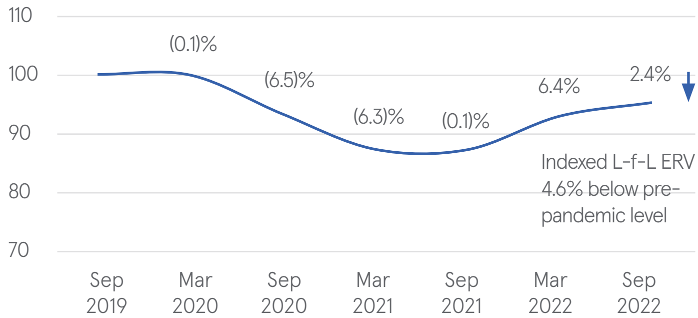
At 30 September 2022, our valuers reported an outward shift in yields for commercial uses of circa 25 bps to reflect the impact on investment market sentiment of globally rising finance rates and the deterioration in the macroeconomic outlook. Over the year, the portfolio's equivalent yield increased 18 bps to 4.10%, comprising a contraction of 6 bps from 3.92% in the six months to 31 March 2022, and expansion of 24 bps in the second half.

After allowing for acquisitions, disposals, capital expenditure and changes in lease incentives and costs included in receivables, the revaluation surplus for the year was £99.5 million.

Six-monthly L-f-L valuation growth/(decline) (Indexed: Sep-19 = 100)



Six-monthly L-f-L ERV growth/(decline) (Indexed: Sep-19 =100)



Valuation analysis at 30 September 2022

	Hospitality and leisure	Retail	Offices	Residential	2022 Total	2021 Total
Valuation (£m)	1,143	852	622	571	**3,188**	3,011
Annualised current income (£m)[1]	46.8	31.8	19.3	18.0	**115.9**	107.8
ERV (£m)	52.2	40.3	32.8	20.5	**145.8**	131.7
Topped up initial yield	4.1%	4.1%	3.2%	N/A	**3.5%**	3.5%
Equivalent yield						
30 September 2021	4.2%	4.2%	4.6%	2.2%	**3.9%**	
31 March 2022	4.1%	4.2%	4.4%	2.3%	**3.9%**	
30 September 2022	4.4%	4.4%	4.6%	2.6%	**4.1%**	
LfL valuation movement[2]						
- 6 months to 31 March 2022	7.8%	7.1%	8.6%	6.4%	**7.5%**	(10.1)%
- 6 months to 30 September 2022	(3.1%)	(5.8%)	(4.6%)	(0.6%)	**(3.6%)**	5.2%
- Year to 30 September 2022	4.5%	0.9%	3.6%	5.7%	**3.6%**	(5.4)%
LfL ERV change[2]						
- 6 months to 31 March 2022	6.4%	5.9%	4.0%	11.1%	**6.4%**	(6.3)%
- 6 months to 30 September 2022	1.7%	1.5%	0.6%	9.4%	**2.4%**	(0.1)%
- Year to 30 September 2022	8.2%	7.5%	4.6%	21.5%	**9.0%**	(6.4)%

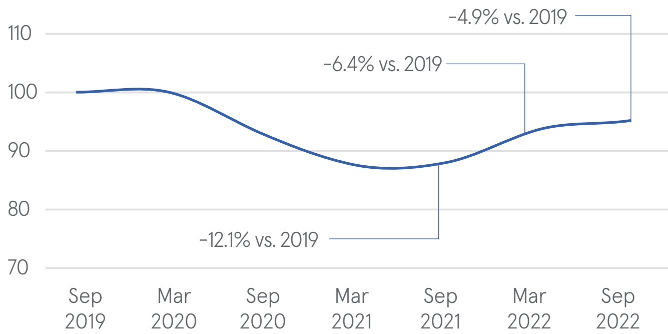
1. Including estimated turnover-related income; excluding stepped rents and rent-free periods.
2. Like-for-like, taking into account acquisitions, disposals, capital expenditure and adjusting for reclassifications between categories. Alternative performance measure. See page 175.

The valuation table by village is included on page 179.

Six monthly L-F-L ERV growth/(decline) by use (Indexed Sep-19 =100)

Hospitality and leisure

During the year, the valuation of hospitality and leisure space increased on a like-for-like basis by 4.5%, driven by ERV growth of 8.2%, of which 6.4% was in the first half. Valuation yield compression at 31 March 2022 contributed to a first half valuation increase of 7.8%, but this had reversed by 30 September 2022, leading to a like-for-like fall in capital values of 3.1% in the second half. Like-for-like, hospitality and leisure ERV now stands at 4.9% below its pre-pandemic level, recovering from the low point of 12.1% at 30 September 2021.

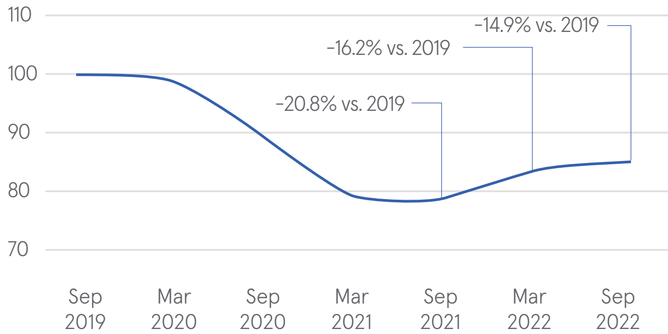


Retail

The valuation of our retail accommodation grew, on a like-for-like basis, by 0.9% during the year, with the 7.1% growth reported at 31 March 2022 largely reversing in the second half, with yield expansion of 26 basis points, partly offset by ERV growth.

Over the year, ERVs grew on a like-for-like basis by 7.5%, with 5.9% growth in the six months to March 2022 and 1.5% in the second half. Overall retail ERVs remain 14.9% (like-for-like) below 2019 levels, up from -20.8% at 30 September 2021.

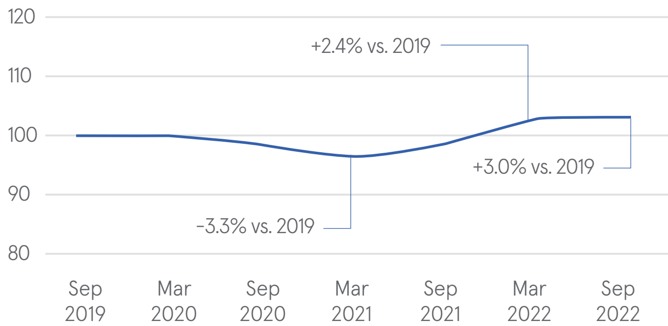
Where there are turnover elements in retail leases, the valuers assess a prudent estimate of the cash flow these are likely to deliver.



Offices

Like-for-like office valuations grew 3.6% in the financial year, with growth of 8.6% in the first six months of the year partly offset by a decline of 4.6% in the second half as the 23 basis points of valuation yield compression reported at 31 March 2022 reversed.

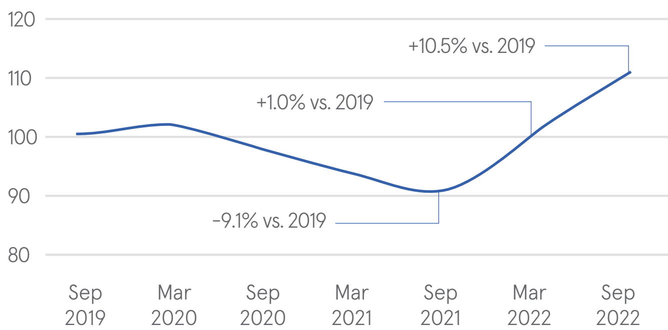
ERVs grew 4.0% in the first six months of the year, and a more modest 0.6% in the second half. Among our four uses, office ERVs showed greatest resilience in the pandemic, having only fallen by 3.3%; they now stand at 3.0% above 2019 levels on a like-for-like basis.



Residential

Our like-for-like residential values increased by 6.4% in the six months to 31 March 2022 reflecting an improved residential investment market. However, as concerns over the wider economy came to the fore, there was a modest 0.6% decrease in the second half, resulting in a 5.7% increase overall. The average capital value of our apartments is £1,472 per sq. ft. (2021: £1,405 per sq. ft.).

Due to high occupational demand, central London and West End residential rents have increased significantly, resulting in a 21.5% increase in ERVs spread evenly across the two halves of the year. Residential ERVs are now 10.5% above the 2019 pre-pandemic level, despite having registered a 9.1% decline by September 2021.



PEOPLE PLACES SPACES

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

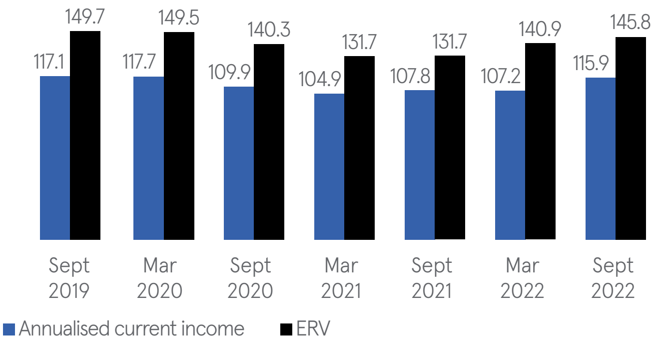
With a deteriorating macroeconomic outlook and globally rising finance rates, investor appetite – even for the best locations – may be reduced in the short term. There may be less liquidity available and finance costs are expected to remain higher than the levels of the last decade, which is likely to put upward pressure on yields. However, a flight to quality for the very best assets in resilient locations could offer some support for 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 the proven resilience of our areas and the prospects for long-term rental growth, will continue to be important in investor sentiment towards our portfolio.

Economic headwinds have not yet had a significant impact on footfall and trading in our areas. However, a reduction in consumer confidence and spending, together with pressure on occupiers' operating and finance costs could dampen demand, and consequently moderate near-term rental growth. However, benefiting from the West End's domestic and international appeal and its broad, relatively affluent visitor base, our portfolio has long demonstrated a high level of resilience and a relatively low vacancy rate. We remain confident that our popular locations, together with the size and relative affordability of our space, our flexible approach to leasing and proven village management strategies, will continue to be important to potential occupiers, providing us with a degree of protection from national headwinds.

Annualised current income and ERV

Reversion (£m)

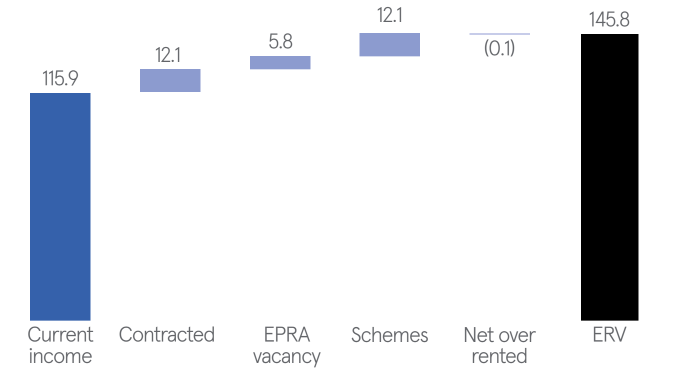


Over many years, our long-term village management strategy has delivered sustained growth in both annualised current income and rental values; key drivers of long-term value creation. The pandemic interrupted this pattern as office and residential vacancy rose sharply, and retail and leisure occupiers were subject to long periods of closure or restricted trading. As market conditions started to normalise in the latter months of 2021, we resumed our focus on active asset management with the aim of converting the portfolio's reversionary potential into contracted income and cash flow, whilst establishing new rental tones, the benefit of which is often compounded across nearby holdings.

At 30 September 2022, the portfolio's reversion was £29.9 million, 25.8% ahead of annualised current income, which compares with £23.9 million at September 2021.

The components of this reversion are set out below.

Components of the reversion (£m)



Longmartin valuation

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

At 30 September 2022, Longmartin's long leasehold property was valued at £167.0 million (2021: £164.5 million). After allowing for capital expenditure, the valuation increase was 0.2% with growth in the first six months being offset by a second-half decline. Like-for-like, ERVs increased 6.2%, of which 4.1% was recorded in the first half of the year. At 30 September 2022, the equivalent yield was 4.28%, an increase of 25 basis points over the year (2021: 4.03%).

After allowing for capital expenditure and changes in lease incentives and costs included in receivables, the revaluation deficit was £0.4 million.

	Valuation £m	% of portfolio	LfL ERV growth/ (decline) 2022	Change in equivalent yield (basis points)	LfL Valuation growth/ (decline) 2022
Hospitality and leisure	41.9	25%	0.4%	(4)	4.0%
Retail	23.5	14%	(1.3)%	33	(8.7)%
Offices	71.7	43%	5.1%	26	(0.2)%
Residential	29.9	18%	28.7%	N/A	6.3%
	167.0	**100%**	**6.2%**	**25**	**0.2%**

The valuation of hospitality and leisure increased 4.0% during the year with ERVs broadly flat and equivalent yield compressing by 4 basis points overall, reflecting letting progress.

Retail rental values declined a further 1.3% during the year. Together with a 33 basis point increase in equivalent yield, reflecting deterioration in investor sentiment, the retail valuation decreased by 8.7% during the year.

Offices are the largest component of Longmartin's portfolio by use. ERVs grew on a like-for-like basis by 5.1%, of which 4.4% was recorded in the first half of the year. This growth was offset by the impact of equivalent yield expansion of 26 basis points, resulting in a 0.2% decline in valuation over the year.

Residential benefited from an unusually buoyant West End letting market this year, leading to 28.7% growth in rental values. Valuation growth was 6.3%.

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Gerrard Street, Chinatown


文興酒家
CHINESE RESTAURANT

Financial report

Net property income improved following the sustained recovery in operating conditions this year. Net assets increased, driven by portfolio valuation growth in the first half, which was tempered by a deterioration in the macroeconomic outlook towards the end of the year leading to a valuation decline over the second half.

Presentation of financial information

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, earnings per share and net tangible assets, 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. Further details on APMs used, and how they reconcile to IFRS, are set out on page 175.

Underlying EPRA earnings

Last year, we introduced an alternative earnings measure, Covid-adjusted EPRA earnings, which adjusted EPRA earnings as if the cost of waivers offered to tenants during the pandemic had been recognised immediately in the Income Statement rather than spread over the remaining lease term. This year, we have revised this APM to also exclude the impact of exceptional costs related to the proposed merger. The APM, now referred to as "Underlying EPRA earnings", provides users of the financial statements with a measure of normalised operating results and allows comparability of typical earnings.

Whilst this APM is not in accordance with IFRS, we consider that it provides useful supplementary information to assess earnings on a normalised basis, as well as under IFRS and is one measure the Board uses in considering dividends.

Summary income statement

	2022 £m	2021 £m
Rental income[1]	**110.4**	105.0
Charges for expected credit losses and impairments	**(4.0)**	(17.7)
Property costs[1]	**(23.6)**	(22.6)
Net property income	**82.8**	64.7
Administrative expenses	**(22.2)**	(21.6)
Costs in relation to proposed merger	**(13.2)**	-
Valuation surplus/(deficits) and disposal profits	**100.4**	(196.8)
Operating profit/(loss)	**147.8**	(153.7)
Net finance costs	**(29.5)**	(30.2)
Share of Longmartin post-tax profit/(loss)	**0.8**	(11.0)
Profit/(loss) before tax	**119.1**	(194.9)
Tax	**-**	-
Reported profit/(loss) for the year	**119.1**	(194.9)
Basic earnings/(loss) per share	**31.0p**	(52.0)p
EPRA earnings[2]	**19.3**	13.3
EPRA earnings per share[2]	**5.0p**	3.5p
Underlying EPRA earnings/(loss)[2]	**38.0**	(7.4)
Underlying EPRA earnings/(loss) per share[2]	**9.9p**	(2.0)p

1. Excluding recoverable service charge costs.
2. Alternative performance measure. See page 175.

Profit after tax for the year of £119.1 million compares with a loss after tax last year of £194.9 million. The difference, amounting to £314.0 million, was predominantly due to the investment property revaluation surplus in the wholly-owned portfolio of £99.5 million, compared with a deficit last year of £196.9 million.

The other main movements compared with last year were:

- an increase in net property income of £18.1 million, reflecting the recovery in operating conditions which has led to a return to pre-pandemic occupancy and rent collection levels, together with a significant reduction in expected credit losses and impairment charges. These improvements were partially offset by an increase in non-recoverable property costs due to increased activity across the portfolio following the lifting of pandemic restrictions;
- costs associated with the proposed merger amounting to £13.2 million; and
- a reduction in the net revaluation loss (after allowing for capital expenditure and the movement in lease incentives and deferred letting costs) in the Longmartin joint venture, our share of which was £0.4 million, compared with £11.3 million last year.

Basic earnings per share amounted to 31.0p, compared with a loss per share last year of 52.0p.

Portfolio report: pages 42-43

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 increased by 45.1% to £19.3 million (2021: £13.3 million), resulting in EPRA earnings per share of 5.0p, 42.9% higher than last year (2021: 3.5p).

EPRA earnings[1]	£m	£m
2021		13.3
Movements:		
Rental income	5.4	
Expected credit losses and impairment charges	13.7	
Property costs	(1.0)	
Net property income		18.1
Costs in relation to proposed merger	(13.2)	
Administrative costs	(0.6)	
Net finance costs	0.7	
Longmartin	1.0	
		(12.1)
2022		**19.3**

1. Alternative performance measure. See page 175.

Underlying EPRA earnings

Underlying EPRA earnings were £38.0 million, which compares with a loss last year of £7.4 million. The year-on-year improvement of £45.4 million, reflected:

- an increase of £19.2 million in EPRA earnings before exceptional merger-related costs; and
- the add back of non-cash charges to EPRA earnings of £5.5 million resulting from the amortisation of Covid waivers this year, net of impairment provisions. In the previous year, EPRA earnings benefitted from the recognition of income in respect of these waivers, net of impairment provisions, amounting to £20.7 million.

Underlying EPRA earnings per share amounted to 9.9p, 98.0% above EPRA earnings per share.

Underlying EPRA earnings[1]	**2022 £m**	2021 £m
EPRA earnings	**19.3**	13.3
Costs in relation to proposed merger	**13.2**	-
	32.5	13.3
Covid adjustments	**5.5**	(20.7)
Underlying EPRA earnings/(loss)	**38.0**	(7.4)
Underlying EPRA earnings/(loss) per share	**9.9p**	(2.0)p

1. Alternative performance measure. See page 175.

At 30 September 2022, the balance of accrued income in respect of Covid waivers was £19.6 million, and the associated impairment provisions, amounted to £1.1 million. The balance will continue to amortise through the Income Statement over a number of years, in line with the related unexpired lease terms. Currently, we anticipate that approximately 75% of the balance will be amortised over the coming five years. 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.

This year, costs associated with the proposed merger amounted to £13.2 million. We expect to incur a further £26.1 million for financial and legal advice, transaction costs and professional fees.

Note 27 to the financial statements: page 171

Operating profit before investment property disposals and valuation movements

Compared with last year, invoiced rent increased by 38.2% to £113.3 million (2021: £82.0 million), predominantly reflecting the cessation of rental support granted to occupiers and higher occupancy levels. After allowing for lease incentive adjustments, including the impact of income accrued in respect of Covid rent waivers, rental income, excluding service charge income, increased by £5.4 million to £110.4 million (2021: £105.0 million). On a like-for-like basis the increase in rental income over the year was 5.0%.

	2022 £m	2021 £m
Invoiced rent	**113.3**	82.0
Covid-related lease incentives	**(6.1)**	22.4
Other lease incentives	**3.2**	0.6
Rental income	**110.4**	105.0

Rent collections have recovered to levels in line with those before the pandemic. Although we continue to recover some of the arrears from previous years, the prospect of recovering a material amount of remaining balances, which built up during the pandemic, is remote. With conditions improving throughout the year, charges for expected credit losses against tenant receivables decreased by £14.6 million to £1.8 million (2021: £16.4 million).

Portfolio report: page 40

Impairment charges in respect of lease incentive and deferred letting cost balances increased by £0.9 million to £2.2 million (2021: £1.3 million). Whilst operating conditions have strongly recovered, tenant default risk remains elevated, with pandemic-related challenges replaced by macroeconomic headwinds.

Principal risks and uncertainties: page 88

Property charges, excluding recoverable service charge costs, increased by £1.0 million to £23.6 million (2021: £22.6 million) and represented 21.4% of rental income (2021: 21.5%). The increase was largely due to:

- increased letting, lease renewal and rent review costs following the high volume of leasing activity during the year;
- additional maintenance activity across our villages, some of which relates to projects which were put on hold during the pandemic;
- increased property management fees; and
- additional marketing costs, with activity reverting to pre-pandemic levels.

With increased occupancy, vacancy-related costs including business rates were reduced.

After irrecoverable costs and charges for expected credit losses and impairments, net property income for the year was £82.8 million, £18.1 million above last year (2021: £64.7 million).

Portfolio report: pages 38-39

Administrative expenses increased by £0.6 million in the year, to £22.2 million (2021: £21.6 million).

	2022 £m	2021 £m
Total employee costs	**15.7**	14.7
Other administrative expenses	**6.5**	6.9
Administrative expenses	**22.2**	21.6

Total employee costs were £15.7 million, an increase of £1.0 million over the year, which reflected:

- the impacts of the 2021 pay review and an increase in headcount last year, which added to the skills and resource in our team, together increased costs by £0.9 million over the year; and
- an increase in the charge for annual bonuses, including National Insurance, of £1.3 million.

This was largely offset by a £1.2 million year-on-year decrease in charges for equity-settled remuneration, including provisions for National Insurance, driven by the decrease in our share price this year, compared with an additional charge following the share price increase in 2021.

Other administrative costs decreased by £0.4 million to £6.5 million, mainly due to lower professional fees, partly offset by an increase in irrecoverable VAT.

Our people and culture: pages 70-72
Remuneration report: pages 132-133

Valuation surplus and disposal profits

Our wholly-owned portfolio's revaluation surplus was £99.5 million (2021: deficit of £196.9 million). This represented a like-for-like valuation increase of 3.6%, comprising a 7.5% increase in the first half of the year and a 3.6% decrease in the second half.

During the year, we sold two buildings and received lease extension premiums from residential long leaseholders. Together, these realised a net profit on disposal of £0.9 million.

Portfolio report: pages 41-43

Net finance costs

Net finance costs decreased by £0.7 million to £29.5 million (2021: £30.2 million) largely reflecting savings in bank interest and loan issue cost amortisation following the equity raise in November 2020, as well as an increase in interest income to £1.0 million (2021: £0.7 million).

Share of Longmartin post-tax profit

Our share of Longmartin's post-tax profit was £0.8 million, which compares with an £11.0 million share of its post-tax loss last year. Our share of its revaluation deficit was £0.4 million (2021: £11.3 million). Excluding the revaluation and related deferred tax movements, our share of EPRA earnings from Longmartin increased by £1.0 million to £1.4 million (2021: £0.4 million) largely due to reduced charges for expected credit losses.

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 (2021: £nil). We continue to meet the requirements in the REIT regulations.

We 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 £20.7 million (2021: £2.6 million). The increase was largely the result of increased VAT payments, reflecting increased rental cash collections in the year. In addition, our share of taxes, including corporation tax, levied on, or collected by, Longmartin was £1.2 million (2021: £1.2 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 underlying 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. Principal risks and uncertainties, including those which might affect income and earnings, are set out on pages 84 to 88.

The Board monitors our ability to pay dividends out of available resources and distributable reserves. Our forecasts take into consideration future liquidity requirements, which include prospective dividend payments. Where possible, subsidiary companies distribute the majority of their distributable profits to Shaftesbury PLC annually. Currently, there are no restrictions on any subsidiaries' ability to distribute profits. At 30 September 2022, the Company had distributable reserves of £234.2 million.

The Board has declared a second interim dividend in respect of the year of 5.1p per share (2021: final dividend 4.0p), to be paid as a PID on 21 December 2022. The ex-dividend and record dates are 8 December 2022 and 9 December 2022 respectively. The second interim dividend, referred to as the "Shaftesbury Full Year Dividend" in the proposed merger Scheme Document, is being paid in place of a final dividend for the year. The timing of payment of this dividend has been brought forward from the expected timeframe set out in the Scheme Document.

Together with the interim dividend of 4.8p paid in July 2022, this will bring dividends in respect of the 2022 financial year to 9.9p, in line with underlying EPRA earnings per share.

As set out in a separate announcement, released today, we have reached agreement with Capco to pay a further interim dividend of up to 2.7p per share in respect of the quarter to 31 December 2022, to be paid before the proposed merger becomes effective, currently expected in the first quarter of 2023.

Balance Sheet

	2022 £m	2021 £m
Investment properties	**3,144.4**	2,964.1
Investment in joint venture	**86.6**	85.8
Net debt	**(804.6)**	(748.5)
Other net assets	**32.1**	71.3
Net assets	**2,458.5**	2,372.7
EPRA NTA per share[1]	**£6.41**	£6.19
Total Accounting Return[1]	**5.0%**	(14.6)%

1. Alternative performance measure. See page 175.

The increase in net assets of £85.8 million during the year was largely due to profit after tax of £119.1 million, offset by the dividends paid of £33.8 million.

EPRA NTA

EPRA NTA adjusts 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.

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

During the year, EPRA NTA per share increased by 3.6% to £6.41 (2021: £6.19) principally due to the revaluations of the wholly-owned portfolio and investment properties held by Longmartin, which added 26p per share. EPRA earnings of 5.0p were offset by dividends paid amounting to 8.8p. Total Accounting Return was 5.0% (2021: -14.6%).

EPRA NTA[1]		Pence per share
2021		619
Revaluation movements		
- Six months ended 31 March 2022	60	
- Six months ended 30 September 2022	(34)	
		26
EPRA earnings		5
Dividends		(9)
2022		**641**

1. Alternative performance measure. See page 175.

Liquidity

At 30 September 2022, available liquidity was £255.2 million (2021: £311.3 million) comprising £155.2 million of cash and our undrawn revolving credit facility of £100 million. Capital commitments to be funded from these resources totalled £33.9 million.

The revolving credit facility matures in February 2023 and, at the date of this report, is no longer available to be drawn. In light of the proposed merger, it is currently expected that this facility will be retired at maturity. The table below shows the liquidity position at 30 September 2022, as reported in the financial statements, and pro forma to remove this undrawn revolving credit facility.

	2022 £m	Pro-forma[1] 2022 £m	2021 £m
Cash	**155.2**	**155.2**	211.3
Undrawn revolving credit facility	**100.0**	**-**	100.0
Available resources	**255.2**	**155.2**	311.3
Commitments	**(33.9)**	**(33.9)**	(18.8)
Pro-forma available resources	**221.3**	**121.3**	292.5

1. Pro-forma, adjusting to remove the undrawn £100 million revolving credit facility.

Net debt and cash flows

Movement in net debt	£m
2021	748.5
Operating cash inflow	(61.8)
Net interest paid	28.9
Net portfolio investment	69.0
Interest cover covenant waiver deposits	(13.8)
Dividend	33.8
2022	**804.6**

At 30 September 2022, net debt was £804.6 million (2021: £748.5 million). The increase of £56.1 million was largely due to:

- cash inflow from operating activities, before net interest payments, of £61.8 million, £23.5 million higher over the year (2021: £38.3 million). The year-on-year increase reflects the improvement in earnings through the post-pandemic recovery.
- net interest paid of £28.9 million, down £0.5 million over the year (2021: £29.4 million).
- net portfolio investment of £69.0 million (2021: £48.8 million), comprising capital expenditure of £32.9 million, and £47.4 million in respect of acquisitions, net of £11.3 million of disposal proceeds.
- deposits in respect of the interest cover covenant waivers during the pandemic, amounting to £13.8 million, were returned now that the waiver periods have ended and we are compliant with financial covenants.

Portfolio report: pages 40-41

Financing strategy

Investment in our portfolio is funded through a combination of equity and debt, with equity providing the permanent capital to support our long-term strategy. Debt provides capital for investment in our portfolio. Under REIT rules, we are required to distribute the majority of our recurring earnings. Furthermore, the importance of our ownership clusters in long-term value creation means that opportunities to recycle capital are limited.

Key aspects of our financing policy include conservative leverage, diversified sources of finance and a spread of debt maturities. The core of our debt finance is secured, long-term arrangements, consistent with the long-term nature of our business model, investment strategy and income streams, with the majority of interest fixed.

In managing financing risk, we aim to maintain:

- significant levels of available liquidity to cover contractual commitments and provide us with speed of execution when acquisitions become available;
- a prudent loan-to-value ratio across the Group, with headroom above loan-to-value covenants in our debt facilities; and
- a pool of unsecured properties which could be used to top up debt security, if necessary, to comply with loan-to-value covenants.

Financial position

Our loan-to-value ratio increased from 24.9% to 25.2%, largely due to investment in the portfolio in the year. At 30 September 2022, the weighted average maturity of debt facilities was 7.0 years and the blended cost of debt was 3.1% (2021: 3.1%). On a pro-forma basis, adjusting to remove the undrawn revolving credit facility, the weighted average debt maturity increases to 7.7 years and the blended cost of finance decreases to 3.0%, as set out in the table below.

Debt summary[1]

	2022 £m	Pro-forma[2] 2022 £m	2021 £m
Debt[3]	**959.8**	**959.8**	959.8
Cash	**(155.2)**	**(155.2)**	(211.3)
Net debt	**804.6**	**804.6**	748.5
Loan-to-value[4,5]	**25.2%**	**25.2%**	24.9%
Gearing[4,5,7]	**32.6%**	**32.6%**	31.4%
Interest cover[4,6]	**1.6x**	**1.6x**	1.4x
% drawn debt fixed	**100%**	**100%**	100%
Blended cost of debt[4,8]	**3.1%**	**3.0%**	3.1%
Marginal cost of undrawn RCF	**3.2%**	**-**	1.1%
Weighted average maturity of debt (years)	**7.0**	**7.7**	8.0
Sources of finance (fully drawn basis)			
Bonds	**54%**	**60%**	54%
Term loans	**36%**	**40%**	36%
Revolving credit facilities	**10%**	**-**	10%

1. Data excludes our 50% share of Longmartin's non-recourse debt.
2. Pro-forma, adjusting to remove the undrawn £100m revolving credit facility.
3. Excludes loan issue costs
4. Alternative performance measure. See page 175.
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 NTA.
8. Including non-utilisation fees on undrawn revolving credit facility.

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 2022.

Impact of the proposed merger

The proposed merger remains subject to satisfaction or, where applicable, waiver of the remaining conditions set out in Part Three of the Scheme Document, including satisfaction of the CMA condition and the Court sanctioning the Scheme. The Scheme Document, dated 7 July 2022, is available on the Company's and Capco's websites.

We are currently engaged in customary pre-notification discussions with the CMA, which remain ongoing. The CMA has not yet commenced its Phase 1 review and therefore the proposed merger is now expected to become effective during the first quarter of 2023.

It is currently expected that our £100 million revolving credit facility will be retired in February 2023 as this will no longer be required given the other sources of liquidity in the combined group.

In the event that the proposed merger becomes effective, and as set out in paragraph 15 of part one of the Scheme Document:

- our term loans with Aviva and Canada Life will remain in place; and
- change of control provisions in the terms of our secured mortgage bonds will be triggered, whereby bondholders would be entitled to 'put' their bonds at par plus any accrued interest.

Capco has entered into a £576 million loan facility agreement, for a term of up to three years, to provide funding certainty in the event that some or all of the holders of the Shaftesbury Mortgage Bonds exercise their change of control redemption right following completion. Based on current market conditions, any drawdown of this loan facility agreement will result in increased financing costs for the combined group, which it would seek to mitigate by capitalising on the increased strength of its balance sheet following completion.

Debt covenants

We have complied with our interest cover and loan-to-value covenants across all facilities throughout the year.

We have assessed covenant compliance as part of our going concern and viability analyses, for both Shaftesbury on a standalone basis and for the combined group following the proposed merger. In our severe-but-plausible downside scenario, we anticipate that we will continue to meet these covenants, either absolutely or through use of cash cure remedies, for the period of the Viability Statement.

Summary of debt covenants: page 178
Viability Statement: page 90

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 2022, Longmartin's net debt was £57.5 million, representing a loan-to-value ratio of 34.4%, down from 34.9% at 30 September 2021, due to a modest property valuation increase in the year. Longmartin was compliant with its loan covenants throughout the year.

Portfolio report: page 45

St Martin's Courtyard

Non-financial information statement

As we have fewer than 500 employees, we are not required to comply with the Non-Financial Reporting requirements contained in the Companies Act 2006. However, due to our commitment to promoting transparency in our reporting and business practices, we have elected to provide further information in the table below in order to help stakeholders understand our position on key non-financial matters.

You can find our policies on our website: https://www.shaftesbury.co.uk

Topics	Our key policies and standards[1, 2]	Additional information
Environmental matters	Sustainability policy and action plan Requirements for management of the portfolio Requirements for refurbishment projects Supplier code of conduct Our commitment to Net Zero Carbon	For more on sustainability: see pages 56 to 59 For more on how we protect the environment: see page 61 For more on greenhouse gases: see pages 80 and 81 For more on action on climate change: see page 61 For more on climate risk and opportunity: Task Force on Climate-related Financial Disclosures: see pages 76 to 79
Employees	Our Values Anti-bullying and harassment policy Board diversity policy Disability policy Equal opportunities policy Flexible working policy Sustainability policy and action plan Health, safety and wellbeing policy Volunteering policy	For more on our culture, values and people: see pages 70 to 72 For more on diversity and inclusion: see pages 71 and 119 For more on employee wellbeing: see page 71
Human rights	Sustainability policy and action plan Modern slavery and human trafficking statement Supplier code of conduct	For more on modern slavery and human rights: see pages 59 and 108
Social	Sustainability Committee terms of reference Community Investment Committee terms of reference Sustainability policy and action plan Supplier code of conduct	For more on our stakeholder relationships: see pages 64 to 69 For more on sustainability: see pages 56 to 59 and 61 For more on supporting our local community: see page 62
Bribery and anti-corruption	Bribery and anti-corruption policy Conflicts of interest policy Expenses policy Anti-money laundering policy Gifts and hospitality policy Share dealing policy Supplier code of conduct Whistleblowing policy Tax strategy	For our audit committee report: see page 126 For more on modern slavery and human rights: see pages 59 and 108 For more on our behaviours: see page 108 For more on conflicts of interests: see page 108 For more on tax strategy: see page 50
Business model		For more on our strategy and business model: see pages 16 and 17
Principal risks and uncertainties		For our risk report: see pages 82 to 88
Non-financial key performance indicators		For more on non-financial key performance indicators: see pages 35 and 37

1. Certain group policies and internal guidelines are not published externally
2. Further information is available on our website, including our Supplier Code of Conduct and our Sustainability Policy

PEOPLE
PLACES SPACES

Sustainability

As a long-term, experienced and responsible investor, sustainability has always been at the heart of our strategy.

2030
net zero carbon target

7.6%
reduction in total landlord-controlled greenhouse gas emissions (scope 1 & 2)

135%
increase in biodiverse area since 2016

100%
of refurbishment waste diverted from landfill

50%
commitment to reduce absolute scope 1 & 2 greenhouse gas emissions by 2030 from a 2018 base year, validated by the Science Based Targets initiative

2025
commitment to be carbon neutral for our own operations (scope 1 & 2)

Zero
accident frequency rate for employees

100%
renewable electricity for our landlord-controlled portfolio

£1.0m
value of cash, time and in-kind contributions to the local community

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.

How we have advanced our sustainability agenda this year

This year we have continued to make progress against our sustainability focus areas, including our target to becoming a net zero carbon business by 2030. Our net zero carbon target is supported by a detailed roadmap, setting out our interim targets and clearly explaining the scope of emissions for which we are responsible. Our scope 1 & 2 carbon emissions reduction remains on track and we have implemented initiatives to improve our whole building data collection. A net zero carbon 2030 progress update has been included in our Sustainability Data Report, published on our website.

Our rolling programme of improving our buildings, averaging some 10% of our floor space annually, is bringing incremental energy performance rewards in the period to 2030 and beyond. Our priority is always to deliver real improvement in energy efficiency rather than rely on carbon offsetting to achieve our net zero carbon target.

We have seen a continued improvement in the EPC rating of our properties, with 61% now having a rating of C or above. An initial high-level analysis undertaken on a sample of our portfolio indicated that expenditure on energy efficiency measures to achieve expected MEES 2030 requirements would be expected to add approximately 10% to our annual refurbishment spend.

Our community engagement remains focused on young people and our communities in Westminster and Camden, supporting youth-focused charities such as the Young Westminster and Young Camden Foundations, as well as educational initiatives.

We continue to work in partnership with a range of not-for-profit organisations, charities, schools and colleges, and other local community groups. Our support is provided in a variety of ways including financial and in-kind donations, provision of free or subsidised space, promoting their causes and time given by our employees. This year, our community investment totalled £1.0 million (2021: £1.2 million), which reflects reduced in-kind space available for charity and not-for-profit organisations as occupancy has increased post lockdown.

Sustainability priorities

Sustainable building re-use and refurbishment

Improve energy efficiency while protecting the heritage of our buildings

Engage and collaborate with occupiers and our local communities to promote positive sustainable actions

Create healthy and inclusive places where people live, work and visit

Promote diversity, talent and creativity across our local communities

Our approach to sustainability

We are committed to investing for the long term, operating in a sustainable manner, supporting our local communities and achieving positive environmental and social outcomes.

Our approach of extending the useful economic lives of our buildings through refurbishment, change of use and reconfiguration enables us to protect the unique heritage of our portfolio whilst improving the energy efficiency of our buildings and minimising related carbon emissions.

We continue to partner with local charities and not-for-profit organisations that align with our social sustainability aspirations, using their skills and knowledge to maximise the positive impact that we can make.

Sustainability is at the heart of our values, and we are committed to embedding the change that is required. We want to continue to take a leadership position on sustainability and be considered the destination of choice for sustainably-minded businesses in the West End.

Embedding sustainability across our business

Sustainability is considered in major strategic and operational decisions. We have a Board level Sustainability Committee, established in 2021, to monitor progress against our sustainability strategy, including our net zero carbon 2030 target, and make recommendations to the Board. This is in addition to our Executive Sustainability Committee, established in 2016, chaired by our CEO, at which senior leaders from across the business consider all aspects of sustainability and review our policies.

Our support for local communities is co-ordinated by our Community Investment Committee, ensuring that we have a fair, consistent and effective approach to the allocation of funds and in-kind support.

To continually improve sustainability performance, we set stretching annual targets and communicate our sustainability policies to our employees, advisors, suppliers, occupiers, and other stakeholders. Our sustainability policies are available on our website as we believe that good governance requires transparency.

Our sustainability strategy, policy and action plan are considered annually by our sustainability committees. Material changes to sustainability-related risks, including climate change, are considered by both the Risk Committee and the Board.

Our sustainability performance is considered as part of annual corporate remuneration for all employees.

Remuneration report: page 132
Principal risks and uncertainties: page 84
Sustainability Committee report: pages 114-115

Our material issues

In spring 2021, we undertook a detailed materiality study to better understand the issues that matter most to our stakeholders. More than 50 external stakeholders were questioned, representing people from our local community, occupiers, suppliers, investors, and lenders.

The research highlighted several key priorities:

- Continuing our policy of sustainable building re-use and refurbishment, whilst considering culture and heritage protection.
- Reducing carbon emissions and adapting to climate change.
- Positively influencing and supporting our occupiers and supply chain.
- Continuing our community engagement, advocacy, and investment activities.
- Promoting skills and employment opportunities for local people.
- Addressing occupier health and wellbeing, and promoting inclusivity.

In addition, we noted the importance of well-managed spaces and health and safety.

We expect to refresh this review in 2023 to better understand the evolving priorities of our stakeholders.

Sustainability focus areas

Reflecting the 2021 materiality analysis and our corporate values and purpose, we remain focused on three key areas:

1. **Sustainable building re-use**
   Preserving the heritage of the West End is crucial to its long-term success. The protection and re-use of buildings can reduce the carbon emissions associated with construction, help to achieve our net zero carbon aspirations and improve the long-term resilience of our portfolio. We are committed to developing effective solutions to maximise the operational efficiency of heritage buildings whilst protecting their intrinsic value and meeting occupier expectations.
2. **Supporting our local community**
   The West End has vibrant communities, but the boroughs of Westminster and Camden have some of the highest levels of inequality in the country. We want to create more employment opportunities for local people, whilst also helping tackle the lack of diversity in our industry. We will continue our support for young people and our local communities through the partnerships that we have developed with grassroots local organisations.
3. **Influence, motivate and collaborate**
   Our most significant environmental impact comes from the activities of our occupiers and their supply chains. By supporting and partnering with them, we can maximise our positive impact and help to promote positive sustainability actions. We know that collaborating with local community groups ensures that our investment is directed to projects that most effectively meet local needs.

UN Sustainable Development Goals and Global Compact

We support the ten principles of the UN Global Compact on human rights, labour, environment, and anti-corruption. We became a signatory in February 2015 and have annually reviewed and updated our sustainability policies to reflect our commitment.

We have identified the Sustainable Development Goals that are most relevant to our business, integrating them into our sustainability policies and targets. Our Sustainability Data Report, which is available on our website, contains our UN Global Compact communication on progress.

Industry collaboration

We continue to actively participate in a range of industry groups, to share experiences and promote the adoption of best practice for sustainable real estate. Principal industry memberships include the Better Buildings Partnership, Business for Societal Impact and the Westminster Property Association. We also continue to be an active member of the Wild West End initiative, a partnership with neighbouring estates and business groups, to improve biodiversity across the West End.

Industry recognition and standards

We participate in a range of benchmarks to help guide our sustainability strategy and provide independent verification of our progress. We have increased our GRESB score in 2022 and maintained our EPRA Gold status for a fifth year. We disclose to CDP and continue to score well on a range of benchmarks, demonstrating a comprehensive approach to sustainability and well-managed risks. As part of our net zero carbon commitment, we have validated our scope 1 & 2 targets through the Science Based Targets initiative. We are also signatories to the Better Buildings Partnership (BBP) Climate Commitment.

As at 30 September 2022

Health and safety

Our Board has overall responsibility for our health and safety strategy and its delivery. In our refurbishment projects, ownership of health and safety is identified in all pre-tender documentation and is monitored by site managers and project managers. Our Health and Safety Committee oversees all group-wide health and safety matters and our managing agent deals with day-to-day matters throughout the portfolio.

There were no reportable health and safety incidents in our managed operations or refurbishment projects during the year. The accident frequency rate for employees was zero (2021: zero) and there were no health and safety prosecutions, enforcement actions or fatalities.

Modern slavery and human rights

We have policies in place which address human rights, modern slavery, and the ethical conduct of our business. Our sustainability policies and our Supplier Code of Conduct are provided to our key suppliers, who are required to adhere to the same high standards we set for ourselves. We completed an annual risk assessment for modern slavery and all employees were required to complete an online training programme.

Our Modern Slavery Statement, updated in March 2022, is available on our website.

We are signatories to the Living Wage Foundation and require that workers employed by our managing agents are paid at least a Living Wage or London Living Wage as appropriate.

Carnaby Street Christmas decorations

Sustainable building re-use

Our environmental strategy is built on the principle of extending the useful lives of our buildings. Re-using and enhancing existing buildings, rather than demolition and redevelopment, is fundamentally a sustainable approach; increasing energy efficiency whilst avoiding carbon emissions and use of materials associated with new construction.

Action on climate change

We recognise the need to take urgent action on climate change, setting ambitious targets for reducing our carbon emissions and making sure that our business is resilient to climate-related risks.

We have set an ambitious 2030 net zero carbon target for scope 1, 2 & 3 emissions. In doing so, we shall reduce our emissions at a rate at least in line with a 1.5°C pathway. Full details of our target can be found on our website and an annual update on progress is included within our Sustainability Data Report. We will continue to refine our target in 2023. In addition, we have set a 2025 target to be carbon neutral for our own operations (scope 1 & 2).

Furthermore, our Scope 1 & 2 emissions reduction target was verified by the Science Based Target initiative (SBTi) in 2021. This target is to reduce absolute scope 1 & 2 emissions by 50% by 2030 from a 2018 base year, and to measure and reduce scope 3 emissions. The SBTi did not validate scope 3 targets for companies with fewer than 500 employees at the time of our submission. We will review our SBT baseline in 2023 to comply with SBTi requirements.

Our science-based targets are the minimum position; we will work to increase our rate of decarbonisation across all our activities.

Performance update

A comprehensive report on our sustainability performance, including progress against our commitment to becoming net zero carbon, can be found in our Sustainability Data Report on our website.

BREEAM

For all refurbishment projects with a value over £1 million, we target BREEAM Excellent certification with a minimum of a Very Good rating. Since we introduced this requirement, we have had 27 schemes certified, extending to approximately 12.8% of the portfolio floor area.

EPCs

Under the Minimum Energy Efficiency Standards (MEES) regulations, all new lettings are required to have an Energy Performance Certificate (EPC) of grade E or above to demonstrate their energy efficiency. This will apply to all properties from 2023.

As of 30 September 2022, 96.5% of properties were A to E grade (1,548 demises), an increase from 93% last year. Some properties are omitted as they do not require an EPC at this time; for example, the buildings are under development, where the lease pre-dates the 2008 regulations, or they are demises such as sub-stations. The increase in reported demises is primarily due to the completion of the 72 Broadwick Street development and the purchase of new properties.

As part of the ongoing refurbishment programme, we will undertake works to improve their ratings as the demises become vacant, or we will work with tenants to meet the requirements of the regulations.

We are also considering our longer-term approach to effectively meeting, or exceeding, anticipated 2030 MEES requirements. An initial high-level analysis of the cost of implementing specific energy efficiency recommendations identified during the EPC assessment process has been undertaken on a sample of our buildings. This exercise has suggested that the additional cost, excluding professional fees, prelims and inflation, would be approximately £25m by 2030 for all properties requiring work. This approximates to an uplift of 10% to our annual refurbishment spend.

Energy, water, waste, and greenhouse gases

Our direct energy consumption is relatively small as it only encompasses the common areas of our buildings and refurbishment projects. On a year-on-year basis, this consumption has increased by 2.2% during the year reflecting the improvement in occupancy following the impact of Covid in the previous year.

We continue to purchase electricity sourced from renewables across our landlord-controlled portfolio. Excluding the benefit of purchasing renewable electricity, we have still seen our scope 1 & 2 greenhouse gas (GHG) emissions drop by 7.6% from the previous year, primarily due to ongoing decarbonisation of the UK energy grid.

Our water consumption only relates to common parts and remains relatively low. Overall consumption has increased by 36.9% during the year, much of which can be attributed to increased occupation of our space compared to the previous Covid-impacted year.

This year, the total volume of waste we collected across the portfolio has doubled, primarily due to a significant increase in footfall following the lifting of Covid restrictions. Recycling rates have remained relatively stable at 30.8%.

The amount of waste from refurbishment projects is minimised by reusing materials whenever possible. Where this is not feasible, material is sent to waste transfer stations which operate a zero waste to landfill policy, where possible, achieving a combined total of 100.0% diverted from landfill for the year.

Valuing natural resources

We significantly reduced our environmental impact by minimising the use of new materials in our refurbishment projects and responsibly sourcing new materials. Timber is sourced in accordance with the UK Government Timber Procurement Policy. 90.6% of our timber is from sustainably certified sources and 85.5% has FSC certification.

Retaining and re-using buildings' façades and primary structures is an important feature of our refurbishment schemes. During the year, at least 80% of facade and structure was re-used on the vast majority of our refurbishment schemes.

Biodiversity

We continue to seek every opportunity to increase biodiversity across our portfolio, this year achieving a further 11.8% uplift in area including the addition of 159m² of green walls. This represents a significant step towards a target set in 2021 to increase green space by 25% by 2025. In total, since 2016 we have increased by 135%. We will continue to focus on improving the quality of green space, whilst connecting and sharing best practice with neighbouring landowners as a founder member of the award-winning Wild West End initiative.

Supporting our local community

We are committed to supporting our local community, with a particular emphasis on young people. We work with a range of partners including not-for profit organisations, charities, educational establishments, and other local community groups.

By working with local organisations, we can build long-term relationships that maximise the value generated from our own resources and influence.

Our Community Investment Committee (CIC) is responsible for overseeing our programme of community investment in line with our focus on supporting young people and communities in the boroughs of Westminster and Camden.

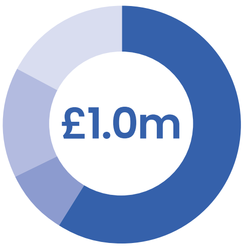
Our support has taken a variety of forms, including financial contributions to local grass-roots organisations and implementing programmes to support young people in our operations and occupiers' businesses.

More widely, we have also made in-kind donations to charities through provision of short and long-term accommodation, and time given by our employees.

In 2022, the value of our contributions totalled £1.0 million, a decrease of 14.9% on last year. This is set out below and detailed in our Sustainability Data Report, available on our website. This decrease is due mainly to a reduction of in-kind space available for charities and not-for-profit organisations as occupancy has increased post lockdown. This year our cash contributions have increased by 20%.

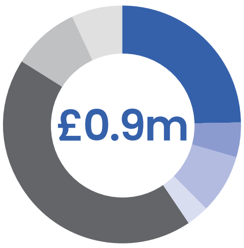
In September we hosted our eighth annual community breakfast held at the House of St Barnabas, which brought together thirty-three of our stakeholder organisations, including the leader of Westminster Council, in an informal atmosphere to network and build relationships.

How:



- Cash 59%
- Management costs: 9%
- Time: 15%
- In kind: 17%

What:



- Education: 25%
- Health: 5%
- Arts/Culture: 8%
- Environment: 3%
- Social welfare: 44%
- Emergency relief: 9%
- Other: 6%

Excludes management costs

Engagement and activities during the year

We have undertaken a wide range of activities this year and supported impactful local programmes. A full list of our community partners can be found in our Sustainability Data Report, available on our website.

In-kind space

We have continued our successful 'pop-up' programme, providing free or subsidised space to charities and small businesses in some of our world class locations.

Highlights have included the graduate tailors on Kingly Street in partnership with the London College of Fashion and the World's first high street plastic recycling studio on Carnaby Street, run by 'Are you Mad'. In a few short months 'Are you Mad' collected more than 1.5 tonnes of waste plastic, turning it into products to sell in store and highlighting the importance of tackling plastic waste.

We are building on our pop-up success by establishing the 'sustainability incubator' competition, which is an opportunity for a sustainability minded start-up or small business to boost their business with free access to a pop-up retail store in Soho.

Youth and education

This year we began support for our second scholar from the University of Westminster, committing to continuing to fund fees and a bursary for an undergraduate student studying Real Estate. The University has a high percentage of students from ethnically diverse backgrounds, many of whom are the first of their family to attend university.

We have continued our support for the Young Westminster and Young Camden Foundations by helping to fund their Brighter Futures Fund and Heads Up Mental Health Fund respectively. These have proved extremely successful, bringing much needed assistance to local disadvantaged young people. Working in partnership with expert organisations such as Young Westminster and Young Camden Foundations means that our funding reaches the projects and people where it has the most impact.

We are taking our commitment further by partnering with a local social enterprise, 2-3 Degrees, to develop the Shaftesbury Property Programme. Commencing in November 2022, local young people will work with members of the Shaftesbury team to learn about our industry and develop relevant skills.

Community support

Homelessness remains a challenge to some of the most vulnerable people in our local community. We have continued to fund an outreach worker from The Connection at St-Martin's-in-the-Field who works with the street community across the West End.

We have continued our successful partnership with the House of St Barnabas in Soho who run an employability programme through their private members club. Nineteen participants have graduated this year with City & Guilds accredited skills in hospitality and business.

Community groups

Throughout our villages we continue to contribute to a range of activities and organisations such as the Chinese Community Centre and the Chinese Information and Advice Centre in Chinatown.

This year we have provided funds to support the lunch club held on Fridays for local residents aged over fifty-five at the Covent Garden Community Centre. The lunch club began as a pilot project which came out of the food bank provision provided during the pandemic. The lunch club is a key social event for isolated people. Since February twenty of the Shaftesbury team have volunteered to help serve these lunches.

Continuing our practice of working with expert organisations, we have provided funds to Camden Giving as part of the 'We Make Camden Kit' which awards grants to Camden residents and community groups who have great ideas for their communities.

Investing in our public realm

We invest in the public realm across our portfolio, working with Westminster City Council and the London Borough of Camden to deliver projects which contribute to the neighbourhoods in and around our locations and which provide benefits for the wider community.

Each of our villages is within a few minutes' walk of public transport, so we always look at ways of prioritising people over vehicles. We focus on investing in schemes that aim to widen footway space, improve air quality, provide greening where possible and which create places for people to rest. This is often achieved through a combination of traffic management changes, better street layouts and making use of legislation to provide seating for general public use. This year, we have been instrumental in delivering changes that have drastically reduced traffic in Seven Dials, and in Carnaby and Chinatown, we have been able to provide public seating as part of our estate management.

We continue to discuss with our local councils a number of public realm projects, which we anticipate will start during 2023.

Our approach to estate management is to provide a service to everyone who uses the public space and streets which surround our buildings. In Carnaby, Chinatown and Seven Dials, we work in partnership with Westminster and Camden Councils to provide additional services such as management of daily road closures in part-pedestrianised streets, extra street cleansing, waste consolidation and management, 24/7 security and CCTV.

Our approach provides cleaner, safer and more welcoming places benefitting the local residential community and the millions who visit our areas every year. This also supports our hospitality and retail occupiers by bringing extra footfall and longer dwell times to our popular locations.

Stakeholder engagement

We are committed to engaging with our stakeholders and building long-term relationships founded on respect, integrity and transparency.

Stakeholders	Material issues	Why we engage
Occupiers Our occupiers are the wide range of retailers, hospitality and leisure operators, office tenants and residents throughout our portfolio of c.600 buildings.	• Providing a prosperous environment for our occupiers to flourish by the curation and promotion of our villages • Well-managed properties and public realm • Ensuring a seamless change to a single managing agent • Maintain the attractiveness and vibrancy of our villages • Continue to support occupiers' post-pandemic recovery and lessons learned from the pandemic • An approachable landlord	Our long-term strategy has always recognised the importance of creating areas where people want to live, visit, and work. The success of this strategy is based on our ability to understand and respond to our occupiers' and potential occupiers' priorities and aspirations.
Visitors Our visitors are those who come to our villages or engage with us through our digital channels.	• Our provision of a unique mix of retail, hospitality and leisure, innovative street installations, communal seating and wayfinding across our villages • Creating experiences in our villages to drive footfall and dwell time across the portfolio • Informative and engaging social media and communications, promoting our areas and our occupiers • Engaging with international and domestic tourist markets to encourage visits • Provision of health and safety measures	Visitors are an important ingredient in the vibrancy of our villages and are vital to the success of our retail, hospitality, and leisure occupiers.

How we engage	Outcomes of our 2022 engagement	Further information
Our portfolio managers and managing agent communicate directly with our occupiers with the aim of creating supportive relationships and collaborative working. Following the pandemic, proactive engagement with our occupiers has been paramount to understanding their individual circumstances and looking to the lessons learned from the pandemic to improve the offerings in our villages. Our village online portals offer us the ability to provide village and occupier-specific information together with regular information updates and for occupiers to raise any issues. Our teams and leasing agents communicate directly with potential occupiers to fully understand their requirements. In the case of retailers and hospitality and leisure operators: • how they would add to the vibrancy of our villages; and • which of our units and villages would best suit their business model Once a lease is finalised, our asset managers and our managing agent work closely with the occupier's onboarding and their fit-out plans.	• Continued careful curation of the villages • Throughout the year, we continued to help occupiers navigate the current pavement licensing scheme for alfresco dining including submitting planning applications for seating strategies in Coliseum and Chinatown • Our Head of Offices met with 70% of our top 50 office occupiers, to obtain their feedback on our villages, their needs and requirements, and how we could improve our offer to office occupiers generally • During the year we worked with our managing agent to review the occupier journey from their first engagement with us and throughout their lease, to ensure consistency and high standards across the portfolio • We liaised with occupiers to help promote their offerings on our social media channels • £40.9 million new lettings, lease renewals and rent reviews • 4.0% EPRA vacancy as at 30 September 2022, of which 1.6% was under offer	Chief Executive's Statement: pages 12 and 13 Long-term village asset management strategy: page 22 Progress against our 2021/22 priorities: page 33 Portfolio report: pages 38 to 45 Sustainability priorities: page 57 Our approach to sustainability: pages 58 and 59 Chairman's introduction: page 102
During the year, we engaged with our visitors through a variety of marketing initiatives, our websites, social media channels and press coverage.	• This year we undertook 33 campaigns across the villages, which contributed to an increase of 21% footfall across the portfolio, (for the comparable months of April 2021 to September 2021 and April 2022 to September 2022 to avoid the impact of lockdowns), and a 22.4% digital audience growth across our village digital platforms • We installed communal tables in Carnaby, Chinatown and Seven Dials to improve visitor facilities • We trialled an alfresco dining mobile offering in Carnaby, which, if successful, will be considered across other villages	Long-term village asset management strategy: page 22 Investing in our public realm: page 63 Chairman's introduction: page 102

Stakeholders	Material issues	Why we engage
Employees Our employees include those employed directly by us on a permanent or fixed-term contract.	• Internal communication and ways of working • Understanding the impact of the proposed merger with Capco and keeping employees appropriately informed post the Rule 2.4 and Rule 2.7 announcements • Management of workloads and resourcing • Wellbeing • Flexible working practices • Opportunities for development and progression	Our employees are responsible for implementing our strategy. Their individual and collective knowledge, experience and commitment is critical to the delivery of our corporate aims. In addition, they are the ambassadors for our business. It is important that we continue to retain and attract talented people who share and live our values.
Local communities Our communities are those people who live or work in, or around, our villages, as well as local organisations including business enterprises, schools, and charities.	• Understanding the wide variety of needs across our communities and how we can support them • Keep our communities regularly informed of our activities and initiatives and to respond to the views and needs of local people and organisations	The vibrancy of our villages is impacted by the success of our local communities' wide variety of projects and initiatives.
Our suppliers Our suppliers are those who have a direct contractual relationship with us including our managing agent, property advisory firms, contractors and project managers and a wide range of corporate advisors across numerous professional disciplines.	• Ongoing collaboration • Clear communication • Appropriate resourcing and quality of service • Fair payment terms	Long-term constructive and open relationships based on mutual trust with suppliers who reflect our values are essential for the delivery of a tailored, high-quality level of service to our occupiers and our ongoing success.

How we engage	Outcomes of our 2022 engagement	Further information
We encourage open and constructive dialogue throughout the business. During the year, we introduced regular team huddles to ensure that key information is shared with the team and to receive feedback from all staff. Richard Akers, our designated non-executive director for employee engagement, sponsors our "Echo Group", made up of a cross section of employees looking at internal communications and feedback in relation to both the proposed merger and more broadly. We continued to hold regular "All Shaftesbury" team meetings. During the year we asked for specific feedback on employee wellbeing.	• Seven all-employee hybrid/physical meetings held • Jonathan Nicholls, Richard Akers, and Helena Coles attended "All Shaftesbury" team meetings to answer questions on the proposed merger, feedback from the "Echo Group" and their roles/experience • Weekly, or as appropriate, team huddle meetings introduced to provide additional two-way communication between the Strategic and Operations Executive Committee and employees • Four change management workshops held to support employees to manage change in connection with the proposed merger • Two sessions, including questions and answers, held to assist employees in understanding the terms of the proposed merger with Capco and actions required by employees in relation to the various share schemes • Career progression framework launched to provide clarity and transparency on promotion criteria • Eight employees recruited on either a permanent or fixed term basis • Wellbeing offerings actively promoted to employees and several employees will be trained as Mental Health First Aiders • 92% staff retention	Chief Executive's statement: page 14 Progress against our 2021/22 priorities - attract, develop and retain talent: page 33 Employee wellbeing: page 71 Employee development and growth: page 71 Proposed merger: communication, feedback and support: page 71 Chairmans introduction: pages 102 and 103 How the Board monitors culture and employee engagement: page 104
Throughout the year, we liaised with our community partners and others in relation to projects we could support for the benefit of our local communities and engaged with local enterprises to help support initiatives in our areas. We are an active member of the Soho Neighbourhood Forum steering group.	• 61 grants awarded totalling £579,000 in financial contributions and 24 in-kind projects, together with volunteering time and management support • Engagement with Westminster City Council in relation to their Vision for Soho, attending engagement workshops with the Soho community • Project developed to promote employment opportunities and practical skills for 15-20 local young people in the real estate industry	Chief Executive's Statement: page 14 How we have advanced our sustainability agenda: page 57 Sustainability priorities: page 57 Sustainability focus areas: page 58 Supporting our local community: page 62
We hold frequent meetings, both virtually and in person, to ensure regular collaboration and communication, including progress updates.	This year we have: • worked closely with our managing agent, including on their resourcing, as they became responsible for the property management of the entire portfolio; • held an online seminar for our contractors, project managers and managing agents on our sustainability aspirations and requirements across our portfolio; and • worked closely with our corporate advisors in relation to the proposed merger	Chief Executive's Statement: page 14 Embedding sustainability across our business: page 58 Our material issues: page 58 Sustainability focus areas: page 58 How we behave: page 108

Stakeholders	Material issues	Why we engage
Our partners Our partners include our local authorities, Business Improvement Districts, neighbouring landowners, and West End tourism partners.	• The proactive engagement and support of local statutory and economic plans and strategies to support the continued recovery of the West End contribute to shaping its long-term future and building on the lessons from the pandemic	As a responsible landlord and business, we are committed to working collaboratively with our wide range of local partners and engaging constructively with local government to ensure that the West End remains a lively, safe and preferred destination for those who live, work and visit.
Joint ventures Our 50:50 Longmartin joint venture partner is The Mercers' Company.	• Agreement of strategies to enhance our joint venture portfolio • A well-managed estate	To ensure the success of the joint venture, adding long-term value to our respective holdings.
Finance providers Our finance providers include lenders and bondholders.	• Compliance with our financial covenants • Impact of the proposed merger with Capco on change of control clauses in our loan agreements and bonds	We aim to have a transparent relationship with our finance providers based on a mutual understanding. Our engagement includes keeping them apprised of our business performance and activities, covenant compliance and actions proposed in relation to underlying secured assets
Investors Our investors comprise the owners of our business.	• Our investment case • Our recommendation for the proposed merger with Capco • Our governance • Financial and business performance • Delivering on our purpose and long-term strategic objectives	We value our relationships with our shareholders and use our engagement to regularly update them on our activities and understand their priorities

How we engage	Outcomes of our 2022 engagement	Further information
Our engagement is undertaken in a wide variety of ways, and includes face-to-face and virtual meetings, consultations and submission of responses to policy consultations and surveys.	This year we have: • engaged throughout the year with the political leadership and officers of Westminster City Council to understand how we can support their aims, contributing our practical knowledge and experience; • been active members of trade associations including WPA and Better Buildings Partnership; • worked alongside Camden Council, The Seven Dials Trust and the Covent Garden Community Association to create a long-term strategy for traffic reduction in Seven Dials; • been a member of the West End Accessibility Group, working with partners across the West End to consider accessibility for buildings and the public realm; • supported and helped to drive London & Partners' "Let's Do London" campaign, focusing on London's recovery for domestic and international tourists following the pandemic; • worked alongside West End partners, BIDs and building owners on the 'Only in the West End' campaign highlighting what is on offer for tourists; and • been a member of the Zero Emission group, working with a group of West End landowners, BIDs and Westminster City Council to reduce emissions in the West End	Chief Executive's Statement: page 14 Industry collaboration: page 59 Investing in our public realm: page 63
Board meetings are held at regular intervals throughout the year, with property visits as appropriate. Between Board meetings, management meetings are held to oversee day-to-day operations, which are reported back to the Board.	• Approved the annual Longmartin Business Plan covering priorities and actions for the year ahead	Longmartin asset management: page 41
We engage through virtual and in-person meetings, providing tours of our portfolio, where appropriate. In December 2021 a credit update call was provided to bondholders. In summer 2022, we engaged with term loan and revolving credit facility providers and bond holders in respect of the proposed merger with Capco.	• Secured agreement to waive the change of control provisions of our £250m term loan and confirmation that change of control provisions for the £135m term loan would not be triggered on the proposed merger • Held discussions with bondholders to seek consent of such holders to make certain amendments to the terms and conditions of the bonds such that the holders agree to waive their change of control put right in respect of the proposed merger. No agreement has been reached with the bondholders and there can be no certainty that any agreement will be reached in the future	Impact of the proposed merger: page 51 Chairman's introduction: page 103
Our investor relations programme includes formal results announcements every six months together with periodic trading and news updates, one-to-one meetings, roadshows, property tours and our AGM. Our AGM, Court and General Meetings were held in a hybrid format, providing shareholders the opportunity to attend in person or virtually to ask questions and vote.	• Investor feedback following shareholder meetings and tours is shared with the Board. All resolutions at our February 2022 AGM passed with a majority in excess of 95.7% with the exception of two special resolutions relating to the disapplication of pre-emption rights • Feedback from shareholder meetings with Sally Walden and Jennelle Tilling was discussed with the Remuneration Committee and the Board and used to develop our 2022 Remuneration Policy. Our Remuneration Policy was passed with a majority of 99.3% at the February 2022 AGM • Feedback from our major shareholders taken into account in the Board's deliberations of the benefits of the proposed merger. Following the Rule 2.4 and Rule 2.7 announcements, Chris Ward and Jonathan Nicholls led on engagement with shareholders with Brian Bickell and Richard Akers attending as appropriate and feedback was shared with the whole Board. • 81.9% and 88.4% votes in favour of the proposed merger with Capco received at the July 2022 Court Meeting and General Meeting respectively	Chairman's introduction: pages 102 and 103 Significant votes against at our Annual General Meeting: page 108 Relations with shareholders: page 109

Our people and culture

Our people and culture are critical ingredients in our success. We believe that by supporting and developing our people to reach their potential, our business will, in turn, thrive.

Key achievements

- Delivery of people development and leadership programmes across the business, alongside a programme of one-to-one coaching support
- Development and roll-out of a career progression framework
- Creation of the "Echo Group", an employee forum to ensure two-way communication of news and information on the proposed merger with Capco
- Change and transformation workshops to help employees prepare for, and transition through, the proposed merger

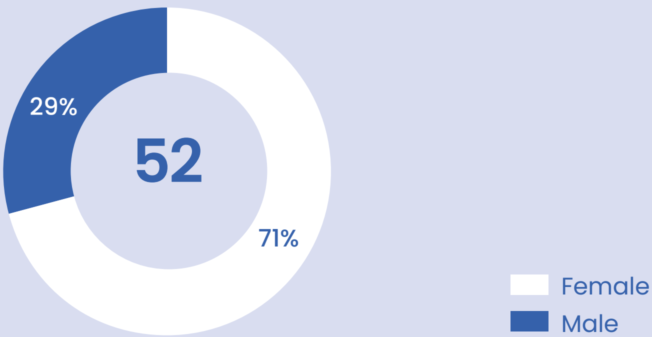
52
headcount[1]

8.2years
average length of service[1]

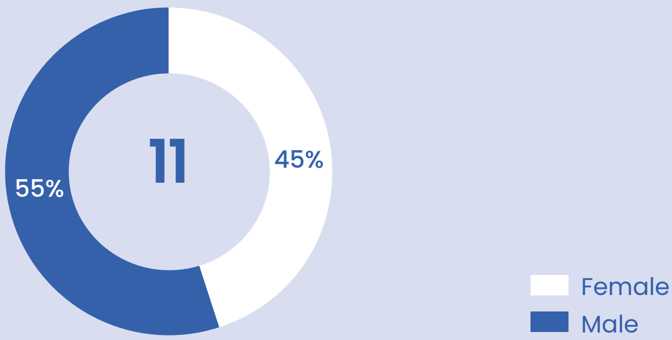
92%
employee retention rate
(permanent employees)

1 At 30 September 2022

All employees

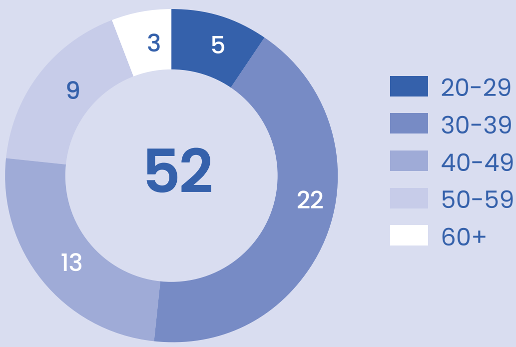


Senior leadership team



Headcount by function

Employees by age



Employee wellbeing

We remain committed to gaining regular feedback from our team and acting on this accordingly. This year, we conducted an employee wellbeing survey to listen to how our team were feeling as we reverted to normal work patterns following the pandemic.

The positive themes from the survey were that:

- 80% of employees feel able to cope and remain positive when they face frustrations or setbacks
- 78% of employees feel able to speak to their manager or colleague if they need additional support

The survey also identified some areas for improvement, which we have addressed. These included ensuring employees are aware of the health and wellbeing support that is available to them and their families through Shaftesbury's Employee Assistance Programme and our private healthcare scheme. Several employees are also being trained as Mental Health First Aiders and we have continued to offer one-to-one coaching and parental transition coaching to support people at various life stages.

Day-to-day operating framework

In response to last year's employee survey feedback, we have reviewed our day-to-day operating framework to empower employees with more responsibility and accountability. This was achieved through the introduction of a delegated authority matrix and a review of the frequency of, and attendance at, operational meetings to improve efficiency and empower decision making.

Employee development and growth

Our ambition for 2022, following the pandemic and the extended periods of lockdown, was to return to the delivery of in-person development programmes and coaching, which we have achieved. We have run three targeted leadership development programmes, based around our "Leading Self" leadership model, run as a programme of workshops, reinforced by one-to-one coaching and 360 feedback. This year we have also launched a career progression framework as a guide for individuals to understand the skills and behaviours that are required to be promoted within the business, and to enable managers to be clear about expectations and support individuals' development.

Proposed merger: communication, feedback and support

In respect of the proposed merger, we recognised the need to provide additional channels for employee communication and feedback. As a result, we created the Echo Group, comprising a representative group of employees, to share merger information and to receive feedback from employees. The group is chaired by Richard Akers, our Non-Executive Director responsible for employee engagement, and provides a way for the board to understand what is important to employees about the proposed merger and more broadly. We have also run Change and Transition Workshops to equip employees with an understanding and skills regarding the process of change and how to lead and support their teams effectively through the transition.

Equality, diversity and inclusion

Our policy is to promote diversity and inclusivity across the business. We recognise that a group that is diverse in nature, irrespective of visible and non-visible differences, backgrounds, gender, experience and orientation offers differing perspectives and challenge.

We strive for an inclusive culture with a collaborative environment that is open to different ideas and styles of thinking, where all our people feel they can be themselves and contribute to the Company's success. We treat everyone with fairness, respect and openness, and encourage our people to share ideas, develop their skills and reach their potential. Our commitment extends to the standards we expect of the businesses with whom we partner and work.

Diversity is considered at every level of recruitment. All appointments are made on merit and based on objective criteria. We support initiatives to promote diversity within the real estate sector including Real Estate Balance and Freehold.

The FTSE Women Leaders Review, which is an independent, business-led framework supported by the Government, aims to increase the number of women in leadership positions in FTSE 350 companies. In its 2022 report, for the fifth year running, Shaftesbury was top of the FTSE 250 for the highest female representation on the executive committee and direct reports.

Our plan to develop an equality, diversity and inclusion strategy this year has not progressed but remains an important priority.

Our values

We have five core values that guide our behaviours and ways of working, which demonstrate our commitment to doing the right thing – for our business, stakeholders, and employees.

Embedded across the business, these values are a critical part of our success. They help make Shaftesbury a great place to work and support the achievement of our strategic priorities. Our values are an important aspect when hiring new people and are embedded in every aspect of the employee journey.

Human

Building relationships, inside and outside the business, based on openness, empathy, trust and respect – showing genuine interest and care for each other and those with whom we work.

We celebrate difference and encourage diversity. A variety of backgrounds, experiences, characteristics and preferences leads to wider perspectives, increased creativity, better decision making and inclusive spaces where everyone can feel welcome, be themselves, and reach their potential.

Outside of our workplace, we promote the diversity agenda, including gender, ethnicity, social background and sexual orientation.

Original

We see change as opportunity to arrive at fresh solutions and better outcomes.

From finding and nurturing new talent to challenging and evolving our thinking, we welcome new ideas, approaches and perspectives and encourage ideas from our people, business partners and communities.

This is an important aspect in the curation of our villages, including how we use our buildings and the occupiers we choose, where innovative concepts are favoured over predictable formats found elsewhere.

Community minded

As an important, long-term investor in our areas, being a good neighbour and focusing on local issues is essential. Working closely and collaboratively with our communities and local authorities, we combine our influence and expertise to address issues and challenges, promote public realm improvements and create vibrant, inclusive places.

Responsible

As long-term custodians of the areas in which we invest, we hold ourselves accountable to a wide range of stakeholders. It is important that we do the right thing, in the right way, acting responsibly and with integrity.

We invest in staff well-being and development, cultivate relationships with our business partners and stakeholders, and behave in a socially-responsible manner.

Long term

We take a long-term, holistic approach to our villages. From our partnerships and people, to the impact we wish to make, our decision making is forward-looking and focused on long-term sustainable benefits rather than short-term gains.

Our culture: the "Shaftesbury Way"

Aligning with our values, our culture is one of respecting tradition but bringing innovation, acting with courtesy, respect and integrity, not being afraid to embrace change, seeking challenge, trying new things and evolving. We are inclusive, encouraging difference and welcoming new people, ideas and perspectives to enable everyone to be themselves, have a voice, and contribute to the delivery of our goals.

Combining our experience, enthusiasm, culture and values, we seek to achieve success beyond profit by delivering sustainable long-term benefits for our stakeholders and people, building a thriving working culture and making a positive, long-lasting contribution to the success of London's West End.

Shaftesbury staff volunteering at Stave Hill Ecological Park

Earlham Street, Seven Dials

Climate risk and opportunity

Task Force on Climate-related Financial Disclosures

We have outlined our approach to identifying and managing our most significant climate change related issues, addressing both risks and opportunities relating to climate change. We have complied with the requirements of listing rule 9.8.6R, to the degree set out below, by including disclosures that are consistent with the TCFD recommendations and recommended disclosures.

Full Disclosure ● Part Disclosure ◐ No Disclosure ○

In 2021, we completed an analysis of physical and transitional risks and opportunities under a series of scenarios, the outcomes of which are considered in this disclosure. We have also set a comprehensive net zero carbon target (scope 1, 2 & 3) to be achieved by 2030 which aims to decarbonise our business in line with a 1.5-degree pathway. This is in addition to our scope 1 & 2 carbon reduction target which has been validated by the SBTi. As a landlord we are in a position to positively influence our occupiers and encourage energy efficiency and low carbon behaviours.

Governance:

a. Board oversight ●

We have a Board level Sustainability Committee which maintains oversight of climate issues and performance against our 2030 net zero carbon target. The Committee meets at least three times a year and includes two non-executive directors and the CEO. Climate change is a recurring agenda item for the Sustainability Committee and significant climate related discussions this year have included:

- Review of our net zero carbon 2030 target and roadmap (Nov 2021)
- Review of our climate change scenario analysis and TCFD statement (Nov 2021)
- Setting sustainability policy and targets for 2022 (Nov 2021)

The Head of Sustainability is responsible for updating the Committee on climate-related issues, including progress against key targets. The Committee reports directly to the main Board on climate issues periodically, and as required. Annually, significant changes to sustainability targets are considered by the Committee for the year ahead.

The Audit Committee has reviewed this TCFD report.

We have a Remuneration Committee that considers performance against sustainability targets, including ongoing progress against our (scope 1 & 2) science based target, in the annual remuneration of all employees.

Sustainability Committee report: page 114
Audit Committee report: page 122
Remuneration report: page 132
A full version of our net zero carbon target and roadmap can be found on our website

b. Management role ●

The Sustainability Committee is supported by an Executive Sustainability Committee, chaired by our CEO, which meets at least quarterly. Membership is drawn from across the organisation and includes executive management, finance, and the Head of Sustainability. The Executive Committee has oversight of climate related risks and considers reports prior to the Sustainability Committee.

The business has a dedicated Head of Sustainability who has responsibility for the delivery of the sustainability strategy, including coordinating action on climate change, and reporting progress against our targets. The Head of Sustainability reports directly to the CEO, Sustainability Committee, and the Risk Committee. Climate change is considered a principal risk and is subject to internal risk controls and ongoing monitoring through the Risk Committee.

Responsibility for the implementation of our sustainability strategy, including actions relating to climate change and our 2030 net zero carbon target, is set out in our Sustainability Action Plan. The Sustainability Action Plan is updated annually and is publicly available on our website.

Climate risk is further embedded into the organisation with consideration of a climate related KPI in corporate remuneration for all employees, including senior management.

Principal risks and uncertainties: page 85
Remuneration report: page 132
Net zero carbon overview: page 80
A full version of our net zero carbon target and roadmap can be found on our website
Sustainability Action Plan: available on our website

Strategy

a. Risks and opportunities that have been identified over the short, medium and long term

To improve our disclosures next year, we will set out how risks and opportunities are impacted by the different scenarios we have identified

We are committed to long term investment in our assets, focusing on low impact repurposing and refurbishment, rather than demolition and redevelopment. Our assets are wholly located in the West End of London, a relatively small geographical area from the perspective of climate risk, and under a single legal jurisdiction. This limits the scope of physical and transition risks that we face but may increase our exposure to a single event. We have a complex portfolio of c. 600 buildings that can make our analysis of climate issues more difficult.

Informed by a high-level qualitative scenario analysis, undertaken in 2021, we have identified a range of risks and opportunities, the most significant of which are summarised below. The climate scenarios used for our analysis include 'low' (better than 2 degrees) and 'high' (4 degrees) emission pathways for the UK and consider 'balanced', 'tailwinds' and 'headwinds' pathways that will impact our transition risks.

We recognise that the climate related risks become less predictable over the longer term, and we will continue to review and update our analysis. Time horizons have been selected as relevant to the nature of our business and appropriate for our risk management strategy. Our long-term approach to investment and commitment to the West End means that we need to consider climate issues over several decades, with long term time horizons incorporating UK Government net zero carbon strategy to 2050.

Transition risk

Short term (0-1 years)	We are unable to meet current and prospective occupiers' expectations for sustainable and energy efficient buildings.	Market & Customers
Medium term (1-5 years)	Evolving regulations such as Minimum Energy Efficiency Standards (MEES) become increasingly difficult to implement, especially in heritage buildings where we see a potential conflict between heritage and energy efficiency.	Policy
	Enhanced carbon emissions reporting requirements increase costs and the reputational risk of non-compliance.	Policy
	Failure to reduce carbon emissions across our portfolio required to meet our net zero carbon commitment and science-based targets due to high percentage of heritage buildings and lack of control over tenant activities.	Reputational
Long term (5-30 years)	Adoption of lower carbon products and technologies is constrained by electrical supply to our buildings.	Market
	Higher than expected costs of carbon offsets if zero carbon becomes mandatory.	Market
	Energy performance in buildings continues to require improvements beyond that of MEES requirements for both domestic and commercial properties.	Policy

Transition opportunities

Medium term (1-5 years)	An increased recognition of the carbon benefit of retaining and refurbishing buildings increases the perceived value of our assets.	Reputational
	The increased energy efficiency and low embodied carbon of our portfolio makes it more desirable to occupiers.	Reputational
	Opportunity for reputational benefits arising from facilitating the reduction of occupiers' fuel bills.	Reputational
	Increased energy efficiency of our portfolio results in reduced carbon emissions and energy cost.	Market
Long term (5-30 years)	Improved technologies enable an increased usage of onsite renewable energy generation.	Technology

Physical risk

Medium term (1-5 years)	Hotter summers will increase costs for maintaining required levels of cooling or risk not being able to provide the indoor environment required by occupiers.	Chronic
Long term (5-30 years)	Localised flooding due to more severe storms and costs associated with designing/retrofitting buildings for increased resilience to more intense rainfall.	Chronic
	Changing precipitation patterns may result in water supplies to London being insufficient, requiring local authorities to constrain supply at times.	Chronic
	Increased disruption to the local energy and transport network due to extreme weather events, particularly a flood event combined with potential failure of the Thames Barrier.	Acute

b. Impact of identified risks and opportunities on business strategy and financial planning

In future, we will provide further disclosure on the cost of promoting energy efficiency behaviour and our offsetting strategy

The overall impact of climate change on the business is considered by the Board as part of our approach to risk management and informs wider organisational strategic planning. The impact of climate related issues on financial performance or financial position has not been fully quantified as part of our scenario analysis, however it is not expected to be material to the business over the short to medium term. However, carbon emissions and climate change adaptation have been identified as material issues for our stakeholders and remain important to the business from a legal compliance and reputational perspective. Principal impacts considered include:

- **Acquisitions and divestment**

MEES is considered in investment decisions.

- **Adaptation and mitigation activities**

Our refurbishment strategy, which addresses about 10% of floorspace a year, continuously improves the overall energy efficiency and resilience of our portfolio to climate change. This help to meet legislative requirements such as MEES, and the changing needs of our occupiers, both of which are considered significant risks.

We have set a 2030 net zero carbon target in line with the BBP Climate Commitment, supported by a roadmap setting out the key actions that we will take to reduce our carbon emissions. In addition, we invest in increasing green infrastructure across our portfolio, with targets set to integrate biodiversity across our refurbishment activities.

We are continuing to increase the measurement of energy consumption within our portfolio, monitor of the extent to which refurbishment of existing buildings improves energy efficiency and track embodied carbon in our refurbishment projects.

- **Financial planning and performance**

In 2022 we undertook a high-level exercise to estimate the costs of improving the energy performance of assets currently below EPC B or C, in line with the recommendations identified in the EPC reports. This research, based on a sample of our properties, indicated that additional investment of circa £25m is required by 2030, equating to approximately 10% of our typical refurbishment spend each year. EPC requirements are included in capital expenditure considerations and our obligations have been considered in portfolio valuation exercises. Further investment to improve energy efficiency or promote low carbon behaviours by our occupiers has not been quantified at this stage.

Based on our understanding of climate-related issues, we don't expect there to be a material impact on our financial performance or financial position in the short to medium term, through either our ability to generate income or in the underlying value of the portfolio. We plan to undertaken a more-detailed analysis on the costs of implementing energy efficiency interventions in the coming year.

For the purpose of developing our net zero carbon roadmap we have applied a carbon offset cost of £95 per tonne. Due to our limited development activities we have not yet developed an internal cost of carbon for use in the appraisal of schemes, but will consider doing so in future.

Streamlined Energy and Carbon Report: page 80
Sustainability Action Plan: available on our website
A full version of our net zero carbon target and roadmap can be found on our website

c. Resilience of our strategy

As we improve our understanding of the costs associated with reducing scope 3 emissions, as set out in Strategy section b, we will be able to more fully understand and disclose the resilience of our strategy

We are committed to investing for the long term in the West End, of London, continually improving our portfolio to deliver efficient and resilient buildings. We do not expect that the climate related issues identified will necessitate a significant change to our strategy, either asset classes or geographical location, in the medium term.

Our climate change strategy is informed by a broad range of potential climate scenarios which improves the resilience of our decision making. The careful consideration of investments, ongoing improvement of our assets and the net zero carbon target will protect our long-term strategy from significant climate risk.

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

Our qualitative scenario analysis includes low and high emission pathways for the UK and considers '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.

A full version of our net zero carbon roadmap can be found on our website

Risk Management

a) Process for identifying and assessing climate risks

Key outputs of our scenario analysis are considered by the Executive Sustainability Committee and reviewed by the Sustainability Committee. As described above, a broad set of scenarios are used for the purpose of identifying risks. We will consider the benefit of incorporating further quantitative analysis in future.

The Risk Committee considers climate change to be a principal risk, which we define as having the potential prevent us from achieving our strategic objectives or implementing our strategy. As the longer-term implications of climate change are less well-known, it is also considered an emerging risk. 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.

All risks are reviewed on a 1-5 scale for both likelihood and impact on our ability to implement our strategy, allowing fair comparison between overall climate change risks and other risks reviewed by the business.

Principal risks and uncertainties: page 84

b) Process for managing climate-related risks In future, we will provide more detail on supply chain management	Our approach to managing climate change risk is embedded in our Sustainability Policy and Sustainability Action Plan. We have set science-based carbon reduction targets for scope 1 and 2 emissions and a comprehensive net zero carbon 2030 target, which will be the foundation of our carbon emissions reduction strategy over the next eight years. 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. 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 2023. *Remuneration report: page 132* *A full version of our net zero carbon target and roadmap can be found on our website*
c) How processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management.	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. A risk report is produced by the Risk Committee and is submitted to the Board, but is not publicly available. Key risks are disclosed in the annual report and interim report. *Principal risks and uncertainties: page 84*

Metrics and targets

a) Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process	Alongside our Annual Report we publish a detailed Sustainability Data Report and Sustainability Action Plan. These documents detail annual targets and performance. We have limited third party verification for our carbon reporting to meet the requirements of SECR. We publish a comprehensive Sustainability Data Report, including historic data for 4 years to allow for trend analysis. Key metrics used to assess climate risk include: **Performance against decarbonisation targets:** • Greenhouse gas intensity from building energy consumption (tonne CO_2e/m^2); • Progress against our science based carbon reduction targets (scope 1 & 2) (tonnes CO_2); • Total direct and indirect greenhouse gas emissions (tonne CO_2e); • Total water consumption (m^3); **Performance against key legislative targets:** • EPC performance (% breakdown on EPC ratings by count and floor area in m^2); • Building Certification – BREEAM rating (number of assessments and total area assessed in m^2); **Climate adaptation measures:** • Biodiversity (green features area in m^2); **Reputational measures:** • We disclose to CDP (Carbon Disclosure Project) and a C rating was awarded in 2021. **Remuneration** • Progress against our SBTs contributes towards our annual corporate bonus calculation. We will consider the inclusion of scope 3 emissions in annual remuneration targets from 2024. **Future targets:** • We are collecting embodied carbon data from our refurbishment projects and will consider the suitable metric to measure progress in the next financial year. *Sustainability data report: available on our website* *Sustainability policy: available on our website* *SECR statement: page 80*
b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. We will increase our scope 3 disclosures in subsequent reports	Our scope 1, 2 and selected scope 3 emissions are reported in line with EPRA and GHG Protocol Methodology. This is detailed in our Sustainability Data Report and summarised in our Streamlined Energy and Carbon Report. Full details are set out in the sustainability data report. We will increase our scope 3 disclosures in subsequent reports in line with our net zero carbon commitment. As our assets are all located in a small geographical area, and single legal jurisdiction, we report as a single geography. *Sustainability data report: available on our website*
c) Targets used to manage climate-related risks and opportunities and performance against targets.	We have a science-based target to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2018 base year, and to measure and reduce scope 3 emissions. This was validated by the Science Based Targets initiative in 2021. In addition, we have set a target for the business and our operations (scope 1, 2 & 3) to be Net Zero Carbon by 2030, this commits us to reducing emissions in line with a 1.5 degrees or better scenario. Our scope 3 emissions target has not been validated by the Science Based Targets initiative. Other key targets include: • 3% absolute annual reduction in landlord-controlled energy consumption; • 5% like for like annual reduction in landlord-controlled energy consumption; • Achieve BREEAM 'Very Good' for all developments and/or refurbishment schemes of a contract value above £1 million; • Refurbishment schemes over £250,000 to achieve minimum Grade B EPC rating (EPC C for residential); and • Increase biodiverse space by 25% by 2025, from a 2021 baseline. Performance against these targets can be found in our annual Sustainability Data Report. *Sustainability data report: available on our website* *A full version of our net zero carbon target and roadmap can be found on our website*

Streamlined Energy and Carbon Reporting (SECR)

We report our greenhouse gas emissions (GHG) and operational energy consumption in compliance with the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our scope 1 and 2 emissions statements cover the reporting period 1 October 2021 to 30 September 2022 and are detailed in the table below. Our reporting boundary uses the operational control approach and as such, scope 1 is defined as direct emissions that include any gas data for landlord-controlled parts and fugitive emissions from air conditioning are included where it is our responsibility within the managed portfolio. Scope 2 is defined as indirect energy emissions which include purchased electricity throughout the Group's operations within landlord-controlled parts. The figures relate to landlord controlled common parts such as lobbies, staircases or vacant units and are therefore minimal. The boundary of reporting excludes tenant consumption in our properties, as the leasing arrangements puts responsibility for energy operation and direct payment for supply on the tenants. Therefore, these emissions fall within Scope 3 (leased assets).

Electricity used in refurbishment projects has been included where material. This materiality threshold includes the projects which exceed a value of £250,000 and/or exceed 3 months in duration. The energy consumption at refurbishment projects below these criteria is captured within the common parts data reported by managing agents, who deal with the day to day management of the portfolio.

Energy consumption and GHG emissions

We have committed to reducing our scope 1 and 2 emissions by 50% by 2030 from a 2018 baseline year (1,164 tCO2e). This target has been independently verified and approved by the Science Based Targets initiative (SBTi). We have also committed to becoming a net zero carbon business by 2030 as set out in our Net Zero Carbon Commitment, available on the company website.

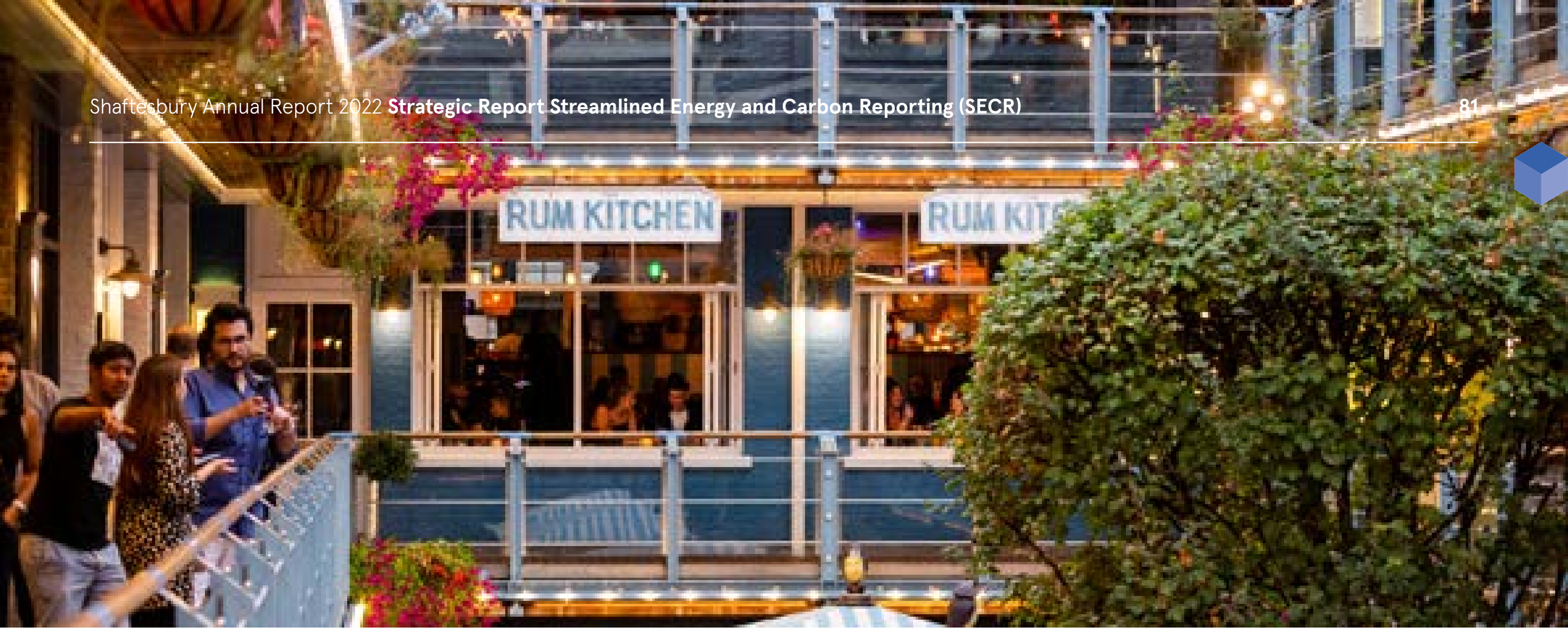
Overall, energy consumption has increased year-on-year reflecting the improvement in occupier numbers due to the return to normality following the impact of Covid in the previous year. Total energy use from electricity and natural gas has increased by 2.2%, from 4,232,902 kWh reported in 2021 to 4,325,104 kWh in 2022. This included all landlord-controlled areas as well as energy consumed on refurbishment projects. 100% of emissions and energy use reported are applicable for the UK only, as we do not have any other global operations.

Despite the marginal increase in energy use the increased use of renewable energy in the UK national grid has led to a decrease in our Scope 1 and 2 emissions by 7.6% from 906 tCO2e in FY2021 to 837 tCO2e in FY2022. Scope 1 emissions have decreased by 23% compared with the previous reporting year, which can be attributed primarily to a vacant unit in Seven Dials and the removal of the gas connection for a property in Opera Quarter.

With respect to market-based emissions, all of the wholly owned portfolio within operational control has used green tariff electricity with resulting zero emissions. These emissions were based on energy supplier specific emission factors and supported by REGO certificates. Electricity was purchased as part of the refurbishment schemes, with our largest refurbishment scheme at 72 Broadwick Street accounting for 103 tCO2e of these market-based emissions, and is included in the 2022 data below.

	UK GHG emissions FY2022[3] (gross tCO_2e)	UK GHG emissions FY2021 (gross tCO_2e)	UK Energy consumption FY2022 (kWh)	UK Energy consumption FY2021 (kWh)
Scope 1[1]	**152**	**198**		
Natural gas	142	164	779,348	893,758
Refrigerant losses	9	34		
Scope 2 location-based (electricity)	**685**	**708**	3,545,756	3,339,144
Scope 2 market-based (electricity)	**126**	**103**		
Total (location-based)	837	906		
Intensity metric	tCO_2e/£M	tCO_2e/£M	kWh/£M	kWh/£M
Total emissions and energy/ £M revenue	6.8	8.0	35,135	37,559

1. Shaftesbury does not have any fleet or company cars hence no emissions are reported from transport fuel (mobile combustion) or other energy sources in scope 1. Therefore only, emissions are from stationary combustion are applicable.
2. Shaftesbury has quantified and reported emissions from the following greenhouse gases (as applicable): carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF6).
3. Rounding to whole numbers will cause minor discrepancies in totals.



Energy efficiency actions undertaken in the year

We have continued to progressively increase the extent of LED lighting in our properties as well as the addition of some motion sensors in buildings. We have also undertaken improvements and upgrades to improve energy efficiency, through refurbishment programmes.

We have continued to undertake energy efficiency improvements in line with our 2019 Energy Savings Opportunities Scheme (ESOS) Report. In addition to the above, we continue to target the following actions:

- reviewing existing energy management practices in specific buildings; and
- further engaging with tenants and employees to increase awareness and identify opportunities for savings.

In total, a potential saving of 205 tCO2e of GHG is anticipated once all the recommendations and upgrades are implemented. Further details are contained within the Sustainability Data Report, which is available on the Company website.

We are reporting on two emissions intensities: performance against turnover and common parts floor areas. Common parts floor areas includes 132 properties. The emissions intensity figure was 33.6 $kgCO_2e/m^2$ (0.034 tonnes CO_2e/m^2), consistent with previous years. Against turnover, the intensity has reduced from 8 tonnes per £million of total revenue to 6.8 tonnes per £million of total revenue.

Methodology

The energy and carbon statements disclosed in this report have been calculated using an operational control reporting boundary and in accordance with the following standards:

- WRI/WBCSD (2004). Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard - Revised Edition;
- WRI/WBCSD (2015). Greenhouse Gas Protocol: Scope 2 Guidance for market-based reporting; and
- Department for Environment, Food & Rural Affairs and Department for Business, Energy & Industrial Strategy (2019): Environmental reporting guidelines: Including Streamlined Energy and Carbon Reporting requirements'.

We have applied the appropriate greenhouse gas conversion factors from UK Department for Business, Energy and Industrial Strategy (BEIS) 2021. We have used accurate consumption data for reporting of emissions for the majority of supplies accounting for the above reported emissions. Where there have been data gaps, we have used reasonable estimations such as pro-rata extrapolation to ensure complete coverage for the reporting year, as feasible.

Third Party Data Verification

EcoAct was engaged by Shaftesbury to provide independent third-party limited verification of its direct (Scope 1) and indirect (Scope 2 and 3) greenhouse gas emissions as detailed in the company's carbon footprint calculation for the period 1 October 2021 to 30 September 2022.

A limited level of verification aligned with the ISO 14064-3:2019 standard with specification and guidance for the verification and validation of greenhouse gas statements was conducted.

The organisational boundary of Shaftesbury was established using the operational control approach, and consists of all properties where the organisation has sole ownership, this includes Carnaby, Chinatown, Seven Dials, Opera Quarter and Soho, and the joint venture at Longmartin. Tenant's areas for which Shaftesbury does not have operational control were considered outside the reporting boundaries and thus excluded from the GHG inventory.

Based on the data and information provided by Shaftesbury and the processes and procedures followed, nothing has come to EcoAct's attention to indicate that the reported GHG emissions totals for FY22 were not fairly stated and free from material error.

The verification procedure is detailed in the full statement in Annex 2 of the Sustainability Data Report.

Risk management

Risk tolerance and management is embedded across the business, with the tone and culture set by the Board. The risk landscape has evolved throughout the year with pandemic uncertainties receding, only to be replaced with headwinds from the deterioration in the macroeconomic outlook.

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. The resilience of our locations has been demonstrated through a sustained recovery in footfall, spending and occupier demand across all uses since Covid restrictions were removed. This strong rebound has driven a return to pre-Covid occupancy levels and rent collection rates. However, the deterioration in the macroeconomic environment over recent months has increased risk levels over the near term.

Portfolio report: pages 38-40

Risk landscape: page 84

Important factors in considering risk across the Group include:

- an experienced executive and senior leadership team, with an average tenure of 17 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;

Leadership team: pages 96-99

- the nature of our portfolio does not expose us to risks inherent in material speculative development schemes;

Investing in the heart of London's West End: pages 20-21

- 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;

Financial report: page 51

- our culture encourages open dialogue within the whole team and with our wide range of external advisors;

Our people and culture: pages 70-72

- simple group structure; and
- governance framework which includes clearly defined responsibilities and limits of authority.

Governance overview: page 101

Strategy and Operations Executive Committee

The Board's attitude to risk is embedded in the business, with the Strategy and Operations Executive, which includes the 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 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.

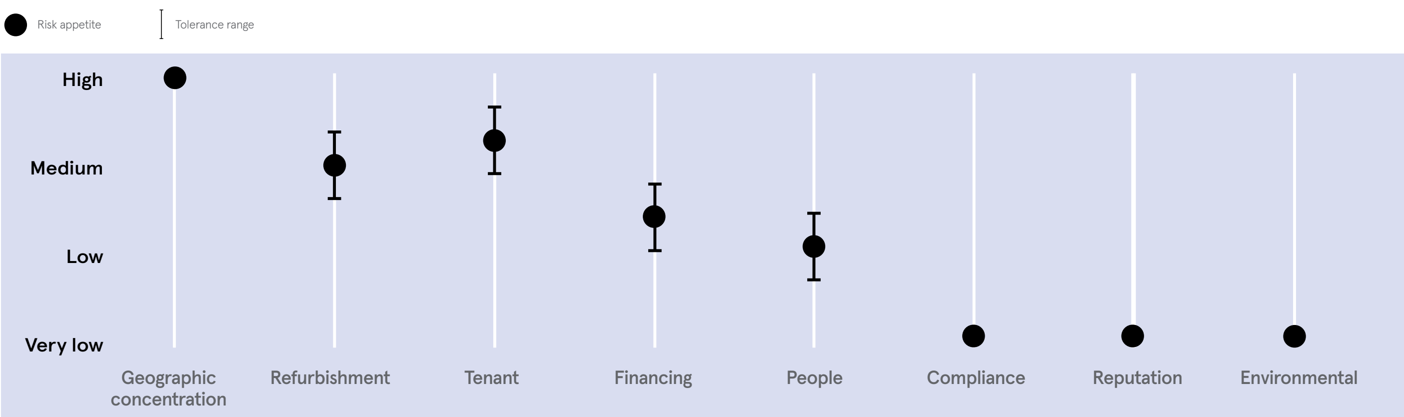
Risk appetite

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, as shown in the diagram below. Recognising that risk appetite is not an "absolute", the diagram shows an indicative range, reflecting that we may move up and down the risk curve, as circumstances dictate.

Our appetite for refurbishment risk is medium, reflecting our long -established practice of proactively seeking to secure vacant possession of space to improve our buildings, unlock latent income and capital value potential, and enhance their environmental performance.

Portfolio report: pages 40-41

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.

Long-term village asset management strategy: page 22

We adopt a prudent approach to our capital structure, seeking to minimise financing risk. However, with debt forming part of the funding stack, we accept a low-medium level of risk.

Financial report: page 51

A key long-term strategic priority is to attract, retain and develop a talented team. Staff retention is high, averaging 95% over the past three years. However, in common with all businesses, it is not always possible to retain key individuals, and we accept a low level of risk.

Our people and culture: pages 70-72

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 by the Strategy and Operations Executive Committee. Issues that have arisen and how risks have changed are key inputs to the Risk Committee.

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

We consider risk as follows:

- daily at an operational level by senior management;
- weekly at executive director meetings;
- monthly (or more frequently, as required) 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.

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.

Assessing risk and internal controls

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

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

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

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

Assurance

Whilst we do not have a formal internal audit function, the Risk Committee oversees the provision of assurance on controls to the Audit Committee. This comprises a rolling programme of external reviews on processes and the effectiveness of controls, supplemented with controls testing by management. Results of the reviews and recommendations are reported to the Audit Committee and followed up by the Risk Committee.

Principal risks and uncertainties

This report should be read in conjunction with the Viability Statement on pages 90 to 92.

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.

Read more why we invest in London's West End on pages 20-21

With the recovery following the lifting of Covid restrictions, we have seen an increase in footfall, from both domestic visitors, international tourists and the returning workforce as the UK enjoyed its first restriction-free summer since 2019. With the strong recovery in spending in our villages, occupier demand across all uses has been good driving a return to pre-pandemic occupancy levels and rent collection rates.

However, the macroeconomic outlook has deteriorated in recent months and could continue to worsen in the near future. Inflationary pressures and supply chain issues are likely to manifest in higher operating and refurbishment costs for us.

Whilst we have not yet seen a significant impact on footfall or trading in our areas, rising inflation and the cost-of-living crisis could reduce consumer confidence and spending. Together with reduced availability, and increased cost, of finance, this could place additional pressures on occupiers, who are already dealing with their own inflationary pressures, staffing and supply chain challenges, and potentially higher leverage following the pandemic. In turn, this could affect their ability to pay rents, potentially increase tenant default and reduce occupier demand, leading to increased vacancy in our villages and reduced rent collection rates. Whilst these challenges persist, our portfolio in popular West End destinations has long demonstrated a high level of resilience and a relative low vacancy rate, and we remain confident that the domestic and international appeal of the West End and our popular locations, together with the size and relative affordability of our space, our flexible approach to leasing and proven village management strategies, will continue to be important to potential occupiers, providing us with a degree of protection from national headwinds.

Portfolio report: pages 38-41

With our diverse tenant mix, typically we have not experienced mass failures; the default rate over the past two years remained low, reflecting the mitigating actions we took during the pandemic. It was equally low during the Global Financial Crisis, when trading in the West End remained good, reflecting its enduring appeal to a wide audience and a relatively affluent customer base.

The proposed merger with Capco has brought about change and, inevitably, increased uncertainty for our people. In recognition of this, we have elevated our employee attraction and retention risk from medium to high. In turn, we have introduced a series of programmes to assist with integration and help our people manage change through this process.

Our people and culture: pages 70-72

Other risks associated with the proposed merger

Other risks associated with the with the proposed merger and the resulting combined group were included in Capco's prospectus, particularly in the "Risk Factors" section (Part II). The prospectus is available on both our and Capco's websites (www.shaftesbury.co.uk; www.capitalandcounties.com).

Material risks relating to the proposed merger include:

- Completion is subject to a number of conditions, including appropriate clearance from the CMA, which may not be satisfied or waived or which may be satisfied subject to conditions imposed by regulatory bodies or other third parties and may result in completion being delayed or the proposed merger not completing.
- The combined group's success will be dependent upon its ability to integrate the two businesses following the proposed merger. Failure to deliver the full benefits and synergies expected from the combined group, and effective operational management and integration, including harmonising business cultures, may impact the success of the proposed merger.
- The terms of certain existing indebtedness, or the need to refinance such indebtedness, is expected to result in an increase in financing costs of the combined group, which are not included in the assessment of the synergies, following completion.

Financial report: page 51
Viability Statement: page 90

The two businesses are currently engaged in customary pre-notification discussions with the CMA, which remain ongoing. Given this process, the CMA has not yet commenced its Phase 1 review and therefore the proposed merger is now expected to become effective during the first quarter of 2023.

A summary of the impact of the proposed merger on change of control provisions in our financing arrangements and our investment in the Longmartin joint venture are set out in note 27 to the financial statements.

Emerging risks

The Board and Audit Committee review and discuss emerging risks facing the business.

Emerging risks are circumstances or trends which are often rapidly evolving which could significantly impact the Company's financial strength, competitive position or reputation within the next three years or over a longer term. Generally, the impact and probability of occurrence are not yet fully understood and consequently necessary mitigations have not yet fully evolved. A non-exhaustive list of emerging risks is outlined below.

Climate change

We regard climate change to be a principal risk. 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 direct 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 decarbonise our portfolio and will incur additional costs in the low energy refurbishment of buildings.

Task Force on Climate-related Financial Disclosures: page 76

Other emerging risks

Other emerging risks considered include:

- cyber security and its impact on data and IT infrastructure, including both widespread risks such as state-sponsored cyber attacks and those targeted directly at our systems and data. We provide employees with training on IT security topics and have become accredited with Cyber Essentials Plus. However, the cyber security landscape is fast evolving and we continue to evolve to meet new threats;
- supply chain issues, including the impact of the energy crisis and potential for energy rationing to impact both footfall and trading and potentially the operation of data centres;
- IT infrastructure breakdown. We have continued to invest significantly in IT infrastructure and this investment will continue as we transform our data capabilities across the business.

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. These risks and uncertainties, their mitigation and the evolution of risk during the year are set out below.

We cluster our strategic risks in the following categories: external factors, geographic concentration, market and consumer, brand and reputation, governance, data and internal control, and people. Risks are scored on a scale from low to very high.

Key

Strategic objectives

1. Deliver sustainable, long-term benefits for all our stakeholders
2. Long-term growth in rents and portfolio value
3. Grow recurring earnings, dividends and cash flow
4. Minimise environmental impact
5. Attract, develop and retain talented people

Evolution of risk

↗ Risk increased
→ Risk unchanged
↘ Risk decreased

Residual risk

● Low ● Medium ● High ● Very high

Strategic risks currently not considered to be principal risks

In view of mitigating actions, the following strategic risks are not currently considered to be principal risks or uncertainties:

Category	Risk	Residual risk
External factors	Changes in regulatory environment	●
Market and consumer	Unable to adapt to tenant demands/ shifts in the market offer by competitors	●
Brand and reputation	Misconduct or poor operational standards by third party advisors	●
	Damage to reputation with local stakeholders and communities	●
	Failure to innovate	●
Governance, data and internal control	Significant cyber security breach leading to disruption and/or loss of data	●
	Expulsion from REIT regime through non-compliance	●
	Financing risk	●
	Health and safety matters	●
	Failure to meet our sustainability strategy objectives	●
People	Succession planning	●

Principal risks and uncertainties continued

1. External Factors

Macroeconomic factors

Potential causes

- **Macroeconomic shocks or events.**
- **Availability of finance and the increasing cost of finance.**
- **Impact of rising inflation, rising energy costs and the cost-of-living crisis**

Consequences

- Lower consumer confidence/ spending.
- Reduced visitor numbers.
- Reduced business confidence and investment.
- Supply chain disruption, higher import costs and skills shortages.
- Reduced occupier profitability/ increased financial distress/ default.
- Reduced occupier demand.
- Higher vacancy.
- Downward pressure on rents.
- Reduced rental income and declining earnings.
- Reduced capital values and NTA (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

- Pandemic uncertainties receded, only to be replaced with increasing headwinds from the current macroeconomic climate.
- We have not yet seen material impacts of rising inflation, rising energy costs and the cost-of-living crisis on footfall and trading in our villages. However, it is possible these could emerge in the near future, for example after the Christmas period.
- The impacts could manifest in a reduction in rent collections or increased vacancy and lower occupier demand, particularly given concerns over the availability/cost of finance. However, we do not anticipate widespread tenant failure given that our areas have long proved to be resilient and prosperous, and the low failure rate during GFC, and latterly over the last two years by virtue of mitigating actions we took.
- We expect to continue to meet interest cover covenants in our financing facilities. Additionally, our term loans have interest cover cash cure mechanisms.
- Covenants have been reviewed under a severe-but-plausible downside scenario as described in the viability assessment and are expected to be met.

Why we invest in London's West End: page 20
Long-term village management strategy: page 22
Financial report: page 51
Viability statement: page 90

Strategic objectives 1 2 3

Evolution of risk: →

Residual risk:
2021:
2022:

Decline in the UK real estate market

Potential causes

- **Changes to political landscape.**
- **Increasing 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 NTA (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 will be important in the near-term valuation trend.
- Our wholly-owned portfolio valuation increased by 7.5% in the first half of the year. Improved operating and investment conditions during the second half were offset by greater uncertainties in the macroeconomic environment. This led to a decline in the second half of 3.6%.
- Sustained occupier demand recovery has led to a significant decrease in vacancy.
- Covenants have been forecast under a severe-but-plausible downside scenario, as described in the viability assessment, and are expected to be met.

Why we invest in London's West End: page 20
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Strategic objectives 1 2 3

Evolution of risk: →

Residual risk:
2021:
2022:

Principal risks and uncertainties continued

2. Geographic concentration

Reduction in spending and/or footfall in our areas

Potential causes	Consequences	Mitigation
• An event that adversely impacts our occupiers' ability to trade, e.g. pandemics, terrorism or the threat of terrorism. • Macroeconomic conditions e.g. recession, declining disposable income, unemployment, impacts of rising inflation, rising energy costs and the cost of living crisis. • 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.	• 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 NTA (amplified by gearing). • Risk of loan covenant breaches.	• Footfall and customer spending are important ingredients for the success of our restaurant, leisure and retail tenants. • Key aspects of our management strategy are to: ensure our areas maintain a distinct identity; seek out new concepts, brands and ideas to keep our areas vibrant and appealing; and actively promote our areas. • 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. • Increase in footfall over the year with the rebound of international and domestic tourism following the easing of Covid restrictions and office workers returning to offices. • The Elizabeth Line is now open with a full service expected in early 2023. The opening of this line has made our areas more accessible to a wide range of visitors. • Covenants have been reviewed under a severe-but-plausible downside scenario as described in the viability assessment and are expected to be met. *Why we invest in London's West End: page 20* *Long-term village asset management strategy: page 22* *Financial report: page 51* *Viability statement: page 90*
Strategic objectives 1 2 3 4 5	**Evolution of risk:** →	**Residual risk:** 2021: ● **2022:** ●

Principal risks and uncertainties continued

3. Market and consumer

Significant increase in tenant default/failure		
Potential causes	**Consequences**	**Mitigation**
• 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. • Economic headwinds including recession, declining disposable income, unemployment, inflation, higher energy prices, cost of finance.	• 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 NTA (amplified by gearing). • Risk of loan covenant breaches.	• 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 senior management team. • Head of Property Insights provides regular data on tenant trading and footfall. • Majority of occupiers invoiced monthly to help manage their cash flows. • Tenant deposits held at 30 September 2022: £14.9 million. • Gearing maintained at low levels. • We maintain a pool of uncharged assets to top up security held by lenders, if required. **Commentary** • During the pandemic, our support through, amongst other things, rent concessions was critical for our hospitality, retail and leisure occupiers and tenant failure was relatively limited. Footfall and spending have recovered. Rent collection now back to pre-pandemic levels. • Occupier demand has improved and available space in our villages has now largely been absorbed. Occupancy now back to pre-pandemic levels. • Occupiers face a number of headwinds including inflation, energy costs and staff shortages, which could reduce profitability or their ability to service their debt. • We have not yet seen material impacts of rising inflation, rising energy costs and the cost-of-living crisis on footfall and trading in our villages. However, it is possible these could emerge in the near future, for example after the Christmas period. • The impacts could manifest in a reduction in rent collections or increased vacancy and lower occupier demand, particularly given concerns over the availability/cost of finance. However, we do not anticipate widespread tenant failure given that our areas have long proved to be resilient and prosperous, and the low failure rate over the last two years and during GFC. • Covenants have been reviewed under a severe-but-plausible downside scenario as described in the viability assessment and are expected to be met. *Long-term village asset management strategy: page 22* *Portfolio report: pages 38-41* *Financial report: page 51* *Viability statement: page 90*
Strategic objectives 1 2 3	**Evolution of risk:** →	**Residual risk:** 2021: ● **2022:** ●

4. People

Failure to attract and retain talented people		
Potential causes	**Consequences**	**Mitigation**
• Uncertainty around the proposed merger increases risk of staff deciding to leave and hampers attracting new employees	• Loss of key knowledge and experience. • Loss of integral business relationships.	• Remuneration policies to reward good performance • Career development and progression framework in place • Employee surveys with action on feedback • Delivery of development programmes and coaching • Support programmes provided to staff to assist with proposed merger integration and help our people manage change through the process **Commentary** • We have historically maintained a high permanent employee retention rate, reflecting our commitment to look after employees and make Shaftesbury a great place to work. *Our people and culture: pages 70-72*
Strategic objectives 1 2 3 4 5	**Evolution of risk:** ↗	**Residual risk:** 2021: ● **2022:** ●

PEOPLE PLACES SPACES

Monmouth Street, Seven Dials

Viability statement

The directors have assessed the Group's viability and confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 30 September 2025.

Scope of assessment

In its assessment, the Board has considered a review of the Group's viability, prepared by senior management.

As set out in note 27, the Board have recommended, and shareholders have approved, a possible all-share merger of the Company with Capco.

While subject to satisfaction, or waiver, of various conditions, it is currently expected that the proposed merger will proceed within the coming year and should it proceed as envisaged, it will result in the Company becoming a wholly-owned subsidiary of Capco, with implications for the Group's financing arrangements and management. The Board's viability assessment, therefore, first considers the Group on a standalone basis, and then on a combined group basis, assuming that the proposed merger proceeds.

Period of assessment

Since December 2020, the Board has assessed the viability of the Group over a period of three years. Whilst the Board monitors prospects over a longer period in the execution of the Group's strategy, it considers that to make longer-term forecasts would require greater clarity with regard to the present macro-economic challenges. The Board has, therefore, continued to use a three-year viability assessment period.

The directors confirm that they have no reason to expect a material change in the Group's viability immediately following the end of the three-year assessment period on either a standalone or combined group basis.

Severe-but-plausible downside scenario

The review considered the potential impact of the principal risks which could affect solvency or liquidity in 'severe-but-plausible' scenarios for a range of macro-economic outcomes, arriving at a single severe-but-plausible downside scenario which assumes these impacts are felt simultaneously.

The directors paid particular attention to those risks which could result in reduced income, profitability and capital values, a shortfall in liquidity or a breach of debt covenants.

The severe-but-plausible downside scenario envisages an economic shock leading to a severe recession. While there are other risks faced by the Group, an economic or other shock of this nature allows us to model the simultaneous confluence of the impact of the Group's principal risks in a single near-term scenario. This is intended to present an extreme sensitivity analysis, flexing the key inputs to the Group's forecasts, in unison, to model more severe adverse impacts and thereby assess the Group's earnings, liquidity and debt covenant compliance under stress.

Stand alone basis

Key assumptions

The key assumptions imagined in the severe-but-plausible downside scenario, along with their link to the Group's principal risks, are set out below.

- Rent collection rates to fall to c.83% of contracted rent, for a period of three months in Q2 FY 2023, reflecting tenant distress in a worsening economic and operating environment.

  1 3 4

- Total portfolio vacancy (including scheme vacancy) to increase to a peak of c.21% in FY 2023, a level in-line with its peak in the year ended 30 September 2021, which was the result of the Covid-19 pandemic. This reflects the potential effect of a worsening macro-economic environment on occupiers, many of whom are already facing economic challenges from the accumulation of leverage during the pandemic, rising interest rates and inflation, as well as supply chain and staffing pressures.

  1 3 4

- Immediate decreases in rental values of c.5% for ground floor uses, and c.2.5% for upper floors. This would crystallise as a reduction in income as tenancies reach breaks or expiries or tenants default and would result in reduced capital values.

  1 2 3 4

- A sustained period of high inflation, with general inflation modelled at c.12% through FY 2023 then reducing to c.9% in 2024 and c.7% in FY 2025, affecting all expenditure.

  1

- Other than committed expenditure, no further acquisitions or disposals are assumed. The completion of existing refurbishment schemes is assumed, after which capital expenditure is assumed to continue broadly in-line with the historical trend.
- Dividends would be suspended in the event that EPRA earnings fell to a loss and would otherwise be reduced to levels which conserve liquidity while maintaining the Group's compliance with the REIT regime.
- The Group's £100 million revolving credit facility is assumed to remain undrawn and to expire at maturity in February 2023, without being refinanced. No other changes to the Group's financing are assumed.

Principal risks					Emerging risks	Anticipated additional risk of combined group[1]
1 Macro-economic factors	2 Decline in the UK real estate market	3 Reduction in spending and/or footfall in our areas	4 Significant increase in tenant default/failure	5 Failure to attract and retain talented people	6 Climate risk	7 Financing risk

1: The Group has reviewed the risk factors identified in Capco's merger prospectus and confirmed that there is close alignment between the Group's principal risks and those faced by the combined group. The Group considers that financing risk is an additional risk of the combined group which should be considered in assessing viability, given the higher level of floating rate debt and the existence of financing arrangements of c. £1.0bn maturing during the viability period.

Assessment

The Group's investment strategy is focused on hospitality, retail and leisure uses which, in the West End, other than during the pandemic, have demonstrated a long record of resilience and growth. Its village management strategy has delivered high occupancy and sustained income growth over the long term. It is the Board's expectation that the fundamentals of the investment strategy remain sound and that the potential impacts on the business imagined in the severe-but-plausible downside scenario would largely reverse in the medium term.

The West End's resilience has been evidenced by the strong and rapid post-pandemic recovery in footfall, spending and occupier demand in our villages, reflected in the recovery of rent collection and occupancy to pre-pandemic levels.

An economic shock leading to reduced occupancy or rent collection would lead to a reduction in our cash flows and earnings and would be detrimental to the Group's ability to return to pre-pandemic levels of profit and dividends. However, it would not threaten the Group's viability unless loan covenants were breached and were not capable of being cured.

No mitigating actions have been taken in this assessment. Mitigating actions within management's control include, among other things, the reduction of non-essential costs and capital expenditure.

Covenant compliance

A reduction in capital values might put viability at risk if loan-to-value covenants in the Group's financing arrangements could not be satisfied. Declining values may also curtail its ability to raise new debt funding, but no new funding is expected to be required during the viability assessment period, due to the Group's expected liquidity levels. Other than the undrawn revolving credit facility due to expire in February 2023, there are no other debt maturities during the viability assessment period.

In the severe-but-plausible downside scenario, average net property income and cash generated from operating activities before interest would be approximately 30% and 10% below pre-pandemic levels over the viability assessment period, respectively. Both measures would be at their lowest levels in the first year of the viability assessment period when inflation, vacancy and rent collection are assumed to be at their worst.

The Group anticipates that under this severe-but-plausible downside scenario, the interest cover covenants in one of its term loans would be marginally breached in two quarters of FY 2023. For the affected term loan, the Group can make up income shortfalls using negligible cash deposits or by securing additional assets with sufficient contractual income from its pool of unsecured properties throughout the viability assessment period and expects to have sufficient liquidity, security and cure rights. The interest cover covenants in its other financing arrangements would be adversely impacted but are, nonetheless, expected to remain in compliance throughout the viability assessment period.

Reverse stress testing

After topping up security in its financing arrangements, from its pool of unsecured properties as needed, the Group estimates that it could withstand a circa 49% decrease in valuations from 30 September 2022 before reaching the limit of its loan-to-value covenants.

The Group has re-calculated its forecast interest cover covenant headroom assuming the allocation of uncharged assets to financing arrangements that would be necessary to sustain these valuation declines and estimates that it could withstand a circa 68% decrease in the relevant measures of net income from its 30 September 2022 position before reaching the limit of the interest cover covenants on its mortgage bonds. A uniform decline in income to that degree, would also cause a breach in the interest cover covenants on the secured term loans. However, these breaches could be cured with cash deposits.

In view of the prime nature of the Group's investment property portfolio and its resilience in previous economic downturns, the Board considers the possibility of declines in valuation or income at these levels to be remote.

Combined group basis

Change of control clauses in the Group's mortgage bonds and term loans 7

The Group's bonds and term loans contain change of control clauses which, if triggered on completion of the proposed merger, would, at the relevant debt provider's discretion require repayment in part or in full. Following completion of the proposed merger:

- our secured term loans will remain in place;
- our £100 million revolving credit facility will be retired as this will no longer be required given the other sources of liquidity in the combined group; and
- change of control provisions in the terms of our secured mortgage bonds will be triggered, whereby bondholders would be entitled to 'put' their bonds at par plus any accrued interest.

Capco entered into a £576 million unsecured loan facility agreement to provide funding certainty in the event that some or all of the bondholders exercise their redemption rights following completion of the proposed merger. Based on current market conditions, any drawdown of this loan facility agreement will result in increased financing costs for the combined group, which the combined group would seek to mitigate by capitalising on the increased strength of its balance sheet following completion. The facility extends for two years from 16 June 2022, which may be extended for a further six months at the option of Capco, subject to the satisfaction of the extension requirements as outlined in the facility agreement. There is subsequently a further six-month extension option available, which requires lenders' consent.

Assessment

In preparing its assessment of viability, the Board reviewed a revised and up-to-date forecast of the combined group under a severe-but-plausible downside scenario. The severe-but-plausible downside scenario considers low levels of rent collection, decreases in ERVs and increases in vacancy and costs, all occurring in unison, consistent with the assessment on a standalone basis outlined above. No mitigating actions have been taken in this assessment. Mitigating actions within management's control include, among other things, the reduction of non-essential costs and capital expenditure.

As noted above, the Group's investment strategy is focused on hospitality, retail and leisure uses which, in the West End, other than during the pandemic, have demonstrated a long record of resilience and growth. The Board anticipate that the combined group's portfolio will have a broadly similar composition. It is the Board's expectation that the fundamentals of its investment strategy remain sound and that the potential impacts on the combined group imagined in the severe-but-plausible downside scenario would largely reverse in the medium term.

Refinancing 7

The viability assessment makes intentionally pessimistic assumptions over refinancing the combined group's debt. The combined group's debt maturities during the viability assessment period are:

- £95 million of Capco's US private placement loan notes mature in 2024. These are assumed to be redeemed using a combination of cash reserves and undrawn facilities.
- £576 million loan facility, noted above, which expires in December 2024 (assuming the initial six-month extension option is taken-up). The combined group modelling and the assessment of covenants described below assumes the lenders grant a further six-month extension and that it is then refinanced on final maturity in June 2025 on a basis consistent with the terms of that final extension.
- £300m revolving credit facility which expires in September 2025, coinciding with the end of the viability assessment period.

The Board considered the projected combined group loan-to-value ratio, the interest cover ratio and the quantity of unencumbered assets under the severe-but-plausible downside scenario. This assumes further valuation declines for the combined group of c. 20% relative to September 2022 levels. A decline of this magnitude would result in a projected group loan-to-value ratio of c.40% in December 2024 when the £576 million loan facility agreement would need to be extended or refinanced. Unencumbered assets would amount to £3.3bn. Despite the severe-but-plausible downside assumptions applied to both income and net interest expense, group interest cover would be approximately 1.9x against a covenant of 1.0x.

Whilst the Board considers that financing risk is a critical factor in assessing the viability of the combined group, it has assumed that, even in the severe-but-plausible downside scenario, replacement financing could be found for both the £576 million loan facility and the £300 million revolving credit facility.

Covenant compliance

Consistent with the standalone assessment, under this severe-but-plausible downside scenario, the Group estimates that the interest cover covenants on one of its secured term loans would be breached in two quarters of FY 2023. Throughout the viability assessment period, the Group can make up income shortfalls for the affected term loan using cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties and expects to have sufficient liquidity, security and cure rights throughout.

The interest cover covenants on the combined group's other financing arrangements would be adversely impacted by the severe-but-plausible downside scenario but are, nonetheless, expected to remain in compliance throughout the viability assessment period.

It is the Board's expectation that the combined group will remain in compliance with the loan-to-value covenants of its combined financing arrangements under the severe-but-plausible downside scenario.

In addition to interest cover and loan-to-value covenants, the £576 million loan facility contains a covenant on the ratio of unencumbered assets to unsecured debt. It is the Board's expectation that the combined group will remain in compliance with this covenant under the severe-but-plausible downside scenario.

Reverse Stress Testing

After topping up security in its financing arrangements, from its pool of unsecured properties as needed, the Group estimates that the combined group could withstand a circa 43.8% decrease in valuations from 30 September 2022 before reaching the limit of its loan-to-value covenants. At this level, and assuming the allocation of uncharged assets to secured pools necessary to sustain such a decline, the combined group would remain in compliance with the unencumbered assets covenant in the £576 million loan facility agreement.

In the severe-but-plausible downside scenario, the financing arrangements of the combined group with least headroom on their interest cover covenants are the two Shaftesbury secured term loans. However, as noted above, subject to some limitations, breaches in these can be assumed to be cured with cash deposits or by the addition of properties with sufficient contractual income from the combined group's pool of unsecured properties.

The £576 million loan facility agreement is projected to have the next lowest headroom in the severe-but-plausible downside scenario. At the point of lowest projected headroom, when severe-but-plausible downside assumptions are applied to both income and net interest expense, the combined group could sustain a further decline in group net property income of up to 47% before breaching this covenant or taking any mitigating actions. This assumes that interest expense is held at its severe-but-plausible downside level.

The combined group is expected to have floating rate debt exposure, comprising the £576 million unsecured loan facility and the £300 million revolving credit facility (to the extent drawn) and will, therefore, have exposure to fluctuations in interest rates which the standalone Group does not. However, the combined group benefits from partial hedging in the form of interest rate caps to partly mitigate this risk for the first two years of the viability assessment period.

Given the high proportion of fixed costs in the combined group's interest expense under the severe-but-plausible downside scenario, the interest cover reverse stress test is relatively insensitive to increases in SONIA. The Board, therefore considers that the likelihood is remote that increases in SONIA would put material additional pressure on group interest cover covenants during the viability assessment period.

In view of the prime nature of the combined group's investment property portfolio and resilience in previous economic downturns, the Board considers the possibility of declines in valuation or income at these levels to be remote.

Other considerations

Climate risk 6

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

TCFD: pages 76-79

Other risks 5

In recognition of the uncertainties that inevitably arise as part of the proposed merger, the Group elevated the risks associated with employee retention and attraction, and implemented a number of mitigating actions.

Our People and Culture: pages 70-72
Principal risks and uncertainties: pages 84-88

Additionally, the combined group's success will be dependent upon its ability to integrate the two businesses following the merger. Failure to deliver the full benefits and synergies expected from the combined group, and effective operational management and integration, including harmonising business cultures, may impact the success of the merger.

The Board expects that within the life of the viability assessment, the impacts of a failure to manage these risks would be reflected in increased costs and weaker operational performance which fall within the impacts considered in the severe-but-plausible downside assumptions outlined above.

Conclusion

The severe-but-plausible downside scenario would present significant challenges over the viability assessment period. However, 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, the Group would remain viable on a standalone basis for the duration of the viability assessment period.
- should the proposed merger proceed, in view of the combined group's expected levels of liquidity, its expected covenant compliance and cure rights, the reverse stress testing set out above and its prospects for refinancing its funding arrangements ahead of their maturity, the combined group would remain viable for the duration of the viability assessment period.

The strategic report on pages 3 to 92 was approved by the Board on 28 November 2022.

Brian Bickell
Chief Executive

Chris Ward
Chief Financial Officer

Carnaby Summer Festival

Kingly Court, Carnaby

Governance

Pages 96 – 141

Leadership team: the Board

Executive directors

Brian Bickell S
Chief Executive

Date appointed to the Board
July 1987

Independent: No

Key strengths and experience
- a chartered accountant
- long tenure with Shaftesbury
- extensive experience within the property sector
- proven record of driving strategy, delivering success and setting an open and transparent culture

Brian joined Shaftesbury in 1986 and was appointed Finance Director in 1987. He was appointed as Chief Executive in 2011.

Brian is responsible for implementing the Group's strategy and day-to-day operations.

Committee memberships:
Board Sustainability Committee

Strategy and Operations Executive Committee (Chair)
Executive Sustainability Committee (Chair)

Risk Committee

Disclosure Committee (Chair)

Current external appointments
Director of Longmartin Properties Limited

Deputy Vice Chair of Westminster Property Association

Chair of Young Westminster Foundation

Chris Ward
Chief Financial Officer

Date appointed to the Board
January 2012

Independent: No

Key strengths and experience
- a chartered accountant
- extensive financial and real estate experience
- prior to joining Shaftesbury, Chris was Finance Director of the UK and Nordic countries for Redevco for nine years

Chris is responsible for financial accounting, tax and IT matters.

Committee memberships:
Disclosure Committee

IT User Group (Chair)

Pension Committee (Chair)

Risk Committee (Chair)

Strategy and Operations Executive Committee

Simon Quayle
Executive Director

Date appointed to the Board
October 1997

Independent: No

Key strengths and experience
- a chartered surveyor
- long tenure with Shaftesbury
- knowledge of the West End property market which provides valuable knowledge and insight to our villages and strategy

Simon joined Shaftesbury in 1987 and was appointed as Property Director in 1997.

Simon is responsible for the asset management and operational strategy in Carnaby, Soho and Fitzrovia.

Committee memberships:
Executive Sustainability Committee

Health, Safety and Wellbeing Committee (Chair)

Strategy and Operations Executive Committee

Current external appointments
Member of the Strategy Board for ZSL

Tom Welton
Executive Director

Date appointed to the Board
October 1997

Independent: No

Key strengths and experience
- a chartered surveyor
- long tenure with Shaftesbury
- commercial experience and knowledge of the Group and West End property market which provides value to our villages and strategy

Tom joined Shaftesbury in 1989 and was appointed as Property Director in 1997.

Tom is responsible for the asset management and operational strategy in Covent Garden and Chinatown.

Committee memberships:
Strategy and Operations Executive Committee

Current external appointments
Director of Longmartin Properties Limited

Key to Committee Membership
N Nomination Committee
A Audit Committee
R Remuneration Committee
S Sustainability Committee
Committee Chair

Non-executive directors

Jonathan Nicholls N
Chairman of the Board

Date appointed to the Board: September 2016
Independent: Yes on appointment to the Board

Key strengths and experience
- over 24 years' experience of public company boards and their operations
- over 23 years' experience within the property sector

Jonathan was finance director of Hanson plc between 1998 and 2006, and of Old Mutual plc between 2006 and 2008.

Jonathan has been a non-executive director and chairman of the audit committee of Great Portland Estates plc (2009 to 2016), SIG Plc (2009 to 2017) and DS Smith plc (2009 to 2019). Jonathan was senior independent director at Great Portland Estates plc between 2014 and 2016, and at DS Smith plc between 2013 and 2019.

Current external appointments
Chairman of Ibstock plc.

Richard Akers N A R S
Senior Independent Director

Date appointed to the Board: November 2017
Independent: Yes

Key strengths and experience
- provides a broad range of real estate knowledge and experience at board level

Prior to joining Shaftesbury, Richard was a senior executive of Land Securities Group PLC from 1995, and joined the main board in 2005 as managing director of the retail portfolio until 2014.

Previously, non-executive director, senior independent director and chairman of the remuneration committee and safety, health and environmental committee of Barratt Developments PLC and non-executive director of Unite Group plc from 2018 to 2021.

Richard was appointed Senior Independent Director and designated non-executive director for employee engagement in February 2019.

Current external appointments
Chairman of Redrow PLC.

Jennelle Tilling N A R
Non-executive director

Date appointed to the Board: January 2019
Independent: Yes

Key strengths and experience
- Fellow of The Marketing Society
- over 25 years' experience of consumer marketing, digital and innovation within food retail brands, which complements the skills on the Board

Jennelle held a variety of senior marketing roles for over 17 years at Yum! Restaurants, and is the founder and chief brand strategist at Marketing with Insight.

Current external appointments
Non-executive director of Camelot, non-executive director of Yorkshire Building Society and trustee for Guide Dogs for the Blind.

Ruth Anderson N A R
Non-executive director

Date appointed to the Board: December 2020
Independent: Yes

Key strengths and experience
- chartered accountant with over 30 years' experience advising UK and global businesses
- over 10 years' experience on public company boards

From 2010 to 2020 Ruth was a board member and chaired the audit committee at Ocado Group plc (2010 to 2019), Travis Perkins plc (2011 to 2020) and Coates Group plc (2014 to 2018). Prior to her non-executive career, Ruth was with KPMG for 33 years, where she was a partner for 20 years, including as a UK board member from 1998 to 2004 and a vice chair from 2005 to 2009.

Helena Coles N A R S
Non-executive director

Date appointed to the Board: July 2021
Independent: Yes

Key strengths and experience
- over 25 years' experience in equity and financial markets
- provides knowledge and insight on ESG investment matters

Helena is an experienced equities portfolio manager and analyst, and previously co-founded a specialist emerging markets asset management firm in a joint venture with State Street Global Advisors. She has also held roles at Fidelity International and the Bank of England, focusing on ESG and banking supervision respectively.

Current external appointments
Non-executive director of JPMorgan Emerging Markets Investment Trust Plc and Schroder Japan Growth Fund plc, independent investment advisor to the Joseph Rowntree Charitable Trust.

Senior management team

Sam Bain-Mollison
Retail Director

Date joined Shaftesbury: 2011

Responsibilities
Group retail strategy and leasing.

Committee memberships:
Strategy and Operations Executive Committee
Executive Sustainability Committee
Risk Committee

Karen Baines
Marketing and Communications Director

Date joined Shaftesbury: 2016

Responsibilities
Group strategic marketing and PR for consumer, trade and corporate communications.

Committee memberships:
Strategy and Operations Executive Committee
Community Investment Committee

Alastair Deutsch
Finance Director

Date joined Shaftesbury: 2020

Responsibilities
Financial planning and analysis, strategic commercial insights, treasury, tax, investor relations and IT.

Committee memberships:
Strategy and Operations Executive Committee
IT User Group
Risk Committee

Desna Martin
Company Secretary

Date joined Shaftesbury: 2020

Responsibilities
Leads on corporate governance within the Group and advising the Board. Company Secretary to the Longmartin joint venture Board.

Committee memberships:
Strategy and Operations Executive Committee
Community Investment Committee
Disclosure Committee
Pension Committee
Risk Committee

Andrew Price
Property Director

Date joined Shaftesbury: 2001

Responsibilities
Group acquisition strategy and asset management of Chinatown and Soho.

Committee memberships:
Strategy and Operations Executive Committee
Community Investment Committee (Chair)
Pension Committee
Risk Committee

Jenna Slade
Property Director

Date joined Shaftesbury: 2019

Responsibilities
Asset management of Carnaby and Fitzrovia.

Committee memberships:
Strategy and Operations Executive Committee
Executive Sustainability Committee
Health, Safety and Wellbeing Committee
Risk Committee

Julia Wilkinson
Restaurant Director

Date joined Shaftesbury: 1997

Responsibilities
Group restaurant and leisure strategy and leasing.

Committee memberships:
Strategy and Operations Executive Committee
Executive Sustainability Committee
Pension Committee

Lydia Clarkson
Head of Public Realm and Policy

Date joined Shaftesbury: 2016

Responsibilities
Group wide public realm projects, statutory policy and political strategy, and stakeholder liaison.

Committee memberships:
Executive Sustainability Committee

Stefanie Doede
Group Financial Controller

Date joined Shaftesbury: 2016

Responsibilities
Financial reporting, risk management and control, internal and external audit management.

Committee memberships:
Executive Sustainability Committee
Health, Safety and Wellbeing Committee
Risk Committee

Andy Hing
Associate Director

Date joined Shaftesbury: 2017

Responsibilities
Asset management of Soho, valuations and acquisitions and disposals.

Lorna Hyde
Head of HR

Date joined Shaftesbury: 2021

Responsibilities
Human resource management and development across the business.

Committee memberships:
Health, Safety and Wellbeing Committee

Annabel Rowe
Head of Commercial Finance

Date joined Shaftesbury: 2018

Responsibilities
Commercial finance, financial planning and analysis and insights.

Committee memberships:
IT User Group

Isabel Thomas
Head of Offices

Date joined Shaftesbury: 2021

Responsibilities
Group office strategy and leasing.

Matt Thompson
Head of Property Insights

Date joined Shaftesbury: 2021

Responsibilities
Responsible for village data and insights across the business.

Committee memberships:
IT User Group

Matt Smith
Head of Sustainability

Date joined Shaftesbury: 2020

Responsibilities
Group-wide environmental and social strategy.

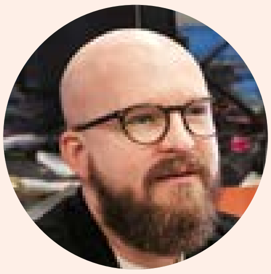
Committee memberships:
Community Investment Committee
Executive Sustainability Committee
Health, Safety and Wellbeing Committee
Risk Committee

Shelley Webb
Head of Residential and Kingly Court

Date joined Shaftesbury: 2003

Responsibilities
Group-wide residential management and strategy, and asset management of Kingly Court.

Committee memberships:
Executive Sustainability Committee



Vaughan Williams
Head of Facilities and Property Management

Date joined Shaftesbury: 2019

Responsibilities
Property operations, technology and refurbishment strategy, procurement, health and safety obligations, and service charge management for the portfolio.

Committee memberships:
Executive Sustainability Committee
Health, Safety and Wellbeing Committee
IT User Group
Risk Committee

Newport Place, Chinatown

Overview – Governance

Leadership and purpose

An overview of how the Board monitors purpose and culture, its key activities throughout the year and its governance framework

Chairman's introduction
How the Board monitors culture and employee engagement
The role of the Board and its Committees
Principal Board activities
S172(1) statement
Conflicts of interest
How we behave
Significant votes against resolutions at our Annual General Meeting
Relations with shareholders

See more about our approach to leadership and purpose on pages 102 to 109

Division of responsibilities

Describes the roles of the directors and review of director independence

Roles and responsibilities of the directors
Independence and effectiveness

See more on our approach to division of responsibilities on pages 112 and 113

Oversight of sustainability

Explains the role of the Sustainability Committee in monitoring our progress against our sustainability policy and net zero carbon commitment

Sustainability Committee Report

See more on our approach to sustainability on pages 114 and 115

Composition, succession and evaluation

Sets out our consideration of Board composition, succession planning and the Board evaluation

Board diversity
Board tenure
Board skills
Nomination Committee Report
2021/22 Board evaluation process

See more on our approach to composition, succession and evaluation on pages 117 to 120

Audit, risks and internal controls

Explains the role of the Audit Committee in overseeing the integrity of the financial statements and our risk management and internal control systems

Audit Committee Report

See more on our approach to audit, risks and internal controls on pages 122 to 126

Remuneration

Outlines our remuneration policies which support our strategy and promote the long-term sustainable success of the business

Directors' remuneration report
Annual remuneration report

See more on our approach to remuneration on pages 128 to 137

Compliance with the UK Corporate Governance Code 2018 (the "2018 Code")

The Board considers it has complied in full with the 2018 Code throughout the year ending 30 September 2022, with the exception of Provision 38. This provision requires the alignment of executive director pension contributions with the wider workforce. As explained in the Directors' remuneration report on page 129, we aligned the contribution levels of the current executive directors with the workforce contribution rate on 1 October 2022. The governance report on pages 102 to 137 sets out how the Company has complied with the principles and provisions within the 2018 Code.

Leadership and purpose
Chairman's introduction

Good governance and high standards, embracing our culture and values, underpins the way in which our business is managed to promote the long-term success of the Group.

Board members and meeting attendance

	Scheduled Board meetings (4 held)	Additional Board meetings (17 held)
Chairman		
Jonathan Nicholls[1]	4/4	16/16
Executive directors		
Brian Bickell	4/4	17/17
Chris Ward [2]	4/4	16/17
Simon Quayle	4/4	17/17
Tom Welton	4/4	17/17
Non-executive directors		
Richard Akers	4/4	17/17
Ruth Anderson[2]	4/4	16/17
Helena Coles	4/4	17/17
Jennelle Tilling	4/4	17/17
Sally Walden[3]	2/2	3/3

1. Jonathan Nicholls was not invited to one additional Board meeting due to a conflict of interest. Richard Akers, as Senior Independent Director, acted as Chair of that meeting.
2. Chris Ward and Ruth Anderson missed one of the additional Board meetings in 2022 due to the short notice and each having another commitment.
3. Sally Walden retired from the Board on 4 February 2022 and could have attended a maximum of 2 scheduled Board meetings and 3 additional Board meetings.

Dear shareholder

I am pleased to introduce our Corporate Governance report for the year ended 30 September 2022.

Our purpose, and the Board's focus and consideration of the likely consequences of decisions for the long term and s172(1) matters

This year a key matter for consideration by the Board was the proposed merger with Capco.

In considering this matter, over the last year we held 16 additional Board meetings in which we:

- debated at length the exchange ratio which we agreed taking into account the relative EPRA NTA and market capitalisations of both companies;
- considered the proposed merger in the context of our purpose of contributing to the success of London's West End. Importantly in relation to this, the combined group will continue to place occupiers and consumers at the heart of the business, and will have a focus on providing lively, differentiated experiences for visitors, local workers and residents, and to engage with residents and other local stakeholders;
- agreed that the combined group should continue our approach to the sustainable use of heritage and period properties and remain committed to becoming net zero carbon by 2030;
- recognised, with the input received from members of the senior management team, that there are some differences between the property portfolios and current management strategies of the two companies, but that the proposed merger also represents an opportunity for shareholders to benefit from a 'best of both' approach with the aim of delivering long-term economic and social value for all stakeholders, as well as greater scale and efficiencies and investor appeal that a combination of the companies could bring over time;
- recognised that, the combination of the skills and experience of the two companies' management and employee teams will be key to optimising the benefits of the proposed merger for shareholders and stakeholders and ensuring the long-term success of the combined group. In light of this, the Board considered it important that there be equal representation from Shaftesbury and Capco on the Executive Committee of the combined group. As part of this consideration, we agreed that Andrew Price and Sam Bain-Mollison, part of our current senior leadership team, be members of the new Executive Committee;
- agreed that Richard Akers should chair an employee feedback group so that the Board could hear first hand from employees their thoughts on the proposed merger and the combination of the cultures;

- felt it was important in considering the composition of the Board and Committees following the proposed merger, that the combined group should have strong Board governance and oversight;
- considered the impact on employees and recognised that in seeking to achieve synergies, this would result in a reduction of headcount, the level of which will be determined following a business, operational and administrative review of the combined group. As part of this, we debated what structures we could put in place to help to continue to support and incentivise our team;
- discussed the impact of the proposed merger on earnings, noting it would depend on a number of factors, including the extent and timing of the synergies from the proposed merger and the future cost of financing. In relation to the cost of financing, the Board approved discussions with holders of our bonds to seek their consent to make certain amendments to the terms and conditions of the bonds, such that they agree to waive their change of control put right in respect of the proposed merger. No agreement has been reached with the bondholders and there can be no certainty that any agreement will be reached in the future; and
- considered the working capital exercise carried out by Capco for their prospectus, and particularly the £576m loan facility put in place to provide funding certainty in the event that some or all of the bondholders exercise their change of control right following completion of the proposed merger.

A key consideration in deliberating the merits of a combination of the two businesses, and the strategic and financial implications of the matters outlined above, was also the views of our major shareholders, Norges Bank and Capco, who together account for approximately 51 percent of our issued share capital.

Board evaluation

This year our Board evaluation was undertaken internally and led by Richard Akers, our Senior Independent Director. Details of this process and findings of the review and our progress against the actions arising from the 2021 review can be found on page 120. Next year's review will be externally-facilitated in accordance with Code recommendations.

Engaging with our shareholders

In advance of putting our 2022 Remuneration Policy to shareholders at the AGM in February 2022, Sally Walden and Jennelle Tilling engaged with our major shareholders and institutional advisory organisations to discuss and develop our policy, with feedback from those meetings provided to both the Remuneration Committee and the Board.

In addition to our investor relations programme led by Brian Bickell and Chris Ward as detailed on page 109, following the Rule 2.7 announcement on 16 June 2022, Chris Ward and I led the engagement with shareholders holding, in total over 81%, with Brian Bickell and Richard Akers attending meetings as appropriate. Feedback from those conversations was then shared with the Board.

Jonathan Nicholls
Chairman

28 November 2022

How the Board monitors culture and employee engagement

Our Board and senior management team recognise that culture comes from the top. With 52 employees operating in one location, there is a high level of visibility and interaction between the Board and employees, enabling all directors to see our culture and values in action.

Key ways in which we have sought to embed our values or how the directors have monitored our culture this year have included:

- Regular whole team updates held quarterly, which changed to monthly following the announcement on the proposed merger with Capco. Jonathan Nicholls, Richard Akers and Helena Coles presented at various meetings during the year
- Following feedback from employees, we introduced regular 'huddle' meetings, led by executive directors and senior management to share key messages and updates to all staff
- Richard Akers chairing the 'Echo Group' which was established during the year to provide two-way feedback between the Board and employees, and which comprises a cross section of employees representing different functions and levels of seniority within the business
- Undertaking a wellbeing survey, with the results and themes being considered by the Strategy and Operations Executive Committee and Richard Akers. This resulted in the introduction of a number of initiatives, including the training of six mental health first aiders, together with regular communication of the various wellbeing services available to all employees
- Input to, and approval by the Nomination Committee of a career progression framework with promotion criteria, including living Shaftesbury values and behaviours
- Following the announcement of the proposed merger with Capco, providing additional coaching and change management workshops to all employees
- Presentations to and discussions between the Board and members of the Strategy and Operations Executive Committee on the 2021-2024 strategic priorities, and proposed merger
- Board tours of our 72 Broadwick Street scheme led by our Head of Offices and Head of Residential who explained how the team had worked with the architects, contractors and interior designers to deliver the building
- Non-executive directors meeting with members of the Strategy and Operations Executive Committee on a rotational basis outside of formal meetings

The role of the Board and its Committees during the year

The Board
Jonathan Nicholls

- 4 scheduled meetings
- Sets Group strategy
- Oversees the alignment of the Group's purpose, culture and values, strategy and risk
- Considers the balance of interests between stakeholders for the long-term success of the Group
- Oversees the Group's governance

Board activities: page 106
Division of responsibilities of directors: pages 112 and 113
Directors' biographies: pages 96 and 97

Audit Committee
Ruth Anderson

- 3 scheduled meetings
- Oversees the Group's valuation and financial reporting processes
- Reviews the adequacy and effectiveness of internal financial controls and risk management systems including the need for internal audit
- Reviews the independence and effectiveness of the auditors

Audit Committee Report: pages 122 to 126

Nomination Committee
Jonathan Nicholls

- 4 scheduled meetings
- Reviews the structure, size and composition of the Board
- Oversees succession planning and development of a diverse pipeline of talent
- Recommends appointments to the Board

Nomination Committee Report: pages 118 to 120

Disclosure Committee
Jonathan Nicholls

- Meets as required
- Ensures compliance with the Market Abuse Regulation

Sustainability Committee
Richard Akers

- 3 scheduled meetings
- Oversees the Company's implementation of the Group sustainability strategy
- Recommends changes in sustainability strategy to the Board

Sustainability Committee Report: pages 114 and 115

Remuneration Committee
Jennelle Tilling

- 4 scheduled meetings
- Determines the remuneration policy for executive directors, chairman and senior employees
- Ensures the link between culture, performance and remuneration
- Monitors employee remuneration and related policies

Remuneration Committee Report: pages 128 to 137

Risk Committee
Chris Ward

- Meets at least twice a year
- Reviews and monitors the Group's principal and emerging risks
- Oversees the effectiveness of the Group's risk management systems

Risk management: pages 82 and 83
Principal Risks: pages 84 to 88
Climate risk and opportunities: pages 76 to 79

Strategy and Operational Executive Committee
Brian Bickell

- Meets at least monthly
- Develops and implements strategy, operational plans and policies and procedures
- Monitors operational and financial performance
- Monitors risks and opportunities
- Ensures appropriate team resourcing, development and succession

Pension Committee
Chris Ward

- Meets at least once a year
- Oversight of the governance and operation of Shaftesbury's pension scheme

Community Investment Committee
Andrew Price

- Meets at least 4 times a year
- Oversees the Group's community investment programme and activities

Community: page 62

Executive Sustainability Committee
Brian Bickell

- Meets at least 4 times a year
- Recommends the sustainability strategy to the Board
- Approves the annual action plan

Our approach to sustainability: pages 58 and 59
Sustainable building re-use: page 61

IT User Group
Chris Ward

- Meets at least 4 times a year
- Monitors the alignment of the Group's IT and strategy
- Reviews the performance of the outsourced IT function

Health, Safety & Wellbeing Committee
Simon Quayle

- Meets at least 4 times a year
- Oversight of occupational health, safety and wellbeing
- Monitors the Group's policy and performance against best practice for health and safety

Principal Board activities 2021/22

The Board met 21 times during the year with four scheduled Board meetings and 17 additional meetings. At every scheduled Board meeting, the Board receives an update from the executive directors and the company secretary on the operating environment, portfolio activities, financial performance and prospects, stakeholder engagement and governance. Members of the Strategy and Operations Executive Committee also attend meetings as appropriate.

The principal focus of the additional board meetings held this year was the proposed merger with Capco.

The table below provides examples of matters considered during the year.

Strategy

- Members of the Strategy and Operations Executive Committee presented the 2021-2024 strategic priorities for the Group

Proposed merger with Capco

- Consideration of the proposed merger with Capco including the:
  - financial basis, terms and structure of the proposed merger
  - focus and benefits of the proposed merger
  - composition of the Board and Executive Committee
  - impact on, and communication with, employees
  - cultures of the two companies
  - views of shareholders
  - financing consequences of the proposed merger

Operations

- Approved the acquisition of two properties and noted the acquisition of six properties which did not require Board approval
- Approved the disposal of a property and noted the disposal of a property which did not require Board approval
- Received an overview of the managing agent's remit including the occupier experience, measurement of their performance, oversight of their resourcing levels and their interaction with the Shaftesbury team, together with key areas of focus for the coming year
- Received updates on occupier trading conditions, rent collection levels, leasing activities, and vacancy levels
- Approved the redevelopment schemes at 2-4 Kingly Street and 5-7 Carnaby Street
- Reviewed progress at our 72 Broadwick Street scheme including site visits
- Approved the Longmartin Business Plan

Finance, tax and corporate reporting

- Approved the half-year and year-end results and published updates including consideration of the going concern and viability statements
- Approved the updated tax strategy
- Approved the 2021 final dividend of 4.0p in November 2021 and the interim dividend of 4.8p in May 2022.

Governance

- Received updates from the Chairs of the Audit, Remuneration and Nomination Committees
- Approval of the 2022 Modern Slavery statement
- Approved the external appointments of Jennelle Tilling to Yorkshire Building Society, and Helena Coles to Schroder Japan Growth Fund plc.

Stakeholder engagement

- Discussed the engagement with shareholders on governance matters led by the Chairman
- Discussed the engagement with shareholders on the 2022 Remuneration Policy by the Remuneration Committee Chair
- Considered the quarterly stakeholder engagement summary, which sets out the interaction throughout the group with a wide range of stakeholders

Sustainability

- Approved the creation of the Board Sustainability Committee
- Received updates from the Chair of the Sustainability Committee on the progress made on the net zero carbon and sustainability objectives

People and Culture

- Received updates from Richard Akers on the Culture Group and on Echo Group meetings
- Received updates from the Chair of the Nomination Committee on senior team development
- Discussed resourcing requirements across the business
- Received updates from the Chair of the Remuneration Committee on Board and employee remuneration

Risk management and internal control

- Considered the principal and emerging risks following review by the Risk and Audit Committees and the risk disclosures for the half-year and full-year results
- Considered the findings of the internal control review
- Discussed the updates on cyber security governance

Our S172 (1) Statement

The Board confirms that during the year under review, it has acted in the way that it considered, in good faith, would be most likely to promote the long-term success of the Company for the benefit of its members as a whole, and in doing so has had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Engagement with stakeholders

The Board principally engages directly with our employees and shareholders but is also kept apprised of the engagement with other stakeholders through a combination of reports from the executive directors, members of the Strategy and Operations Executive Committee, senior managers, and advisors to understand the views of the Group's stakeholders regarding day-to-day operations. On pages 64 to 69, we outline the ways we have engaged with key stakeholders and the outcomes of that engagement.

Methods used by the Board

The main methods used by the Board to perform their duties include:

- oversight of the Group's purpose, strategy, and values, and their alignment with our culture;
- consideration of the Group's risk appetite, principal risks, and mitigation;
- oversight of employee wellbeing and resourcing;
- review of engagement undertaken by the executive directors and the wider team across the business; and
- external assurance received from the auditors and reports from brokers and advisors.

In addition to the main methods used by the Board to perform its duties, this year it continued with additional meetings between formal scheduled board meetings to consider the proposed merger with Capco. See more in our Chairman's statement on pages 102 and 103. Other examples of how the Board has considered stakeholder interests and s172(1) matters are included in how the Board monitors culture and employee engagement on page 104.

S172 factor	Relevant disclosure	Annual Report page numbers
a The likely consequences of any decisions in the long term	The Shaftesbury proposition Letter from the Chairman Chief Executive's statement Our business model and strategy Investing in the heart of London's West End Long-term village asset management strategy Measuring our performance Sustainability and our approach to sustainability Sustainable building re-use Chairman's introduction Principal Board activities in 2021/22	3 10 11 to 14 16 and 17 20 and 21 22 34 to 37 56 to 59 61 102 and 103 106
b The interests of the Company's employees	Non-financial reporting Our people and culture Equity, diversity and inclusion Employee wellbeing Employee development and growth Proposed merger: communication, feedback and support Chairman's introduction How the Board monitors culture and employee engagement Context for our approach to remuneration Consideration of remuneration and related policies below the Board	54 70 to 72 71 71 71 71 102 and 103 104 130 130
c The need to foster the Company's business relationships with suppliers, customers, and others	Sustainability focus areas Modern slavery and human rights Industry collaboration Stakeholder engagement Chairman's introduction Principal Board activities in 2021/22 How we behave	58 59 59 64 to 69 102 and 103 106 108
d The impact of the Company's operations on the community and the environment	Sustainability and our approach to sustainability Stakeholder engagement Sustainable building re-use Supporting our local community Chairman's introduction Remuneration Committee Chair's letter	56 to 59 64 to 69 61 62 102 109
e The desirability of the Company maintaining a reputation for high standards of business conduct	Our values and culture Stakeholder engagement Chairman's introduction How we behave Whistleblowing Risk management	72 64 to 69 102 and 103 108 126 82 and 83
f The need to act fairly between members of the Company	Chairman's introduction Relations with shareholders	10 and 103 109

Conflicts of interest

The Company's Articles of Association allow the Board to authorise any actual or potential conflicts of interest that may arise from directors' external relationships or commitments. Any potential conflicts of interest are declared at the start of each Board meeting and a director who has a conflict of interest is not counted in the quorum or entitled to vote when the Board considers the matter in which the director has an interest. On an annual basis, actual and potential conflicts are formally reviewed in respect of both the nature of directors' external roles and their time commitment.

The external interests of new directors are considered as part of the recruitment process, and, if appropriate, authorised by the Board on appointment. Any additional external appointments, which are subject to Board approval, are also considered by the Board in relation to the nature of the appointment and time commitment. This process was followed in approving Jennelle Tilling's appointment as non-executive director of Yorkshire Building Society, and Helena Coles appointment as non-executive director of Schroder Japan Growth Fund during the year.

The Board considers these procedures to be working effectively.

How we behave

We aspire to the highest standards of business conduct based on honesty, respect, integrity and transparency in everything we do. With a relatively small team, our Board and Strategy and Operations Executive Committee have a high degree of oversight over the Group's activities, policies and procedures.

We support the ten principles of the UN Global Compact on human rights, labour, environment and anti-corruption. While we do not have a separate human rights policy, our expectations on human rights are set out across a number of our policies and procedures, and we expect suppliers, as a minimum, to adhere to all applicable human rights, employment and health and safety legislation and comply with standards and codes specific to their business. It is important that the values and behaviours of our suppliers are consistent with our own and that new suppliers sign up to our Supplier Code of Conduct, which was last updated in February 2022.

In March 2022, we published our latest Modern Slavery Act statement, which can be found on our website, which sets out the actions undertaken during the year to prevent modern slavery and human trafficking in our business and supply chain.

We have formal compliance policies in place in relation to anti-money laundering, anti-bribery and corruption, data protection, gifts and hospitality, share dealing, whistleblowing and conflicts of interest. All new employees receive training on these policies as part of their induction process, and e-learning annual refresher training is a requirement for all employees. A formal compliance statement relating to these policies is also required to be signed by employees annually.

Our culture is open, honest and transparent, and our employees are encouraged to speak up if they witness or suspect any wrongdoing, or behaviour which does not align with our high standards. Our formal whistleblowing policy, under which employees and suppliers can report any concerns either through our Chief Executive, Company Secretary, Senior Independent Director or through an independent hotline and online portal. Following receipt of a whistleblowing report, we have procedures to follow to ensure that an appropriate investigation is undertaken. This policy is reviewed by the Audit Committee and the Board annually.

Significant votes against at our Annual General Meeting

At the 2022 AGM, the two resolutions relating to the authority to allot shares on a non-pre-emptive basis received votes against in excess of 20%, which under the Investment Association guidance is a significant vote against.

The Board was disappointed in this outcome given that each of the resolutions followed the provisions of the Pre-Emption Group's Statement of Principles for the disapplication of pre-emption rights and reflected UK listed company market practice.

Subsequent to the AGM, we engaged with the shareholder in relation to the relevant resolutions and understand that, as previously reported, the shareholder continued to feel that, following the capital raise undertaken by the Company in 2020, the authorities were unlikely to be imminently required.

The Board will continue to propose resolutions to shareholders which it considers to be in the best interests of the long-term success of the Company.

Board and Committee meetings and key announcements and investor engagement through the year

	2021			2022		
	October	November	December	January	February	March
Board and Committee Meetings	Additional Board meeting Remuneration Committee	Scheduled Board and additional meetings Audit Committee Nomination Committee Remuneration Committee Inaugural Sustainability Committee meeting		Nomination Committee	Scheduled Board and additional meetings Nomination Committee	Additional Board meeting Nomination Committee Remuneration Committee
Key announcements and investor engagement	Trading Update	Sustainability and Net Zero Carbon Commitment Year end results Year end results analyst presentation Year-end results roadshow	Year-end results roadshow		Annual General Meeting Trading Update	

Relations with shareholders

The Board considers the views of our shareholders and contact with potential investors to be an important aspect of corporate governance. The Chief Executive has day-to-day responsibility for investor relations and provides regular feedback to the Board.

For the annual and half year results, live video webcasts with replay facilities were made available.

All directors were present at the 2022 AGM and the Court and General meetings in connection with the proposed merger, where shareholders were able to participate in person or virtually, to ask questions and vote.

As part of our regular investor relations programme, in total over 200 meetings were held with UK and overseas existing and potential institutional investors as well as equity market analysts. The Chief Executive, Chief Financial Officer and senior management have undertaken tours of our portfolio, which provide existing and potential investors the opportunity to see our villages, understand our management strategy and to meet our senior leadership team.

During the year, and particularly following the Rule 2.4 announcement, we were constrained in the level of engagement we could have with shareholders. However, a timeline of investor relation activities undertaken during the year is below.

November 2021:	Results for the year ended 30 September 2021 Analyst presentation Year end results investor roadshow
December 2021:	Year end results investor roadshow
February 2022	Annual General Meeting Trading update statement
April 2022	Portfolio valuation update
May 2022	Half year results Analyst presentation and investor roadshow
July 2022	Court Meeting and General Meeting to approve the proposed merger with Capco

Following the Rule 2.7 announcement on 16 June 2022 on the proposed merger with Capco, Chris Ward and Jonathan Nicholls led the engagement with shareholders holding over 81% of Shaftesbury share capital, with Brian Bickell and Richard Akers attending meetings as appropriate.

2022

April	May	June	July	August	September
Additional Board meeting Remuneration Committee	Scheduled Board and additional meetings Audit Committee Remuneration Committee Nomination Committee Sustainability Committee	Additional Board meetings	Additional Board meetings		Scheduled Board Meeting Audit Committee Nomination Committee Remuneration Committee Sustainability Committee
Portfolio valuation update	Rule 2.4 announcement of possible all-share merger with Capco Half Year Report Half Year results analyst presentation Half Year results investor roadshow Strategic acquisition in Soho	Rule 2.7 announcement recommending all-share merger with Capco	Publication of Scheme documents relating to the proposed merger General Meeting and Court Meeting to approve the proposed merger with Capco		

Seven Dials Market


PICKLE PLACE

Division of responsibilities
Roles and responsibilities of the directors

The Board currently comprises the non-executive chairman, four executive directors and four independent non-executive directors. There is clear division between executive and non-executive responsibilities which ensures accountability and oversight. The Board has overall responsibility of governance throughout the Company and is supported by the Company Secretary. The Chair and other non-executive directors meet regularly without the executive directors, and at least once a year, the non-executive directors meet without the Chair.

The Board delegates some of its responsibilities to the Audit, Nomination, Remuneration and Sustainability Committees. The work of these Committees can be found in their reports on pages 122, 118, 128 and 114 respectively. Each of these Committees has its own terms of reference, which are available on our website. Each Committee assesses its effectiveness annually as part of the evaluation process set out on page 120.

The Board also delegates operational matters to the Strategy and Operations Executive Committee, except for certain matters reserved for the Board. These matters are set out in the Board Schedule of Matters, which can be accessed on our website.

The roles of Chairman, Chief Executive and Senior Independent Director are separately held, well defined, set out in writing and regularly reviewed by the Board. They are available on our website.

Chairman: Jonathan Nicholls	In his role as Chair, Jonathan Nicholls is responsible for: • Leading the Board in the consideration, challenge, support and oversight of the Company's strategy and its implementation • Ensuring that the Board as a whole plays a full and constructive part in the development of strategy and that there is sufficient time for discussion • The promotion and oversight of the achievement of the Company's purpose, values and culture to enable transparency, debate and challenge • Monitoring the Company's risk profile • Effective engagement between the Board, its shareholders and other key stakeholders and understanding stakeholder views • Leading on the review of the Board's effectiveness • Oversight of succession planning • Ensuring regular discussion by the non-executive directors without management present As part of his role as Chairman, Jonathan chairs the Nomination Committee
Chief Executive: Brian Bickell	As Chief Executive, Brian Bickell is responsible for: • Adapting and executing the Group's strategy and commercial objectives in response to changing market conditions and risks • The operational and financial performance of the Group • Keeping the Chairman and the Board appraised of important and strategic issues facing the Group • Ensuring the Group's business is conducted with the highest standards of integrity, in keeping with the Company's values and culture • Oversight of the Group's skills, diversity, management development and succession • Investor relations • Communication with the Board, employees and other stakeholders As part of his role as Chief Executive, Brian is on the Longmartin joint venture board, chairs the Strategy and Operations Executive Committee and Executive Sustainability Committee and has Board responsibility for HR matters. Brian is also a member of the Board Sustainability Committee.
Chief Financial Officer: Chris Ward	As Chief Financial Officer, Chris Ward: • Supports the Chief Executive in developing and implementing strategy and managing risk • Provides financial leadership and the alignment of the Company's business and financial strategy and management of the Company's capital structure • Is responsible for financial planning and analysis, treasury, tax and IT functions • Is responsible for presenting and reporting accurate and timely financial information • Supports the Chief Executive with investor relations activities, including communications with investors As part of his role, Chris chairs the Risk, IT and Pension Committees.
Other Executive Directors: Simon Quayle, Tom Welton	As Executive Directors, Simon Quayle and Tom Welton: • Support the Chief Executive in developing and implementing the Group's strategy and objectives • Develop and execute business plans in collaboration with the Chief Executive, Chief Financial Officer and senior management • Oversee the day-to-day activities of the Group in line with its values As part of his role, Tom is a member of the Longmartin joint venture board and Simon is Chair of the Health, Safety and Wellbeing Committee and a member of the Executive Sustainability Committee.
Senior Independent Director: Richard Akers	In addition to his role as a Non-Executive Director, as Senior Independent Director, Richard Akers: • Provides a 'sounding board' for the Chairman and acts as an intermediary for non-executive directors when necessary • Is available to shareholders as required as an alternative contact to the Chairman • Leads the non-executive directors in the evaluation of the Chairman's performance • Acts as an independent point of contact in the Group's whistleblowing procedures • Is responsible for the Chairman succession planning, working closely with the Nomination Committee
Designated Non-Executive Director for employee engagement: Richard Akers	In his role as Designated Non-Executive Director for employee engagement, Richard Akers: • Acts as Board sponsor for the employee "Echo Group", reporting back to the Board • Attends Shaftesbury staff presentations as appropriate • Monitors feedback from and actions proposed as a result of employee surveys, reporting to the Board or Remuneration Committee as appropriate • Reviews any whistleblowing matters raised by employees
Non-Executive Directors: Richard Akers, Ruth Anderson, Helena Coles, Jennelle Tilling	In their roles as non-executive directors and members of the Nomination, Audit, Remuneration and Sustainability Committees, Richard Akers, Ruth Anderson, Helena Coles, and Jennelle Tilling: • Give an external perspective and provide constructive challenge and support to the executive directors' deliberations and decision making using their broad mix of skills, knowledge and experience • Ensure that no individual or group dominates the Board's decision making • Monitor performance of the Group's strategy within the risk management framework • Promote the highest standards of integrity and corporate governance throughout the Company and particularly at Board level • Review the integrity of financial reporting and that financial controls and systems of risk management are robust • Determine appropriate levels of remuneration for the senior executives Richard Akers, Ruth Anderson and Jennelle Tilling are responsible for chairing the Sustainability, Audit and Remuneration Committees respectively

Independence and effectiveness

In accordance with the Code, all directors are subject to annual re-election, and at least half the Board, excluding the Chairman, are independent non-executive directors.

The Board believes that it, and its committees, have the appropriate combination of skills, experience and knowledge to enable them to carry out their duties effectively. The Nomination Committee keeps the tenure of all directors, the effectiveness of individual directors and Board diversity under review.

The Board considers all our non-executive directors to be independent and free from any business or other relationship which could materially interfere with the exercise of their judgement. Our non-executive directors remain independent from executive management, and they meet regularly with the Chairman to allow them the opportunity to discuss their views privately.

The Board recognises the importance of each director being able to dedicate sufficient time to effectively discharge their duties and responsibilities. The commitment expected is considered by the Board on each director appointment. Where directors undertake additional external appointments, these are approved by the Board subject to it being satisfied that the director has sufficient time to carry out their responsibilities. During the year ended 30 September 2022, additional Board roles for which Board approval was sought and received included Jennelle Tilling become a non-executive director of Yorkshire Building Society and Helena Coles becoming a non-executive director of Schroder Japan Growth Fund.

Oversight of sustainability
Sustainability Committee

The Committee is responsible for monitoring progress against our sustainability strategy and net zero carbon commitment.

Sustainability Committee members and attendance

	Number of meetings attended (3 held)
Richard Akers (Chair)	● ● ●
Brian Bickell	● ● ●
Helena Coles	● ● ●

Key responsibilities

- Overseeing the implementation of the Group's sustainability strategy and focus areas of:
  - Supporting our community;
  - Sustainable building (re)use; and
  - Influence, motivate and collaborate
- Reviewing associated policies and performance related to our net zero carbon commitments, environmental management, energy usage, climate change issues and local community support
- Monitoring the impact of relevant sustainability, climate related legislation or regulatory requirements
- Reviewing the related statements in the Annual Report

How the Committee operates

The Sustainability Committee is comprised of two independent non-executive directors and the Chief Executive. Following the establishment of the Sustainability Committee in November 2021, the Committee has comprised of Richard Akers who acts as Chair of the Committee, Helena Coles, and Brian Bickell.

During the year, at the request of Richard Akers, all or parts of meetings are attended by our Head of Sustainability and our Chair of the Community Investment Committee as appropriate.

The Committee reviews its effectiveness annually.

Dear shareholder

On behalf of the Sustainability Committee, I am pleased to present our first Committee Report.

The Committee is responsible for monitoring progress against our sustainability strategy and net zero carbon target and maintaining oversight of significant climate change related issues. This report sets out our activities during the year.

Setting of and progress against sustainability actions and targets

In advance of approval by the Board and launch in November 2021, the Committee reviewed the Group's commitment to be a net zero carbon business by 2030. As part of this review, we agreed that it was important that the commitment emphasised our continuing focus on repurposing and refurbishing of buildings in our portfolio rather than demolition and redevelopment.

During the year, the Committee discussed progress made against our 2022 sustainability actions and targets, including supporting our community, and our 2030 net zero carbon target. In addition, we received reports on the work being undertaken to improve the collection and analysis of our occupier energy data which will enable us to better consider how we can help them address the Group's Scope 3 emissions.

The Committee also reviewed progress made against the sustainability focused corporate bonus objectives and was satisfied with the level of achievements proposed to the Remuneration Committee in respect of the 2022 bonus. See our annual bonus outcome on page 132.

Climate risk and opportunities

At its inaugural meeting, in advance of the voluntary TCFD disclosures made in our 2021 Annual Report, the Committee considered the TCFD reporting requirements and the Group's climate change scenarios, together with the most significant physical and transitional risks.

Whilst this year, the TCFD disclosures were formally reviewed by the Audit Committee, we reviewed how the disclosures had evolved from the previous year, including the definition of the short, medium and long-term risks. The Committee also reviewed the estimated cost quantification to meet MEES targets.

The Committee also discussed the sustainability and climate risks considered by the Risk Committee.

Our climate risk reporting is on page 84 and our TCFD reporting is on pages 76 to 79.

Richard Akers
Chair of the Sustainability Committee

28 November 2022

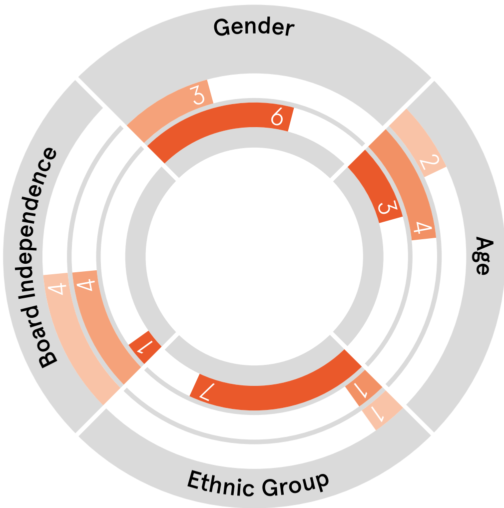
Neal's Yard, Seven Dials

Composition, succession and evaluation

Board diversity

This diagram shows the Board's composition, age, tenure and diversity characteristics.

The biographies of our directors can be found on pages 96 and 97, which sets out their skills and experience, their individual contribution to the Board, and their membership of our committees.



Gender:
- Male: 6 (67%)
- Female: 3 (33%)

Age:
- 51-59: 3 (33%)
- 60-65: 4 (44%)
- 66+: 2 (23%)

Ethnic Group:
- White – British: 7 (78%)
- White – Other: 1 (11%)
- Chinese – British: 1 (11%)

Board Independence:
- Chair: 1 (11%)
- Executive directors: 4 (44%)
- Independent Non-Executive Directors: 4 (44%)

Board skills

	Leadership	Property and real estate	Food, beverage, retail	Corporate finance	Accounting / finance	Fund management / financial markets	Consumer marketing	ESG
Executive Directors								
Brian Bickell	+	+		+	+	+		+
Chris Ward	+	+		+	+	+		
Simon Quayle	+	+	+				+	
Tom Welton	+	+	+				+	
Non-Executive Directors								
Jonathan Nicholls	+	+		+	+	+		
Richard Akers	+	+	+					+
Ruth Anderson	+		+	+	+			
Helena Coles	+			+		+		+
Jennelle Tilling	+		+				+	

Board tenure

Director	Year joined	1987 1990 1995 2000 2005 2010 2015 2020 2021	Length of time (to 30 Sept 2022)
Brian Bickell	1987		35 years 9 months
Tom Welton	1997		25 years
Simon Quayle	1997		25 years
Chris Ward	2012		10 years 9 months
Jonathan Nicholls (NED)	2016		6 years
Richard Akers (NED)	2017		4 years 9 months
Jennelle Tilling (NED)	2019		3 years 8 months
Ruth Anderson (NED)	2020		1 year 9 months
Helena Coles (NED)	2021		1 year 3 months

Nomination Committee report

With succession plans on hold as a result of the proposed merger, our focus has been on the oversight of the development and resourcing of our team below Board level.

Nomination Committee members and attendance

	Number of meetings attended (5 held)
Jonathan Nicholls (Chair)	● ● ● ● ●
Richard Akers	● ● ● ● ●
Ruth Anderson	● ● ● ● ●
Jennelle Tilling	● ● ● ● ●
Helena Coles	● ● ● ● ●
Sally Walden[1]	● ●

1. Sally Walden retired on 4 February 2022 and could only attend a maximum of two meetings

Key responsibilities

- Monitor and review and structure, size, composition (including skills, knowledge, experience and diversity) of the Board and its Committees
- Ensure that there are appropriate plans in place for the orderly and effective succession of the Board and senior leadership team
- Oversee the development of a diverse pipeline for succession
- Keep directors' skills, experience and independence under consideration
- Lead the process for Board appointments
- Review the time commitment expected from directors

How we operate

The Nomination Committee is comprised of the independent non-executive directors. During the financial year, the Nomination Committee comprised of the Chair of the Board, Jonathan Nicholls, who acts as Chair of the Committee, and five independent non-executive directors, Richard Akers, Ruth Anderson, Jennelle Tilling, Helena Coles and Sally Walden, who retired from the Board and the Committee on 4 February 2022.

Independent executive search firms are engaged to assist us in our executive and non-executive succession planning and appointment processes as appropriate.

During the year, our external HR advisor was invited to attend meetings, or parts of meetings, to discuss development of employees below Board level and resourcing matters.

In making recommendations to the Board on non-executive appointments, the Nomination Committee specifically considers the expected time commitment of the proposed non-executive director and other commitments they already have. Agreement of the Board is also required before a director may accept any additional commitments to ensure possible conflicts of interest are identified and that directors will continue to have sufficient time to devote to the Company's affairs.

All directors are subject to annual re-election, in accordance with the UK Corporate Governance Code, with the Committee considering the skills, knowledge and level of performance of all directors to recommend to the Board their re-election.

The Committee reviews its effectiveness annually.

Dear shareholder

On behalf of the Nomination Committee, I am pleased to present our 2022 report.

Overview

During the year we have focused on two main areas: Board succession and development of our team below Board level and resourcing, both of which have inevitably been impacted by the proposed merger with Capco.

Board succession planning

In anticipation of Brian Bickell's retirement from the Board, a key focus of the Committee was succession planning for the CEO role. As part of this process, Inzito, an independent executive search firm, compiled a diverse list of candidates with strong property experience. Inzito has no connection with the Company or any individual director, other than to assist with Board succession planning and appointments. Candidates were initially interviewed by Richard Akers and me, with the final shortlist interviewed by each of the non-executive directors. However, in light of the direction of the proposed merger discussions, the decision was taken to put the process on hold.

Below Board development, talent pipeline and resourcing

As part of our oversight of the continued development of a diverse pipeline of talent below the Board, and to ensure that our people are properly supported as part of the proposed merger process, our external HR advisor provided regular updates on our development programmes and one-to-one coaching which were adapted in light of the proposed merger. Non-executive directors have also met with members of the Strategic and Operations Executive Committee on an informal coaching basis. In addition, change management and transition workshops were offered to all employees.

As part of ensuring we have a pipeline for succession, we also provided input to, and approved, the roll out of a career progression framework ensuring consistency across the business. In light of actual and potential changes in the senior leadership and executive team, we have also monitored the resourcing of our internal property management team, including the promotion and variation of remit for some individuals, and requiring us to recruit externally, where required.

Jonathan Nicholls
Chair of the Nomination Committee

28 November 2022

Diversity and inclusion

The Board recognises the strategic importance of diversity and a culture of inclusion within the business which bring new ideas and fresh perspectives, as well as fostering constructive challenge, giving a breadth of viewpoints and debate that aids decision-making and supports the business more effectively.

At 30 September 2022, 33% of our Board were women, and we had one director from an ethnic background. Whilst our Audit and Remuneration Committees are chaired by women, our senior Board positions are held by men. The Board considers that quotas are not appropriate in determining its composition and has, therefore, chosen not to set formal targets but keeps diversity under consideration in all aspects of Board composition including the Board Committees and senior board positions. When required, the Nomination Committee works with executive search consultants who are required to provide a diverse selection of candidates for Board appointments taking into account our diversity policy, with selection based upon merit, objective criteria and alignment with our values.

Below Board level, we have a gender-diverse talent pool, with 71% female membership on our Strategy and Operations Executive Committee (excluding the executive directors) and, of direct reports to the Strategy and Operations Executive Committee, 73% are female. Whilst all appointments are made on merit and based on objective criteria, we recognise that diversity includes, but is not limited to gender, and we can do more to promote wider diversity. This is an area we will address in the coming year.

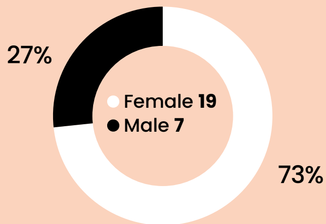
Initiatives we support to promote diversity, including within the real estate sector, include being:

- a member of Real Estate Balance, whose objective is to achieve a better gender balance at board and executive management level, in the real estate industry, by supporting the development of a female talent pipeline across the sector; and
- a corporate sponsor of Freehold, a London-based forum for LGBT real estate professionals.

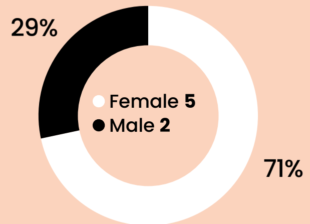
Looking ahead, the Nomination Committee will continue to develop and monitor succession plans both at the Board and senior management level and keep under review both the diversity of, and development programmes for, our talented team.

Diversity and inclusion

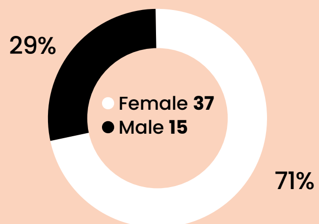
Direct reports into Strategic and Operations Executive Committee



Strategic and Operations Executive Committee (excluding the executive directors)



All employees



Our Board evaluation process

In accordance with the recommendations of the Code, we undertake a review of the effectiveness of the Board's performance and that of its committees and directors every year, with an external evaluation held at least every three years. The Board's next external review will take place in 2023. Our 2022 evaluation process and outcomes and our progress against the actions identified through the 2021 internal review process is set out below.

Our 2022 Board evaluation

This year's review of the effectiveness of the Board and Committees was carried out internally. There were two parts to the evaluation process:

- Questionnaires completed by each member of the Board, to gather comments on a range of matters including, Board and Committee composition, Board topics, processes and effectiveness, accountability and behaviours, Committee effectiveness and evaluation of the Chairman and individual directors; and
- Interviews conducted by Richard Akers as Senior Independent Director.

The results and feedback from the questionnaires and interviews were collated by the Company Secretary and overall scores, feedback, observations and areas for further consideration were reviewed at the September 2022 Board and Committee meetings. The aim of the review was to assess the effectiveness of the Board, its Committees and individual directors, and to identify any actions for improvement.

As part of the September 2022 Board meeting, Richard Akers also led an evaluation of the Chairman. Whilst the executive directors were provided with feedback on their performance through the year, Jonathan Nicholls met with the non-executive directors following the Board evaluation process to provide them with one-to-one feedback collated as result of the Board evaluation process.

Conclusions from this year's Board evaluation

Some of the key strengths identified included:

- An inclusive Board culture with an openness and transparency of communication and debate and an appropriate balance of challenge, questioning and support
- A constructive relationship between the executive and non-executive directors
- A strong and diverse range of experience and talent providing valuable insights and perspectives
- Well managed Board and Committee meetings with effective leadership from the respective chairs and a clear focus on priorities

Reflecting that a key focus of the Board during the year had been the proposed merger, some of the recommendations from the 2022 Board evaluation were:

- Increased time and engagement with technical and industry specialists to ensure greater Board understanding of potential risks, opportunities and challenges
- Greater feedback from occupiers, suppliers and the community to ensure that the Group continues to contribute to the success of the West End

Progress against the Group's 2021 evaluation

Actions	Progress
Further consideration of the merits and remit of a Board Sustainability Committee	The Board Sustainability Committee was established in November 2021, chaired by Richard Akers. The Committee has met three times during the year, and more information can be found on pages 114 and 115.
Revisiting of the Board strategy process and risk appetite, including involvement of the wider team and external experts	The Board's annual review of strategy was deferred this year, in light of the proposed merger. However, senior members of the team joined Board meetings in consideration of the proposed merged portfolio. Corporate and legal advisors also attended key Board meetings in relation to the proposed merger. The year end Risk Committee discussions were externally facilitated and attended by Ruth Anderson as Audit Chair. Risk appetite was debated by the Board.
Continued focus by the Nomination Committee on talent development with involvement of individual directors as appropriate. **More exposure of senior management to the Board as part of talent development and direct feedback and insight into the company culture.**	The Nomination Committee had oversight of the evolution of the development and coaching programmes in light of the proposed merger. Non-executive directors met informally with members of the Strategic and Operations Executive Committee as appropriate. Further insight into the Company's culture was provided through an increased level of formal and informal exposure of senior management to the Board and the introduction of the "Echo Group".

Seven Dials, Covent Garden

Audit, risk and internal controls
Audit Committee report

The Committee's role is to oversee the integrity of the Group's financial reporting, internal controls and risk management and the external audit relationship.

Audit Committee members and attendance

	Number of meetings attended (3 held)
Ruth Anderson (Chair)	● ● ●
Richard Akers	● ● ●
Helena Coles	● ● ●
Jennelle Tilling	● ● ●
Sally Walden[1]	●

1. Sally Walden resigned 4 February 2022 and could only attend a maximum of one meeting.

Key responsibilities

- Monitor the integrity of the Group's financial reporting and consider significant judgements, assumptions and estimates made by management
- Advise the Board on various statements made in the Annual Report, including those on viability, going concern, risks and controls and whether, when read as a whole, the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy
- Review the work of the external auditor and valuers
- Responsible for the relationship with the external auditor and consideration of their reappointment, their reports to the Committee, performance, objectivity and independence, including the level of provision of non-audit services, and fees
- Review of the Company's systems of risk management and internal control, including financial, operational and compliance controls
- Ongoing monitoring of the need for internal audit
- Review of the Company whistleblowing policy and procedures
- Oversight of cyber security

How the Committee operates

The Audit Committee is comprised of the independent non-executive directors. At the start of the financial year, the Audit Committee was comprised of Ruth Anderson who acts as Chair to the Committee, and four independent non-executive directors, Richard Akers, Helena Coles, Jennelle Tilling and Sally Walden. Sally Walden retired from the Board and the Committee on 4 February 2022.

The biographies of the Committee members, set out on page 97, demonstrate the diversity of experience of Committee members, including property, hospitality and leisure, marketing and finance. Ruth Anderson, as a chartered accountant with many years of senior financial experience, satisfies the requirement to have appropriate, recent and relevant financial experience.

During the year, at the Audit Committee Chair's request, all or parts of meetings were attended by the Chairman, Chief Financial Officer, members of the senior management team, the external auditor, the valuers and external advisors, as appropriate.

The Committee meets with the external valuers of the wholly owned portfolio and of the Longmartin joint venture, and the auditor without management present, in respect of our half-year and year-end results, to discuss any matters which they may wish to raise.

Throughout the year, the Audit Committee Chair met with the Chief Financial Officer and members of the senior management team, as appropriate, to obtain a good understanding of key issues affecting the Group, which helped in her oversight of the agenda and discussion at meetings.

The Committee reviews its effectiveness annually.

Dear shareholder

On behalf of the Audit Committee, I am pleased to present our 2022 report.

The Group's significant accounting matters and key areas of assumptions and estimates together with how the Audit Committee addressed them are outlined on page 124. As the valuations provided by the external valuers are a key determinant of the Group's net asset value, one of our key responsibilities is to review the valuation process and the key assumptions made by the valuers, as well as to consider their independence. In particular, this year our discussions with the valuers included the impact on the year end valuations of globally-rising finance rates and the deterioration in the macroeconomic outlook. Following our review, we are satisfied that the valuation process was robust, the valuers' key assumptions were appropriate and that both external valuers remain independent and objective.

Another key area of focus this year was the impact of the proposed merger with Capco on our going concern and viability statements. Particular consideration was given to the possible trigger of change of control clauses in certain of the Group's financing arrangements that could, at the relevant finance providers' discretion, require repayment in part or full on a change of control. Consideration was given to the combined group's ability to secure and maintain the necessary future financing arrangements of the combined group, including the liquidity requirements to satisfy the possible repayments of the financing arrangements.

This year, the impact of climate change on our business and the disclosures under the Task Force on Climate-related Financial Disclosures (TCFD) were also formally reviewed by the Committee. More information on this can be found on page 126.

Ruth Anderson
Chair of the Audit Committee

28 November 2022

Significant accounting matters and key areas of assumptions and estimates

The following were discussed at the Audit Committee this year.

Subject	Issue	How the Audit Committee addressed the issue
Valuation of the Group's and Longmartin's investment properties Further information on the approach taken by the valuers in valuing the portfolio and a sensitivity analysis on equivalent yields and ERV is set out in note 10 to the financial statements. *Portfolio report: pages 42 to 45*	The valuation of investment properties is a key determinant of the Group's net asset value as well as indirectly impacting executive and employee remuneration. The valuation is conducted by independent valuers. However, valuations are inherently subjective and require significant estimates to be made including, but not limited to, market yields, ERVs and void periods. At 30 September 2022, the valuation of investment properties was £3.2 billion. Our share of the valuation of investment properties held in the joint venture was £167 million.	The Audit Committee Chair and members of the Audit Committee met the valuers, without management present, to review the valuations at 31 March and 30 September. In addition, the Audit Committee, together with the Chairman of the Board, Chief Financial Officer and the external audit team, met with the valuers at the May and November Committee meetings to discuss the valuations included in the half-year and year-end financial statements. At these meetings, consideration was given to: • analysis and commentary by management; • presentations from Cushman & Wakefield, valuers of the wholly-owned portfolio, and Knight Frank, who value Longmartin's investment properties, which include comparable evidence for the key assumptions and estimates adopted; • the impact on the year-end valuations of globally-rising finance rates and the deterioration in the macroeconomic outlook; and • an assessment by the external auditor, which uses its in-house real estate valuers as part of its audit. The Committee considered the disclosures in the financial statements and was satisfied that they were appropriate. When the Committee met with both valuers without management present it questioned whether they had any concerns and was satisfied that there were none. Annually, the valuers also confirm that the fees they receive are not a material part of their overall fee income. Further details in respect of the valuers, including fees for valuation and non-valuation services, are given in note 10 to the financial statements. The Committee remains satisfied that the valuers are objective and independent. Following its reviews, the Committee was satisfied that the valuations had been carried out appropriately and were suitable for inclusion in the Group's accounts.
Viability and going concern statements *Viability statement: pages 90 to 92; Going concern statement: pages 154 and 155*	At the Audit Committee's recommendation, the Board placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements, in light of the significant uncertainties resulting from the current macroeconomic environment and the impact of the completion of the proposed merger with Capco during the going concern period. With completion of the proposed merger currently expected during the first quarter of 2023, consideration was given to the impact of the proposed merger on the going concern assessment of the proposed combined group throughout the going concern and viability periods, including availability of sufficient liquidity.	In considering these statements, the Committee reviewed forecasts from management which considered severe but plausible downside scenarios, for both the Group and the proposed combined group, which flexed the key assumptions, in unison, to model the Group's and combined group's earnings, liquidity and debt compliance under stress. The forecasts also considered a number of key aspects, including: • loan covenant compliance, including reverse stress testing; • available liquidity and financing capacity; and • refinancing of debt facilities. Following review and discussion, the Committee agreed with management's recommendation that the viability assessment period should remain at three years, and was satisfied that management had conducted robust assessments of going concern and viability. It recommended to the Board that it could adopt the three-year assessment period for the viability statement and approve and make the viability and going concern statements.
Alternative Performance Measures *The APMs and their purpose, are summarised on page 175*	The Group uses a number of APMs in the Interim Statements and the Annual Report, in order to provide supplementary information. The majority of the APMs are standard across the real estate sector. Management presented a report on the use of a new APM in this year's Annual Report: Underlying EPRA Earnings. It explained the rationale for this measure and the disclosures made which are set out on page 179.	The Committee considered the report from management and discussed the purpose of the new APM. It also reviewed the relevant disclosures and reconciliation in the financial statements, including ensuring that APM was: • not given more prominence than measures under IFRS; • explained, including the rationale for its use; and • reconciled to IFRS. Following its review, the Committee was satisfied with the use of the APM and the related disclosures in the Annual Report.

Whilst not material in the context of the Group's assets or net assets, the Committee reviewed estimates made by management in preparing the financial results, including expected credit losses and impairment charges. The Committee considered the methodology used by management, and the rationale for the assumptions made, in assessing expected credit losses and impairments. With conditions improving throughout the year, these are no longer considered a key area of estimation.

Financial Reporting

2022 Annual Report

The executive directors have confirmed that they were not aware of any material misstatements in the Interim Statements and Annual Report. The external auditor confirmed that it had found no material misstatements in the course of their work.

After reviewing reports from management and, following discussions with the external auditor and valuers, the Committee is satisfied that:

- the processes used for determining the values of assets and liabilities have been appropriately reviewed, challenged and were sufficiently robust;
- the financial statements appropriately addressed the significant assumptions and key estimates, both in respect of the amounts reported and the disclosures;
- the Group has adopted appropriate accounting policies; and
- both the external auditor and valuers remain independent and objective in their work.

Viability and going concern

The Committee considered the going concern statement in the Interim Statements and Annual Report, and the viability statement in the Annual Report. See page 124 for more information.

Fair, balanced and understandable

The Board as a whole is responsible for determining whether the 2022 Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board, the Committee discussed a report from the Chief Financial Officer and Group Financial Controller covering the Annual Report and Accounts.

The Committee considered whether the Annual Report and Accounts, taken as whole:

- included a clear explanation of the impact of the proposed merger with Capco
- explained how the macro-economic conditions had impacted the Group's operations and financial statements;
- had been open and honest about the challenges, opportunities and successes throughout the year;
- provided clear explanations of our KPIs and how they link to our strategy and remuneration;
- explained our business model, strategy and accounting policies simply, clearly and precisely;
- incorporated clear sign posting to additional information where necessary;
- had a consistent tone throughout the Annual Report; and
- was in line with what had been reported and considered by the Board throughout the year.

The Committee considered whether the Annual Report and Accounts:

- was a fair, balanced and understandable assessment of the Group's position and prospects;
- provided the necessary information for shareholders to assess the Group's performance, business model and strategy; and
- had been written in straightforward language, without unnecessary repetition.

The Committee advised the Board that it was satisfied that the Annual Report and Accounts was fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Internal Controls and risk management

Risk, control and assurance

The Risk Committee, chaired by the Chief Financial Officer, evaluates the Group's strategic and emerging risks, associated controls and mitigating arrangements, reporting to the Audit Committee and the Board half yearly.

As part of its review of the control environment, the Audit Committee considers reports from management, the work undertaken by external advisors and feedback from the external auditor. Key control observations, exceptions and management actions are reviewed and discussed. The Committee reports to the Board on its review of the Group's systems of risk management and internal controls.

Whilst we do not have a formal internal audit function, reviews of key controls are conducted through a combination of assessments by external parties and reviews by management, as appropriate, to provide assurance on the Group's risk and control arrangements.

The main elements of the Group's internal control framework are set out below:

- Schedule of matters reserved for the Board.
- Clear remit and terms of reference for all Board committees.
- Executive directors being closely involved in the day-to-day operations of the business, with regular meetings with senior management.
- Risks and internal controls are monitored by management on a day-to-day basis.
- The Risk Committee formally assesses strategic and emerging risks and the related controls or mitigations, and reports to the Audit Committee.
- Formal reviews of the effectiveness of financial, operational and compliance controls by management and external advisors are reported to the Audit Committee.
- The Group's published tax strategy sets out the approach to tax risk management and governance.
- The Group's whistleblowing policy and hotline procedures where employees and third parties may raise any matters of concern confidentially are reviewed by the Audit Committee annually.

Internal audit

The Committee regularly assesses the need for an internal audit function. The Committee has advised the Board that, currently, it considers there to be no need for a formal internal audit function. This conclusion is based on the simple Group structure, focused nature of the business, and close involvement of executive management with day-to-day decision making.

To supplement reviews of risk management and internal control arrangements undertaken by management, the Committee appoints third parties to provide further assurance and their reports are made available to the external auditor. Last year, the Committee approved a three-year rolling assurance programme for the review by external parties of the Group's key controls and processes on a rotational basis. This year, the review covered key financial, operational and compliance controls operated within the business, including health & safety, finance and tax, cyber security and data governance and service charge controls operated by the managing agent. Findings from the external review, as well as management testing of other controls in the strategic risk register, was presented to the Committee who considered the key controls to be working effectively.

TCFD

At the year end, the Committee reviewed the TCFD disclosures setting out the Group's transitional and physical risks and opportunities relating to climate change. In particular, the Committee reviewed the short, medium, and long-term nature related to the risks and opportunities and considered that the impact of climate related issues on the Group's financial performance or position should not be material over the short and medium terms (0-5 years). The TCFD report can be found on pages 76 to 79.

Cyber security

During the year, the Committee received updates in relation to progress on actions being undertaken to enhance cyber security, including employee training and awareness, in accordance with the Group's IT infrastructure plan.

Whistleblowing

The Committee reviews the Group's whistleblowing policy and procedures annually and reports on its findings to the Board. The Group's whistleblowing procedures include an independent, confidential hotline through which employees or third parties can anonymously raise a matter of concern. Alternatively, employees or third parties can contact the Chief Executive, Company Secretary or Senior Independent Director. During the year, no whistleblowing instances were reported.

Oversight of audit

External auditor

The Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The Committee has primary responsibility for managing the relationship with the external auditor, which includes being satisfied that they remain effective and independent. Under this responsibility, the Committee review the performance of the auditors and their independence annually.

Following a competitive audit tender process, EY were appointed as external auditor for the year ended 30 September 2016. At the 2022 AGM, shareholders re-appointed EY as the external auditor for the year ended 30 September 2022 and authorised the Board to determine the external auditor's remuneration. This year end's audit is Will Binns' first year as engagement partner following a partner rotation after the half year.

Following the 2021 year end audit, the Committee assessed the performance of the external auditor, their qualifications, expertise, resources, independence, and the effectiveness of the audit process. This assessment was undertaken through discussions with the Chief Financial Officer and Group Financial Controller and review of a detailed assessment questionnaire. The Chair of the Committee and the Chief Financial Officer also met with an independent partner from EY to discuss the assessment. EY separately also confirmed its independence and confirmed to the Committee that:

- it has internal procedures in place to identify any aspects of non-audit work which could compromise its role as auditor and to ensure the objectivity of the audit report;
- the total fees paid by the Group during the year do not represent a material part of its firm's fee income; and
- it considers that it has maintained audit independence throughout the year.

In assessing EY's continued audit independence, the Committee considered the level of non-audit fees.

Factors taken into account included:

- the nature of the work undertaken by EY and consideration of the relevant independence threats and safeguards in place;
- all of the non-audit services provided in the year were permissible under the UK Ethical Standard; and
- aside from the work in relation to the equity issue (covered under audit fees below), EY did not perform any other non-audit services for the year ended 30 September 2021 and 30 September 2022 apart from the half year review and usual assurance work noted under Audit fees below.

The Committee considered the depth of discussions held with the external auditor and how it had challenged the Group on its approach to significant assumptions and estimates. The Committee was satisfied that EY had sufficiently challenged the Group throughout the year and that its relationship with EY was one of openness and professionalism.

The Committee concluded that:

- it was satisfied with EY's performance throughout the year, the effectiveness of the external audit and the interaction between the auditors and the Committee members;
- it was satisfied with the auditors' qualifications, expertise and resource; and
- it remained confident that EY's objectivity and independence were not impaired by the provision of non-audit services.

The Committee also considered the FRC 2021/22 Audit Quality Inspection results for EY issued in July 2022. Whilst these did not include Shaftesbury, the Committee noted the changes proposed by EY, for all engagements, to address areas identified from the review.

Audit fees

Fees payable to the external auditor for audit and non-audit services are set out in note 6 to the financial statements on page 157.

The Committee's policy is that non-audit assignments are not awarded to the external audit firm if there is a risk that audit independence and objectivity could be compromised. Under our non-audit work policy, other than in exceptional circumstances, non-audit fees should not exceed 70% of the audit and assurance fees over a rolling three-year period. The award of any non-audit assignment to the auditors in excess of £25,000 is subject to prior approval of the Committee. Our executive directors have authority to approve non-audit assignments to the auditors under £25,000. However, if this reaches a cumulative amount of £100,000 in a year (including the half year review), the authority for the executive directors falls to £5,000.

Non-audit fees were 17% of audit fees in the year ended 30 September 2022 (2021: 87%) and were 80% (2021: 137%) of the average audit fees for the preceding three years. The non-audit fees for 2021 and the average over the three years were impacted by EY's work on the Group equity issue in November 2020. FRC clearance was obtained in advance of undertaking this work and an exemption received to exceed the 70% non-audit fee cap for the years ended 30 September 2020 and 2021.

The external auditor was also paid £42,600 (2021: £37,000) for its audit of the Longmartin joint venture. The Group's 50% share of this was £21,300 (2021: £18,500).

Independence and reappointment

The Committee remains satisfied with the effectiveness of the external audit and its interaction with EY. It also remains confident that EY's objectivity and independence are not in any way impaired by the provision of non-audit services. The reappointment of external auditors is reassessed annually.

Monmouth Street, Seven Dials

Remuneration
Directors' remuneration report

The Committee regularly reviews reward structures and incentive arrangements to ensure a strong and fair alignment between the business and individuals' performance and remuneration arrangements.

Remuneration Committee members and attendance

	Number of meetings attended (7 held)
Jennelle Tilling (Chair from 4 February 2022)	●●●●●●●
Richard Akers	●●●●●●●
Ruth Anderson	●●●●●●●
Helena Coles	●●●●●●●
Sally Walden[1] (Chair until 4 February 2022)	●●

1. Sally Walden stepped down from the Board on 4 February 2022

Key responsibilities

- Determine the Remuneration Policy for executive directors, and the remuneration framework for senior management
- Monitor the appropriateness of the Remuneration Policy
- Ensure that executive directors are remunerated fairly and responsibly, aligned to the long-term interests of the Company
- Keep under review employee remuneration, related policies and alignment of incentives and rewards with the Company's culture
- Consider the appropriateness of the directors' remuneration framework compared with arrangements for other employees
- Review and approve the performance targets and outcomes (using discretion where appropriate) for the annual bonus scheme and LTIP
- Ensure that the remuneration report and disclosures are easy to read, understandable, accurate and complete

How the Committee operates

The Remuneration Committee is comprised of the independent non-executive directors. At the start of the financial year, the Remuneration Committee comprised of Sally Walden as Chair of the Committee, and four independent non-executive directors, Richard Akers, Ruth Anderson, Helena Coles and Jennelle Tilling. Sally Walden retired from the Board and the Committee on 4 February 2022, at which point Jennelle Tilling became the Chair of the Committee.

Deloitte, an independent remuneration consultant, was engaged by the Committee following a tender process in 2015 and has advised it during the year. Deloitte attend all or part of meetings as appropriate, and provide advice on remuneration for the executive directors, the Remuneration Policy and the employee remuneration framework as instructed by the Committee, together with regular market and best practice updates.

In addition, some meetings, or parts of meetings are attended by the Chief Executive and the Company's external HR advisor in relation to employee remuneration and related policies.

The Committee reviews its effectiveness annually.

Dear shareholder

On behalf of the Remuneration Committee, I am pleased to present our 2022 Directors' remuneration report.

At our 2022 AGM, our 2022 Directors' Remuneration Policy and our 2021 Directors' remuneration report were both approved by over 99% of shareholders. This vote reflects our continuing commitment to the highest standards of practice on executive remuneration, and the significant shareholder engagement exercise we undertook in respect of the new Policy.

2022 Policy – alignment with best practice

Our new Policy, approved by over 99% of shareholders, included:

- formalising the commitment to reduce the pension contribution rate received by incumbent executive directors to the rate received by all other employees (17.5% of salary) with effect from 1 October 2022;
- formally incorporating the post-employment shareholding guideline, under which executive directors are expected to retain their minimum level of shareholding (200% of salary or, if lower, their actual shareholding) for a period of two years from the date of cessation of their employment;
- strengthening the malus and clawback provisions which apply to the bonus and LTIP. In line with best practice, a number of additional events (error in performance condition assessment, serious reputational damage, and corporate failure) were added to our existing provisions;
- introducing a requirement for 50% of any bonus earned to be normally delivered in shares, deferred for three years. This replaced our previous approach under which executive directors could voluntarily defer some or all of their bonus and receive an uplift in bonus for any amount deferred. The new approach is simpler, more transparent, and more closely aligns to market practice; and
- increasing the maximum LTIP award level for executive directors to 200% of salary with effect from the 2022 awards. This followed a comprehensive market review which concluded that total compensation was generally positioned around or below the lower quartile of the market, which the Committee felt had fallen unacceptably and unsustainably below the market competitive range. An increase to the LTIP was proposed as this best aligns with the interests of our shareholders, emphasising performance-tested, long-term, share-based pay. This resulted in our incentive framework being re-balanced more, towards the long-term, which we believe aligns better with our strategy and business model; and total compensation remained at the lower end of the market range. We also removed the previous "exceptional" limit setting the maximum award under any circumstances at 200% of salary.

The full Remuneration Policy which was approved by shareholders is set out on pages 142 to 147 of the 2021 annual report and is available on our corporate website.

Pay and performance in 2021/22

For 2022, we returned to a financial and operational scorecard framework, based on performance against a range of key operational metrics (covering 60% of the total bonus), together with sustainability objectives (20%) and corporate achievements (20%).

Against the background of the West End's recovery from an extended period of Covid-related disruption, operational performance across our portfolio this year has been strong, with out-performance in each of our key metrics of growth in rental values and income, occupancy and rent collection. The progress we have made this year means the business is now well-placed to weather macro headwinds which are affecting the medium-term economic outlook.

We launched our refreshed Sustainability policy last autumn, which included our target and a roadmap to become a net zero carbon business by 2030. This year we have reported a further reduction in our Scope 1 & 2 emissions in excess of the trajectory we need to achieve to meet our science based target. We have also launched a number of initiatives to address the challenges of local youth employment, a key priority in our policy of supporting our local community.

Alongside delivering a strong operational performance, our team has also delivered a number of key corporate achievements during the year. Most notably, they have worked tirelessly to undertake a range of workstreams in respect of the proposed merger with Capco, leading to its approval by shareholders in July 2022. There has also been progress on other important corporate projects during the year, including a number of significant improvements to our data capture and analysis as part with our long-term digital strategy, which are expected to bring valuable insights for both our business and for our occupiers.

Reflecting the Group's achievements, the total bonus outcome for the year was 77% of maximum, (87% for Chris Ward), which the Committee believes was an appropriate reflection of the overall performance of the business for our stakeholders during the year. Further detail is provided on page 132.

The vesting criteria for the three-year performance period ended 30 September 2022, which determines the extent of vesting of LTIP awards granted in 2019, have not been met and those awards have now lapsed. Over the measurement period, the business was materially affected by the impact of pandemic restrictions on its operations and portfolio valuation.

The year ahead

The base level of salary increase for employees with effect from 1 October 2022 was 6%. The Committee approved increases for executive directors of 3%.

Executive directors will be eligible for a pro-rated bonus for the period from 1 October 2022 to completion of the proposed merger with Capco, in line with the Remuneration Policy, and based on an assessment of performance appropriate to the timing of completion within the financial year.

Given the anticipated timing of the completion of the proposed merger, we are not expecting to make any LTIP awards during the year ahead.

Proposed merger with Capco

During the year, the Committee considered the impact of the proposed merger on outstanding share incentive awards. The Committee determined that as a result of the change of control of Shaftesbury, awards granted under the Deferred Annual Share Bonus Scheme and the LTIP will vest or become exercisable on completion in accordance with the rules of the relevant share plans, the terms of the shareholder-approved Directors' Remuneration Policy for executive directors and standard market practice. For the LTIP, time apportionment provisions and performance conditions will be calculated on completion and applied and, no performance conditions will be waived. Following the vesting of these awards, there are no further deferral or holding requirements imposed by the rules of those plans. However, Chris Ward has agreed to post vesting holding periods for a proportion of the new Capco shares he will receive as consideration for the sale of Shaftesbury shares pursuant to the exercise of his LTIP options and deferred share awards in his role as Chief Operating Officer of the combined group.

I would like to thank my fellow Committee members, and external consultants for their contributions during the year.

Jennelle Tilling
Chair of the Remuneration Committee
28 November 2022

Context for our approach to remuneration

We have 52 employees, including four executive directors. The combined holdings of the executive directors is 3.7 million shares (market value at 30 September 2022 of circa £13.4 million). This equates to individual holdings of between 2 and 11 times their annual salary. These substantial holdings have been built up over a number of years through a combination of:

- voluntarily receiving annual bonuses in shares through the Deferred Annual Share Bonus Scheme;
- retaining shares from the LTIP; and
- acquiring shares for cash.

Executive directors and employees have a close involvement and direct impact on the continuing development and implementation of the Group's strategy. Consequently, the Committee considers it appropriate that, in setting objectives and measuring performance, a significant element is attributed to team performance.

The average length of service of the executive directors is 29 years and for members of the Strategy and Operations Executive Committee (excluding executive directors) is 10 years.

Consideration of remuneration and related policies below the Board

One of the Committee's key responsibilities is the oversight of remuneration and related policies below the Board and alignment of those incentives and awards with the Group's strategic aims and culture. We offer remuneration packages to all employees which are market competitive and broadly align with the same structure provided to executive directors.

All eligible permanent employees below Board level:

- participate in the annual bonus scheme and the LTIP;
- have the opportunity to defer their annual bonus into shares;
- are eligible to participate in Sharesave, and receive health and life insurance; and
- receive a pension contribution of 17.5% of salary, which is significantly above typical market levels.

Following shareholder approval in July, this year, in anticipation of the proposed merger with Capco, presentations including a question and answer session, were made to employees on how the share scheme arrangements applicable to both employees and the executive directors would be treated.

Compliance with the 2018 UK Corporate Governance Code

In designing the 2022 Remuneration Policy, the Committee had regard to the provisions set out in paragraph 40 of the 2018 UK Corporate Governance Code. In the Committee's view, the Remuneration Policy and current practices address these factors as set out below:

Clarity

Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce

The Committee proactively engaged with shareholders and their representative bodies as part of the 2022 Policy renewal process (engaging with holders representing over 70% of the share register).

Remuneration packages of employees broadly align with the executive director structure and all eligible employees participate in the annual bonus and LTIP scheme.

Simplicity

Remuneration structures should avoid complexity and their rationale and operation should be easy to understand

The Company operates a simple pay model which is weighted towards variable pay. As part of the 2022 Remuneration Policy, the Committee simplified the executive director bonus plan arrangements introducing a mandatory 50% deferral into shares of the annual bonus earned and simplified the performance measures under the LTIP.

Risk

Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated

There is discretion to reduce variable pay if the Committee considers the formulaic outcome to be inappropriate in the circumstances, which has been operated in four out of the last eight years. All plans include the ability to operate malus and clawback where appropriate. A proportion of executive director bonus is deferred into shares for three years and post-cessation shareholding guidelines apply to mitigate the risk of short-term behaviours.

Predictability

The range of possible reward values to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy

The Policy includes a scenario chart showing potential remuneration levels on various assumptions. All awards are subject to maximum grant levels as set out in the Policy, together with the discretions set out under 'Risk' above.

Proportionality

The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance

Total remuneration should fairly reflect the performance delivered by the executive directors and the Group. The Committee takes into account underlying business performance and the experience of shareholders when determining vesting outcomes.

Alignment to culture

Incentive schemes should drive behaviours consistent with Company purpose, values, and strategy

The annual bonus plan and LTIP targets are designed to align remuneration with the Group's objectives and long-term strategy and are consistent with the Group's purpose, values, and strategy.

Annual remuneration report

Set out below is the annual remuneration report on directors' pay for the year ended 30 September 2022. The report details how we will apply the remuneration policy for the year ahead and how we implemented the Policy during the financial year.

Statement of implementation of remuneration for year ending 30 September 2023

Executive directors' salaries from 1 October 2022

	1.10.2022 £'000	1.10.2021 £'000	Increase
Brian Bickell	**560**	543	3%
Chris Ward	**410**	398	3%
Simon Quayle	**394**	383	3%
Tom Welton	**394**	383	3%

For employees below the Board, the base level of salary increase was 6%.

Incentives

In relation to the proposed merger, executive directors will be eligible for a pro-rated bonus for the period from 1 October 2022 to completion, in line with the Remuneration Policy, and based on an assessment of performance appropriate to the timing of completion within the financial year.

Given the anticipated timing of the completion of the proposed merger with Capco, we are not expecting to make any LTIP awards during the year ahead.

Non-executive directors' fees from 1 October 2022

As outlined in last year's Remuneration Report, non-executive director fees are now reviewed annually. In this year's review particular attention has been given to the recent Investment Association guidance that non-executive director fees should better reflect the reality of the time commitment, complexity and skillset required for the role. In recognition of the significantly higher level of time commitment required of our non-executive directors, particularly in the context of the implications of the proposed merger for the business, the following changes were agreed and will take effect from 1 October 2022:

- Fees for the Chairman will be increased from £250,000 to £280,000 per annum.
- Fees for non-executive directors will be increased from £65,000 to £75,000 per annum.
- There is no change to the additional fee of £15,000 where a non-executive director chairs a committee and for the Senior Independent Director. The Chairman does not receive an additional fee for chairing the Nomination Committee.

Remuneration for year ended 30 September 2022

Single total figure of remuneration for executive directors (audited)

	Salary		Benefits[1]		Pension benefit[2]		Total Fixed		Annual bonus[3]		LTIP[4]		Total Variable		Total	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Brian Bickell	**543**	525	**20**	22	**119**	115	**682**	662	**628**	591	**-**	-	**628**	591	**1,310**	1,253
Chris Ward	**398**	385	**43**	49	**88**	85	**529**	519	**520**	433	**-**	-	**520**	433	**1,049**	952
Simon Quayle	**383**	370	**55**	64	**84**	81	**522**	515	**442**	416	**-**	-	**442**	416	**964**	931
Tom Welton	**383**	370	**44**	51	**84**	81	**511**	502	**442**	416	**-**	-	**442**	416	**953**	918

1. Benefits comprise car allowance, permanent health insurance, life insurance, health insurance and Sharesave options which have been valued on the monthly savings amount and the discount on the option price of 20% at grant.
2. Pension contribution is 25% of salary for incumbent directors and may be taken in cash (in part or entirely). The cash equivalent is reduced by any resultant tax liability borne by the Group. The pension rate for directors was reduced to 17.5% of salary with effect from 1 October 2022, in line with shareholder guidance.
3. The outcome of the bonus is explained on page 132. Assuming completion of the proposed merger, executive directors will receive this amount in cash in line with the terms of the Remuneration Policy.
4. Reflects the vesting of shares in the LTIP in respect of performance for the relevant financial year. The TSR and NAV performance conditions for the three-year performance period to 30.9.2022 and 30.9.2021 were not met and, therefore, none of the awards vested.

Single total figure of remuneration for non-executive directors (audited)

	Fee		Committee chair/ Senior Independent Director fee		Total Fixed[1]	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Jonathan Nicholls	250	235	-	-	250	235
Richard Akers	65	60	30	15	95	75
Jennelle Tilling	65	60	10	-	75	60
Ruth Anderson[2]	65	47	15	9	80	56
Helena Coles[3]	65	15	-	-	65	15
Sally Walden[4]	23	60	5	15	28	75

1. Non-executive directors do not receive any variable remuneration.
2. Joined the Board on 21.12.2020.
3. Joined the Board on 1.7.2021.
4. Retired from the Board on 4.2.2022.

Payment to past directors/for loss of office

There were no payments to past directors or payments to directors for loss of office during the year ended 30 September 2022. Treatment of outstanding share incentive awards following the proposed merger with Capco is outlined in the Remuneration Committee Chair's statement.

Annual bonus outcome for year ended 30 September 2022 (audited)

Retrospective disclosure of the targets for the 2022 annual bonus scorecard is provided below.

This year, in addition to managing our day-to-day operations in a challenging environment we used the opportunity of the disruption of our business model to re-examine how we operate with a view to emerging from the pandemic stronger, capitalising on the best of what we do, and innovating for the longer term and to attract, retain and motivate our talented team to continue to deliver value to our wide range of stakeholders.

Measure	Weighting	Target range	Achievement against target	Percentage achieved
Rental growth Deliver growth in ERVs	**15%**	1.5% - 4.5%	ERV growth of 9% achieved over the year	15%
Convert ERVs to contractual income Commercial lettings/reviews/renewals at or above valuers' ERVs twelve months earlier	**15%**	2% - 5%	H1: 8.1% H2: 9%	15%
Rent collection Collection of contracted rents, measured half yearly	**15%**	H1: 80% - 90% H2: 85% - 100%	H1: 95% H2: 97%	13%
Occupancy Maximise portfolio occupancy, whilst ensuring tenant selection criteria is maintained (excludes larger schemes (72 Broadwick Street))	**15%**	5.5% - 3.0%	Average quarterly vacancy: 4.2% of total ERV	9%
Sustainability				
Reduce carbon emissions Continue to reduce carbon emissions (scope 1 & 2) in line with the 1.5 degree science based target trajectory	**10%**		Reduction in scope 1 & 2 emissions this year of 7.6%, keeping us within our trajectory which has been validated by the Science Based Targets initiative	10%
Occupier engagement to address scope 3 emissions	**5%**		An occupier engagement strategy and guidance for occupiers was not sufficiently progressed	0%
Local youth employment Establish and implement a programme to support the employment of local young people in our operations and occupiers' businesses	**5%**		Initiated a programme for local young people to promote employment opportunities in real estate Supported various local employment schemes to help our occupiers recruit from the local community employee volunteering to help young people improve their employability	5%
Corporate[1]	**20%**		During the year, the overriding key corporate objective for the executive directors involved the successful leadership of a number of workstreams to: • support the Board's discussions and its recommendation to shareholders to proceed with the proposed merger • prepare the required public documentation to be issued to shareholders for their approval to proceed with the proposed merger • collate company and market-wide data requested by the Competition and Markets Authority ahead of their review of the proposed merger In addition, other key corporate achievements delivered during the year included: • Materially improved "real time" access to portfolio-wide property and management data • Trial implementation approved of data strategy to facilitate a full visitor insights programme using digital technology and externally-sourced turnover and spending data which is expected to provide valuable insights to both the business and our occupiers • We made significant progress in our "Community Voice" project, ahead of a planned launch in May, although this launch was subsequently delayed given the proposed merger • In light of the proposed merger, our focus has been on supporting our people through a period of extended uncertainty, ensuring a highly engaged and skilled workforce, and embedding the "One Shaftesbury" philosophy. Key achievements included introduction of a formal career progression framework, further improvement to ongoing employee engagement and communication	10%
Total	**100%**			**77%**

1. In light of the exceptionally significant contribution of Chris Ward to those proposed merger related objectives in his role as Chief Financial Officer, the Committee determined that he would receive 20% for this element of the bonus. In total, Chris Ward will receive 87% of the total maximum bonus.

Committee's exercise of discretion

The Committee believes that annual bonus awards should fairly reflect overall performance in the context of prevailing general economic and property market conditions and exercises discretion, where appropriate, to take account of overall financial performance and future prospects of the Company.

The Committee has not exercised discretion in the award of bonuses for the year ended 30 September 2022. The table below shows historic exercise of discretion by the Committee.

Year	Actual bonus percentage potential according to achievement table	Bonus percentage after exercise of discretion by Remuneration Committee
2015	70%	Reduced to 60%
2016	82%	Reduced to 60%
2017	55%	No change
2018	52.5%	No change
2019	57.5%	No change
2020	25%	Reduced to 0%
2021	97.5%	Reduced to 75%
2022	77%[1]	No change

1. Chris Ward will receive a bonus of 87% for 2022.

LTIP vesting for performance period to 30 September 2022 (audited)

The performance against targets of the LTIP in 2022 is set out below. No vesting criteria were achieved in this performance period and, therefore, the LTIP award will lapse.

Annualised TSR less annualised TSR of the FTSE 350 REIT Index	Annual vesting criteria	Performance
0% pa	25%	Performance in the three-year period to 30 September 2022: -16.5% (benchmark: 1.0%)
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 25% and 100%	
5.5% pa or more	100%	Vesting outcome (for this third of the award) is zero

Annualised NAV growth less annualised RPI growth[1]	Award vesting criteria	Performance
Less than 3% pa	0%	Performance in the three-year period to 30 September 2022: -12.6% pa versus RPI growth of 6.1% pa
3% pa	25%	
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 25% and 100%	Vesting outcome (for this third of the award) is zero
7% pa or more	100%	

TAR against peer group comprising FTSE 350 REITs[1]	Award vesting criteria	Performance
Below index	0%	Performance in the three-year period to 30 September 2022: -11.7% (benchmark: 8.5%)
Equal to index	25%	
Between equal to index and index +2% pa	Pro-rata on a straight line basis between 25% and 100%	Vesting outcome (for this third of the award) is zero
Index 2% pa or above	100%	

1. TAR measures growth in EPRA NAV plus any dividends (or other distributions to shareholders which reduce NAV) paid during the period expressed as a percentage of EPRA NAV at the start of the year. EPRA NAV equates to EPRA NTA.

Share scheme interests awarded during the year (audited)[1,2]

	Scheme	Face value at date of award £'000
Brian Bickell	Deferred Annual Share Bonus Scheme[1]	591
	LTIP[2]	1,087
Chris Ward	Deferred Annual Share Bonus Scheme[1]	433
	LTIP[2]	797
Simon Quayle	Deferred Annual Share Bonus Scheme[1]	416
	LTIP[2]	766
Tom Welton	Deferred Annual Share Bonus Scheme[1]	416
	LTIP[2]	766

1. Deferred Annual Share Bonus Scheme: Directors elected to take their annual bonus for the year ended 30.9.2021 in shares which were purchased in the market. The face value is calculated using the price paid per share of £5.475956. No further performance criteria are applied to share awards under this scheme.
2. LTIP: Awards of nil cost options were made by the Committee at 200% of salary. The face value is calculated using the average share price over the five days prior to 7.02.2022, to determine the number of shares awarded, being £6.148. There is a three-year performance period to 30.09.2024 with a two-year post-vesting holding period. 25% of the awards vest for threshold performance. Full details of the performance criteria can be found in the 2021 Annual Report.

Directors' shareholdings and share scheme interests at 30 September 2022 (audited)

	Shares owned outright	Shareholding requirement met[2]	Value of shares owned outright as a percentage of salary[3]	Deferred shares[4]	Shares under option not vested and subject to performance criteria[4]	Shares vested and subject to two year post-vesting holding period	Sharesave
Executive directors							
Brian Bickell	**1,336,539**[1]	Yes	905%	202,611	371,460	-	2,310
Chris Ward	**223,471**[1]	Yes	207%	145,621	272,383	-	3,252
Simon Quayle	**1,154,139**	Yes	1,108%	142,903	261,777	-	2,310
Tom Welton	**942,007**[1]	Yes	904%	142,903	261,777	-	2,310
Non-executive directors							
Jonathan Nicholls	**57,500**						
Richard Akers	**24,896**						
Jennelle Tilling	**12,500**						
Ruth Anderson	**5,000**						
Helena Coles	**6,000**						
Sally Walden[5]	**61,250**[1]						

1. Includes shares held by persons closely associated.
2. Based on share price at 30.9.2022 of £3.678 and salary as at 1.10.2021.
3. Under the Remuneration Policy, executive directors are expected to build up a shareholding of 200% of salary (as at the date of appointment to the Board), to be accumulated over five years from appointment.
4. On exercise or vesting, deferred shares and LTIP nil cost options are subject to income tax and national insurance. The number that will actually be transferred will be reduced if directors sell sufficient to meet their income tax and employees' national insurance liability.
5. Retired from the Board on 4.2.2022 and shareholding stated as at that date.
6. From 30.09.2022 to 28.11.2022, there were no changes to the above stated interests.

Additional details on the share awards summarised in this table are provided on pages 134 and 135, with further explanation on the operation of the plans set out in the Remuneration Policy table in the 2021 Annual Report.

1 Deferred Annual Share Bonus Scheme

			Entitlement to ordinary shares		
	Date of grant	Market price on date of grant £	At 1.10.2021	Awarded in year	At 30.9.2022
Brian Bickell	3.12.2018	8.65	45,625[1]	-	**45,625**
	12.12.2019	9.15	49,128[2]	-	**49,128**
	13.12.2021	5.48	-	107,858	**107,858**
			94,753	107,858	**202,611**
Chris Ward	3.12.2018	8.65	31,847[1]	-	**31,847**
	12.12.2019	9.15	34,678	-	**34,678**
	13.12.2021	5.48	-	79,096	**79,096**
			66,525	79,096	**145,621**
Simon Quayle	3.12.2018	8.65	32,211[1]	-	**32,211**
	12.12.2019	9.15	34,678	-	**34,678**
	13.12.2021	5.48	-	76,014	**76,014**
			66,889	76,014	**142,903**
Tom Welton	3.12.2018	8.65	32,211[1]	-	**32,211**
	12.12.2019	9.15	34,678	-	**34,678**
	13.12.2021	5.48	-	76,014	**76,014**
			66,889	76,014	**142,903**

1. Following an equity issue announced on 22.10.2020, and approved by shareholders on 17.11.2020, an incorrect adjustment was made and the Company reduced the number of shares of the executive directors' 2018 Deferred Annual Share Bonus Scheme Award.
2. Following its adjustment in connection with the 2020 equity issue, the number of shares subject to Brian Bickell's 2019 award was incorrectly reported as 49,722 in last year's report as a result of a clerical error.

2 LTIP

Nil cost options are granted subject to a three-year performance period. Any award that vests is then subject to a two-year post-vesting holding period.

	Date of grant	Market price on date of grant £	Number of ordinary shares under option At 1.10.2021	Granted during year	At 30.9.2022
Brian Bickell	12.12.2019[1]	9.15	73,598	–	**73,598**
	22.12.2020[2]	5.42	121,057	–	**121,057**
	7.2.2022[2]	6.15	–	176,805	**176,805**
			194,655	176,805	**371,460**
Chris Ward	12.12.2019[1]	9.15	53,973	–	**53,973**
	22.12.2020[2]	5.42	88,775	–	**88,775**
	7.2.2022[2]	6.15	–	129,635	**129,635**
			142,748	129,635	**272,383**
Simon Quayle	12.12.2019[1]	9.15	51,868	–	**51,868**
	22.12.2020[2]	5.42	85,316	–	**85,316**
	7.2.2022[2]	6.15	–	124,593	**124,593**
			137,184	124,593	**261,777**
Tom Welton	12.12.2019[1]	9.15	51,868	–	**51,868**
	22.12.2020[2]	5.42	85,316	–	**85,316**
	7.2.2022[2]	6.15	–	124,593	**124,593**
			137,184	124,593	**261,777**

1. As described on page 133, the performance conditions of awards granted on 12.12.2019 have not been met. These awards will therefore lapse.
2. The LTIP vesting criteria for the awards granted in 2020 and 2022 can be found in the 2020 and 2021 Annual Reports, available on our website at www.shaftesbury.co.uk.

3 Sharesave

Options are granted at a 20% discount to the market price on the date of grant up to the maximum monthly savings amount permitted by HMRC over three or five years. Participants have six months from the date of vesting to exercise.

	Date of grant	At 1.10.2021	Granted during year	Lapsed during year	At 30.9.2022	Option price £	Vesting date
Brian Bickell	28.6.2019	2,310	–	–	2,310	6.49	1.8.2024
		2,310	–	–	**2,310**		
Chris Ward	28.6.2019	1,386	–	–	1,386	6.49	1.8.2022
	9.7.2020	3,252	–	–	3,252	4.62	1.8.2025
		4,638	–	–	**4,638**		
Simon Quayle	28.6.2019	2,310	–	–	2,310	6.49	1.8.2024
		2,310	–	–	**2,310**		
Tom Welton	28.6.2019	2,310	–	–	2,310	6.49	1.8.2024
		2,310	–	–	**2,310**		

Percentage change in remuneration of the Board of Directors

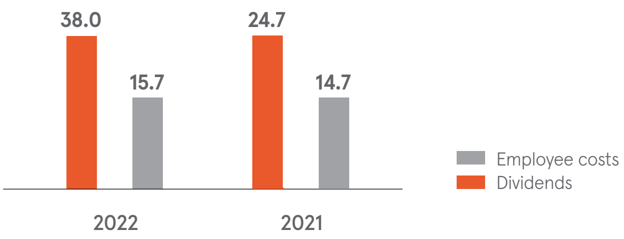
The table below shows the percentage annual change in remuneration of each executive and non-executive director against Shaftesbury employees as a whole for each of the last three financial years.

	Base salary/ fees			Benefits[3, 5]			Annual bonus[4, 5]		
	2022	2021	2020[2]	2022	2021	2020	2022	2021	2020
Average employee (% change)[1]	10.1%	7.5%	8.8%	-24.6%	52.9%	-16.7%	10.1%	202%	-51.1%
Brian Bickell	3.5%	7.6%	-4.1%	-6.0%	2.4%	-4.4%	6.3%	n/a	-100%
Chris Ward	3.5%	8.5%	-0.8%	-8.4%	3.3%	-6.1%	20.1%	n/a	-100%
Simon Quayle	3.5%	7.6%	-4.2%	-6.0%	2.4%	-4.4%	6.3%	n/a	-100%
Tom Welton	3.5%	7.6%	-4.2%	-12.3%	4.9%	-9.1%	6.3%	n/a	-100%
Jonathan Nicholls	6.4%	7.8%	-3.3%	n/a	n/a	n/a	n/a	n/a	n/a
Richard Akers[6]	26.7%	8.7%	8.4%	n/a	n/a	n/a	n/a	n/a	n/a
Jennelle Tilling	24.6%	7.1%	-2.6%	n/a	n/a	n/a	n/a	n/a	n/a
Helena Coles[7]	333.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ruth Anderson[7]	42.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. This table shows the change in average salary, taxable benefits and bonus for all employees that were employed for the years ended 30.9.2022, 30.9.2021 and 30.9.2020. Average employee pay has been calculated using a mean per capita on a full-time equivalent basis. These figures exclude the executive and non-executive directors.
2. Stated taking into account the 20% waivers of salary by all executive directors and of all non-executive fees for four months of the financial year ending 30.9.2020 as a result of the Covid-19 pandemic.
3. The Company's health care costs fell in the year to 30.9.2022 having risen in the year to 30.9.2021 resulting in a larger relative difference in the cost of benefits for employees than directors.
4. The executive directors received no annual bonus for the year ended 30.09.2020 and, therefore, no % comparison to bonuses awarded for the year ended 30.09.2021 can be included in the table.
5. Non-executive directors receive no benefits and do not participate in the annual bonus scheme.
6. Richard Akers was appointed as Chair of the Sustainability Committee on 11.11.2021, as such his fees increased from this date. Similarly, Jennelle Tilling was appointed as Chair of the Remuneration Committee on 4.2.2022 and as such her fees were increased from this date.
7. Ruth Anderson and Helena Coles joined the group on 20.12.2020 and 1.7.2021 respectively. As such there is no comparative for the previous year and their 2022 comparative is artificially high.

Note that there is no requirement to disclose a CEO pay ratio as the number of employees (52) falls significantly below the threshold of 250 employees for disclosure under this provision. However, further detail on the significant degree of alignment between executive director and employee reward is set out on page 130.

Relative importance of spend on pay (£m) chart[1,2]

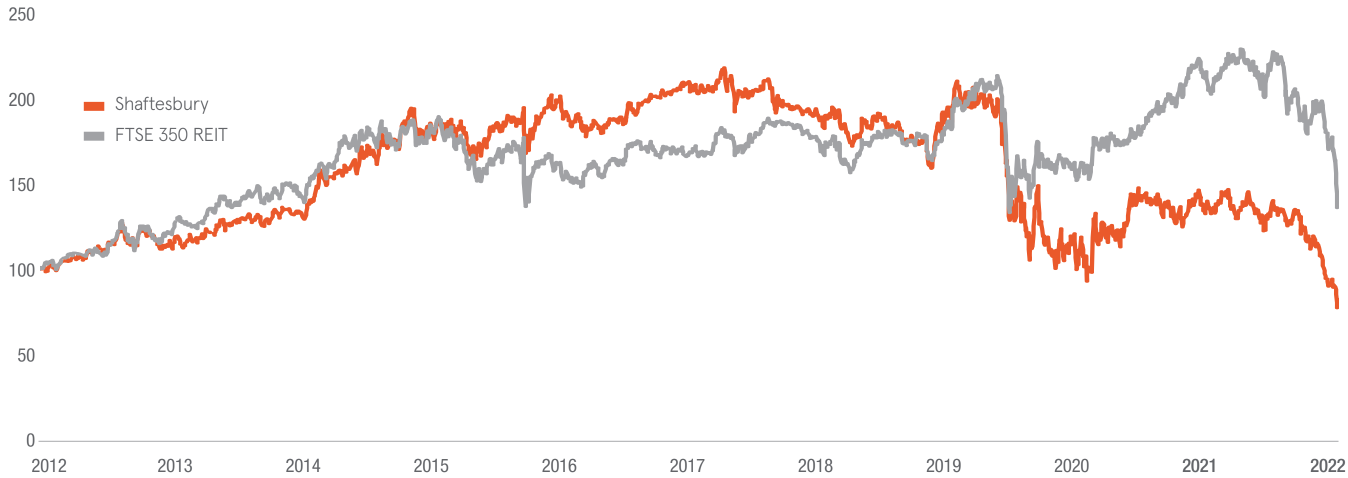


1. 2021 includes interim dividend paid in July 2021 and final dividend paid in February 2022.
2. 2022 includes interim dividend paid in July 2022 and second interim dividend to be paid in December 2022.

Review of past performance

The chart below shows the TSR for the Company compared with the FTSE 350 REIT Index, of which the Company is a constituent, over ten years. The Committee uses this index as one measure of performance for awards of shares under the LTIP, as it considers this an appropriate measure against which the relative performance of the Company should be compared for the purposes of considering executive directors' remuneration.

Ten-year TSR chart to September 2022



Source: Datastream as at 30 September 2022

Ten-year chief executive single total figure of remuneration

	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
Chief Executive single total figure of remuneration (£'000)	1,075	1,455	1,523	1,954	1,830	1,191	1,083	616	1,253	**1,310**
Annual bonus payout (% maximum)	40%	75%	60%	60%	55%	52.5%	57.5%	0%	75%	**77%**
Long-term incentive award vesting (% maximum)	50%	50%	63.5%	100%	100%	22.5%	0%	0%	0%	**0%**

Shareholder voting

Shareholders voted on the Remuneration Policy and the Annual Remuneration Report at the 2022 AGM. Voting by shareholders representing 89.92% of the issued share capital, on the resolutions, was as follows:

	For	% For	Against	% Against	Total votes	Withheld
2022 Remuneration Policy	343,007,564	99.28	2,488,018	0.72	345,495,582	3,011,407
2022 Annual Remuneration Report	343,580,215	99.45	1,916,955	0.55	345,497,170	3,009,819

On behalf of the Board

Jennelle Tilling
Chair of the Remuneration Committee

28 November 2022

Advisor to the Committee

Deloitte LLP act as independent advisor to the Committee. They are a member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have connections with the Group that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during the financial year were £148,250 (excluding VAT), of which £107,750 was in relation to advice received in connection to the proposed merger.

Deloitte LLP provided no other services to the Group during the year.

Directors' report

The directors present their report on the affairs of the Group and the audited consolidated financial statements for the year ended 30 September 2022.

UK Corporate Governance Code

The Company has applied and complied with the provisions of the 2018 UK Corporate Governance Code (the Code) throughout the Company's financial year, with the exception of Provision 38. This provision requires the alignment of executive director pension contributions with the wider workforce. As explained in the Directors' remuneration report on page 129, the contribution levels for executive directors were aligned with our workforce (17.5%) from 1 October 2022. For full details of the Code, please refer to the FRC's website at www.frc.org.uk.

Disclosures by reference

Information that is relevant to this report including information required by the Companies Act 2006, Disclosure and Transparency Rule 7.2 and Listing Rule 9.8.4R is incorporated by reference into this report. This information can be found in the annual report as follows:

Content	Pages
Strategic report	3 to 92
Likely future developments in the business	
- Chief Executive's statement	11 to 14
Employment, human rights and environmental matters	
- Our people and culture	70 to 72
- Sustainability	56 to 59
- Sustainable building re-use	61
Stakeholder engagement	64 to 69
Section 172 statement	107
Viability statement	90 and 92
Corporate governance	96 to 137 and 140
Financial instruments	164 and 165

Company status

Shaftesbury PLC is a public limited liability company incorporated under the laws of England and Wales (company number 01999238).

It is the holding company of the Shaftesbury group of companies and has a premium listing on the London Stock Exchange main market. Shaftesbury PLC is a Real Estate Investment Trust (REIT) and constituent member of the FTSE 250 Index.

Share capital

During the year, 155,589 ordinary shares were issued at nil cost on the exercise of share awards. As at 30 September 2022, the issued share capital of the Company was 384,370,449 (2021: 384,214,860) ordinary shares of 25 pence each.

The Company has one class of ordinary shares. All shares rank equally and are fully paid. No person holds shares carrying special rights with regard to control of the Company. There are no restrictions on the transfer of shares, on voting rights, or on the size of a holding, which are governed by the Articles of Association and prevailing legislation. In accordance with the Articles of Association, the Company may impose restrictions on, amongst other things, the size of a holding to preserve its REIT status. The directors are not aware of any agreements between holders of shares in the Company that may result in restrictions on the transfer of shares or on voting rights.

Major shareholders

Information provided to the Company pursuant to the FCA's DTRs is published on a Regulatory Information Service and on the Company's website. As at 30 September 2022 and 28 November 2022, the following information has been received in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital.

Notifiable interests	Ordinary shares	% of capital disclosed[1]	Nature of holding
Norges Bank	98,925,310	25.75	Direct
Capco	96,971,003	25.24	Direct
BlackRock Inc	21,663,195	5.63	Direct
Resolution Capital	19,219,580	5.00	Direct

1. As at date of notification.

Purchase of own shares

The Company was granted authority at the 2022 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2023 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 October 2022 to 28 November 2022.

Results and dividends

The results for the year ended 30 September 2022 are set out in the Group statement of comprehensive income.

Group statement of comprehensive income: page 150

An interim property income distribution of 4.8 pence per ordinary share was paid on 1 July 2022.

A further interim dividend of 5.1 pence per ordinary share to be announced on 29 November 2022, and to be paid on 21 December 2022, making a total dividend for the year of 9.9 pence per ordinary share.

Events after the Balance Sheet date

There were no significant events occurring after the reporting period, but before the financial statements were authorised for issue on 28 November 2022.

Change of control

The Longmartin joint venture and a number of debt financing agreements contain clauses which take effect upon a change of control of the Group and may alter or terminate these agreements. A summary of the impact from the proposed merger is set out in note 27 to the financial statements. The Company's share schemes contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group. A summary of the impact of the proposed merger on outstanding share incentive awards is set out on pages 175 and 176.

Directors and directors' shareholdings

Rules governing the appointment and replacement of directors are contained in the Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders which is in line with the Code and the Company's Articles of Association.

Details of the directors who served during the year ended 30 September 2022 and up to the date of approval of the financial statements, their interests in the ordinary share capital of the Company and details of options granted under the Group's share schemes are set out in the Directors' remuneration report which is incorporated by reference to this report and can be found at pages 133 to 135.

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year.

The Board manages the business of the Company under the powers set out in the Articles of Association. These powers include the directors' ability to issue or buy back shares.

Directors' indemnities and directors' and officers' liability insurance

The Company's agreement to indemnify each director against any liability incurred in the course of their office to the extent permitted by law remains in force.

The Group maintains Directors' and Officers' Liability Insurance.

Authorisation of directors' conflicts of interests

Directors are required to notify the Company of any conflict or potential conflict of interest and make an annual declaration. The Board confirms that no conflicts have been identified or notified during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Articles of Association.

Going concern

The Group's going concern assessment is summarised in note 1 of the financial statements (Basis of Preparation, pages 154 and 155). It considers 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 on two bases: standalone and combined (the latter assuming that the proposed merger proceeds). The assessment covers the period from the date of authorisation of these consolidated financial statements to 31 December 2023 (the "going concern period"). On the basis of this assessment, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

Political donations

The Company did not make any political donations during the year (2021: nil).

Disclosure of information to auditors

Each director has confirmed that:

a) so far as they are aware, there is no relevant audit information of which the auditors are unaware; and

b) they have taken all reasonable steps to ascertain any relevant audit information and ensure the auditors are aware of such information.

This confirmation is given in accordance with section 418 of the Companies Act 2006.

Greenhouse gas emissions

We are committed to becoming a net zero carbon business by 2030, and we consider this commitment and the ongoing reduction of carbon emissions to be of strategic importance to the business. We have set out the details of our commitment, along with the steps that we will be taking to reduce our carbon emissions, in our Net Zero Carbon Roadmap, published on 11 November 2021. This can be found on our website at: www.shaftesbury.co.uk.

Our Streamlined Energy and Carbon Reporting (SECR) disclosures are set out on pages 80 and 81 of the Annual Report 2022. This includes our annual scope 1 and 2 GHG emissions footprint and an appropriate intensity metric for annual comparison. This fulfils the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Full details of our greenhouse gas (GHG) emissions are disclosed in our Sustainability Data Report, which can be found on our website.

By Order of the Board

Desna Martin
Company Secretary

Shaftesbury PLC
Incorporated, registered and domiciled
in England and Wales number 1999238
22 Ganton Street
Carnaby
London W1F 7FD

28 November 2022

Directors’ responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with UK-adopted international accounting standards (IFRS). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Company financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors’ report, directors’ remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website.

Directors’ responsibility statement under the Disclosure and Transparency Rules and the UK Corporate Governance Code

The directors confirm, that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position, performance and cash flows of the Company and Group as a whole;
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position, performance, business model and strategy.

Brian Bickell
Chief Executive

28 November 2022

Chris Ward
Chief Financial Officer

28 November 2022

Independent auditor's report

To the members of Shaftesbury PLC

Opinion

In our opinion:

- Shaftesbury PLC's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Shaftesbury PLC (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 September 2022 which comprise:

	Group	Parent company
Balance Sheet	✔	✔
Statement of Comprehensive Income	✔	
Cash flow statement	✔	✔
Statement of changes in equity	✔	✔
Related notes 1 to 28, including a summary of significant accounting policies	✔	✔

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Given the proposed merger of the Group with Capco, the directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting first considers the Group on a standalone basis, and then on the basis that the proposed merger proceeds. Our evaluation of the assessment included the following:

- We confirmed our understanding of management's process and evaluated the method used to prepare the Group's going concern assessment for the going concern period, being the period to 31 December 2023, which is at least 12 months from when the financial statements are authorised for issue. We obtained management's assessment and performed a risk analysis of it to guide the extent of audit procedures appropriate to this situation, including the impact of the proposed merger.

Standalone basis

- We identified the key assumptions which influenced the cash flow forecasts, liquidity and covenant compliance. We challenged the appropriateness of the forecasts by comparing assumptions to historical performance and our knowledge of current trading conditions and external benchmarking. We assessed management's considerations related to material climate change impacts, including in relation to capital expenditure, in the going concern period. We challenged key assumptions by checking consistency with corroborative evidence, including to our work on the investment property valuations, and by searching for independent contradictory evidence. We undertook further reverse stress testing in relation to the liquidity of the Group over the going concern period.
- We agreed key terms in the Shaftesbury financing arrangements such as loan maturity dates, covenants and cure rights to the underlying agreements.
- We recalculated covenant calculations using the forecasts and evaluated whether the covenants would be met during the going concern period. We considered the assessment of our Chartered Surveyors of the likelihood of future falls in property values which would result in future breaches of loan to value covenants. We assessed the effectiveness of mitigating actions available to management and the existence of sufficient cure rights to cover the duration of forecast breaches within the going concern period in a severe but plausible downside scenario to avoid breaching the covenants.
- We read board minutes to identify any matters that may impact the going concern assessment.
- We reviewed the disclosures in the financial statements relating to going concern with a view to confirming that they appropriately disclose the risk, the impact on the Group's operations and results and potential mitigating actions.

Additional procedures to address the impact of the proposed merger

- We performed additional procedures to gain an understanding of Capco's financial position, its debt arrangements and its contribution to the proposed combined group from published information including the prospectus issued as part of the merger process.
- We obtained cash flow forecasts for the combined group. We checked the part of these relating to Shaftesbury's business was consistent with the forecasts we audited for the standalone basis. For the part relating to Capco, we assessed the reasonableness of the forecasts and assumptions by comparing these to Capco's historic performance and the forecasts presented as part of the prospectus.
- We considered the impact of change of control clauses in the terms of Shaftesbury's financing facilities. Where lenders have waived change of control clauses or confirmed they would not be triggered in the term loans, we obtained from management the relevant letters from the lenders.
- We checked that the combined group has sufficient liquidity to repay the Shaftesbury secured mortgage bonds if required upon completion of the proposed merger, noting that Capco has entered into a £576m unsecured loan facility agreement to do so. We obtained an external confirmation of the facility from the lender. We assessed the sufficiency of the headroom in the covenant ratios for the combined group's financing facilities based on the information in the combined group forecasts.
- We made enquiries of proposed directors of the combined group from both companies to confirm that there are presently no intentions to liquidate the Parent Company and its subsidiaries post-completion of the proposed merger.

In assessing the Group's ability to continue as a going concern, we made the following observations:

- the going concern assessment considers the challenges in the current macroeconomic environment, particularly rising inflation and interest rates, which may have a future impact on the Group's tenants (therefore potentially affecting the collection of rent and service charges) and the Group itself;
- the directors have received forecasts for the combined group prepared by Capco management, who have also confirmed to the Shaftesbury directors that there are presently no intentions to liquidate Shaftesbury post-completion of the proposed merger, and the directors have prepared their going concern assessment accordingly;
- the Group has cash cure rights available to mitigate forecast interest cover covenant breaches within the going concern period under a severe but plausible downside scenario; and
- management conclude that the Group will continue to maintain sufficient liquidity over the going concern period under both the standalone basis and the combined group basis. In the 'severe but plausible' downside scenario where Shaftesbury interest cover covenants are forecast to be breached, management's assessment concludes that there will be sufficient liquidity to cure these breaches, and there are sufficient unencumbered assets to remain in compliance with the loan to value covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for the going concern period, being the period to 31 December 2023, which is at least 12 months from when the financial statements are authorised for issue. Going concern has also been determined to be a key audit matter.

In relation to the Group and Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	· The Group operates in London's West End and consists of a single reporting segment across eleven statutory entities. All of the Group's companies were included in the scope of the audit. The Group audit team performed direct testing of the Longmartin joint venture balances which are included within the Group financial statements. The Group audit scope is consistent with the prior year.
Key audit matters	· The valuation of investment property · Revenue recognition including the timing of revenue recognition, and the treatment of rents and incentives · Going concern
Materiality	· Overall Group Materiality: £35m which represents 1% of total assets. · Specific Group Materiality: £3.1m which represents 5% of operating profit before investment property valuation movements and net finance costs and excluding the provision for expected credit losses.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Shaftesbury PLC. The Group has determined that the most significant future impacts from climate change on their operations will be from increases in capital expenditure required to make properties compliant with future minimum energy efficiency requirements and the wider impacts of transitioning to a low carbon economy. These are explained on pages 76-79 in the required Task Force for Climate-related Financial Disclosures and on page 84 in the principal risks and uncertainties, which form part of the "Other information", rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

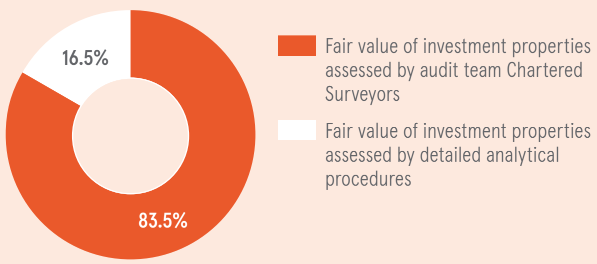
As explained in the Basis of Preparation note, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards. In the "Climate risk and opportunity" section of the strategic report, supplementary narrative explanation of the impact of reasonably possible changes in key assumptions has been provided and significant judgements and estimates relating to climate change have been described.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and ensuring that the effects of material climate-related risks disclosed in the Basis of Preparation note have been appropriately reflected in the valuation of investment properties through the forecast capital expenditure required to improve their energy efficiency. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Group has stated its commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the Group is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this, and therefore, as set out above, the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The valuation of investment property £3,188.1m (2021: £3,010.5m) (plus £167.0m (2021: £164.5m) being the Group's share in the Longmartin joint venture) *Refer to the Audit Committee Report: page 124* *Accounting policies: page 172* *Note 10 of the Consolidated Financial Statements: pages 158-159* The valuation of investment property (including properties held in the joint venture) requires significant estimation by management and the external valuers. Any input inaccuracies or unreasonable assumptions used in the estimate (such as the estimated rental value and yield profile applied) could result in a material misstatement in the statement of comprehensive income and balance sheet. There is also a risk that management may unduly influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets.	Our audit procedures around the valuation of investment property included: · We obtained an understanding of the Group's controls over data used in the valuation of the investment property portfolio, including management's review of the valuation inputs and estimates, to ensure the controls were designed and implemented correctly. · We met with the external valuers, Cushman & Wakefield and Knight Frank, to understand the methodology used, and the basis for assumptions adopted including yields, ERVs, void periods, tenant incentives and how climate risk considerations have been reflected in the valuation. · We assessed the assumptions around rent collection levels in the short term, taking into account potential tenant failures as a result of macroeconomic factors. We challenged these assumptions and looked for contra indicators in other evidence we obtained during the audit including: - recent rent collection data from tenants and subsequent cash receipts - management's assessment of the recoverability of tenant related balances, and performing an independent search for known Company Voluntary Arrangements and tenants with financial issues.  · The Group audit team includes Chartered Surveyors who tested a sample of properties. They challenged the valuation approach and assumptions. The sample size they tested accounted for 83.5% of the fair value of investment properties. They additionally tested the investment properties held in the Longmartin joint venture. · Our Chartered Surveyors compared the equivalent yields applied to each property to an expected range of yields based on external market data and asset specific considerations. · Our Chartered Surveyors have assessed the ERVs adopted and corroborated these to the rental tones set by relevant open market lettings, rent renewals and market reports. · Together with our Chartered Surveyors, we obtained the sources of information used by the external valuers. We searched for available market evidence by researching leasing and investment transactional evidence from property transaction databases and market reports, looking for contra indicators to challenge the yields and ERVs adopted. · In respect of the properties not in the sample tested by our Chartered Surveyors (16.5% of the fair value), we performed detailed analytical procedures on a property-by-property basis. This involved forming an independent expectation of the fair value of each property in the portfolio by reference to relevant external market data relating to capital growth rates. We investigated further the valuations of those properties which were not in line with our initial expectations which included further discussions with management and the external valuers and, where appropriate, involvement of our Chartered Surveyors. · We evaluated the competence of the external valuers which included consideration of their qualifications and expertise, as well as their independence. · We made enquiries of the external valuers and inspected their terms of reference to confirm that they had not been subject to undue influence or direction from management. · We utilised our detailed analytical procedures and work of the Chartered Surveyors described above in order to assess for evidence of undue management influence. · For a sample of properties under refurbishment, we vouched the costs incurred to date and agreed the cost to complete estimates to approved budgets and contractual arrangements. We met with property surveyors to discuss the project costs and risks associated with these projects. · We performed testing over the inputs to the valuations. For a sample of properties, we tested the contracted rent and key lease terms used by the valuers back to lease agreements. · We reviewed the disclosures in the annual report, ensuring these met the requirements of the accounting framework and accurately reflected the underlying valuations report. · With our Chartered Surveyors we stood back to assess the reasonableness of the valuation in the context of the wider real estate market, and ensured there is a sufficient level of evidence received to support the conclusion reached.	We audited the inputs, assumptions and reviewed the methodology used by the external valuers. We did not identify any exceptions or material errors in the input testing for the sample we tested. We conclude that the valuation of each of the assets in the sample tested by our Chartered Surveyors are within a reasonable range. We conclude that management provided an appropriate level of review and challenge over the valuations and we did not identify evidence of undue management influence or bias. We conclude that the inputs and methodology applied are reasonable and that the external valuations are an appropriate assessment of the fair value of investment properties at 30 September 2022. We conclude that the disclosures in the annual report relating to investment property are accurate and meet the requirements of the accounting framework.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk: Revenue recognition, including the timing of revenue recognition, and the treatment of rents and incentives £113.3m of rental income (FY21: £82.0m), (£2.9m) adjustment for lease incentives (FY21: £23.0m) *Refer to the Accounting policies: page 171* *Note 5 of the Consolidated Financial Statements: page 157* Market expectations and profit based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations. In order to distort rental income, management could manipulate the manually calculated IFRS rent adjustment for lease incentives.	Our audit procedures around the recognition of revenue included: · We obtained an understanding of the Group's revenue recognition process, including management's use of a managing agent, to ensure the controls were designed and implemented correctly. · We performed detailed testing for a sample of leases by agreeing the annual rent back to the terms of the lease agreements, including identifying rent-free periods, turnover rents, break dates and other incentives. · Our audit procedures in respect of rental income included using the underlying invoice and rent collection data from Shaftesbury's managing agent. We used data analytics-based auditing techniques to ensure the correct recognition of revenue recorded in the year ended 30 September 2022. To do this we: - Correlated the posting of transaction journals between revenue, receivables and cash accounts; - Agreed a sample of cash receipts to lease agreements, invoices, and bank statements; - Reviewed the pattern of revenue recognised on a monthly basis and investigated any unusual journals entries or trends, specifically in relation to cut-off risk; and - Further considered cut-off risk by selecting a sample of cash receipts received after 30 September 2022 and agreed these to supporting invoices to ensure these were correctly recorded in the correct period. · Our audit procedures in respect of lease incentives included: - Testing that the lease income, including the treatment of lease incentives and concessions, is on a straight-line basis, and in accordance with IFRS 16 Leases. - Verifying the completeness of the lease incentives recorded by confirming that leases with rent frees or other concessions from our detailed testing of the tenancy schedule have been included in the calculation. - Testing, on a sample basis, lease incentives recognised through recalculation based on rent concession invoices and the audited tenancy schedule, to verify the accuracy of management's lease modification calculations. - Assessing the 'effective date' of the lease modifications with reference to available evidence of the agreement between landlord and tenant. · We have assessed the adequacy of the disclosures in the financial statements. · We evaluated whether the revenue recognition policies adopted complied with UK adopted international accounting standards. · We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing to confirm that the processing and timing of journals to record revenue is consistent with our expectations.	We audited the timing of revenue recognition, treatment of rents and incentives, and assessed the risk of management override. We assessed the accuracy and completeness of the accounting for lease incentives. Based upon the audit procedures performed, we conclude that revenue has been recognised on an appropriate basis in the year and the disclosures in the annual report are appropriate. The procedures we carried out over revenue recognition apply to all the Group's revenue and the revenue in the Longmartin joint venture.

In the prior year, our auditor's report included a key audit matter in relation to "Provisions for expected credit losses on rent receivables and lease incentives". In the current year, we concluded that due to the decrease in the size of the provision recognised, reflecting the recovery from COVID-19, we no longer consider there to be a significant risk that the provision for expected credit losses is materially misstated.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality	Performance Materiality	Audit Differences
Overall	1% of total assets	£35m	£27m	£1.8m
Specific Applicable for account balances not related to investment properties, loans and borrowings.	5% of operating profit before investment property valuation movements, net finance costs and excluding merger costs.	£3.1m	£2.3m	£153k
Parent Company	2% of net assets	£34m	£26m	£1.7m

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Overall materiality
When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that total assets would be the most appropriate basis for determining overall materiality given that the valuation of the Group's assets, mainly comprising the investment property portfolio, is of particular interest to the key users of the Group's financial statements. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. For planning purposes this was initially based on total assets as at 30 June 2022.

During the course of our audit, we reassessed our planning materiality. As a result, there was a decrease in our overall materiality reflecting the valuation deficit on investment properties between the time we set planning materiality and 30 September 2022. Our materiality basis and threshold have remained consistent with planning. In the prior year audit we adopted an overall materiality of £34m based on 1% of total assets.

Specific materiality

We assessed that for account balances not related to investment properties (either wholly owned or within the joint venture) and loans and borrowings, a misstatement of less than overall materiality for the financial statements could influence the economic decisions of users. We have determined that specific materiality for these areas should be based on operating profit before investment property valuation movements, net finance costs and excluding merger costs. We believe that it is appropriate to use a profit-based measure for specific materiality as profit is also a focus of users of the financial statements.

In the prior year, we considered the impact of Covid-19 on the Group and the impact of expected credit losses on the profit and adopted a specific materiality of £3.1m being 5% of the operating profit before investment property valuation movements, net finance costs and excluding the provision for expected credit losses.

For the current year, in recognition of the provision for expected credit loss returning to pre-COVID-19 levels, we have reverted to the previous basis used prior to 2020 of basing specific materiality on operating profit before investment property valuation movements and net finance costs. However, further to this we have identified merger costs as a non-recurring and material expense, and we concluded that the impact of these costs should be adjusted for in our materiality calculation in order to audit to an appropriate level for the underlying stable business. The adoption of an adjusted basis in setting materiality reflects our assessment of what a user considers to be material to the financial statements.

Accordingly, we calculated the specific materiality that we apply to all balances other than investment properties and loans and borrowings, based on operating profit before investment property valuation movements, net finance costs and merger costs.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2021: 75%) of the respective materiality. We have set performance materiality at this percentage due to the historically low level of audit errors identified.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee any uncorrected audit differences relating to investment properties and loans and borrowings in excess of £1.8m (2021: £1.7m), as well as uncorrected audit differences in excess of £153k (2021: £153k) that relate to our specific testing of the other account balances not related to investment properties and loans and borrowings. These are set at 5% of their respective planning materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, including the Strategic report, Governance and Other information set out on pages 1 to 140 and 174 to 183, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 154-155;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on pages 154-155;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 154-155;
- Directors' statement on fair, balanced and understandable set out on page 140;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 85;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 125; and
- The section describing the work of the audit committee set out on pages 122-126.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 140, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most relevant to the presentation of the Annual Report and Accounts are those that relate to the reporting framework (UK adopted international accounting standards , the Companies Act 2006 and UK Corporate Governance Code), the relevant tax regulations in the United Kingdom, including the UK REIT regulations.
- We understood how the Group is complying with those frameworks through enquiry with management, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and the Audit Committee, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up. Our assessment included the tone from the top and the emphasis on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by reviewing the Company's risk register and enquiry with management and the Audit Committee during the planning and execution phases of our audit. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
  - Enquiry of members of senior management, and when appropriate, those charged with governance, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
  - Reading minutes of meetings of those charged with governance;
  - Obtaining electronic confirmations from the Group's banking providers to vouch the existence of cash balances and completeness of loans and borrowings;
  - Obtaining and reading correspondence from legal and regulatory bodies, including the FRC and HMRC; and
  - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 7 December 2015 and we were reappointed by the Company at the AGM on 5 February 2016 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 7 years, covering the years ended 30 September 2016 to 30 September 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

William Binns
Senior statutory auditor

for and on behalf of Ernst & Young LLP
Statutory Auditor
London

28 November 2022

Carnaby Street

Financial statements

Pages 150–154

Group statement of comprehensive income

For the year ended 30 September 2022

	Notes	2022 £m	2021 £m
Revenue		**123.1**	112.7
Expected credit losses		**(1.8)**	(16.4)
Impairment charges		**(2.2)**	(1.3)
Property charges		**(36.3)**	(30.3)
Net property income	5	**82.8**	64.7
Administrative expenses	6	**(22.2)**	(21.6)
Costs in relation to the proposed merger	27	**(13.2)**	–
Operating profit before investment property disposals and valuation movements		**47.4**	43.1
Profit on disposal of investment properties	7	**0.9**	0.1
Net revaluation surplus/(deficit) on investment properties	10	**99.5**	(196.9)
Operating profit/(loss)		**147.8**	(153.7)
Finance income		**1.0**	0.7
Finance costs	8	**(30.5)**	(30.9)
Share of post-tax profit/(loss) from joint venture	12	**0.8**	(11.0)
Profit/(loss) before tax		**119.1**	(194.9)
Tax charge for the year	9	**–**	–
Profit/(loss) and total comprehensive income/(loss) for the year		**119.1**	(194.9)
Earnings/(loss) per share:			
Basic and diluted	24	**31.0p**	(52.0)p

Balance sheets

As at 30 September 2022

	Notes	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Non-current assets					
Investment properties	10	**3,144.4**	2,964.1	**–**	–
Accrued income	11	**30.5**	34.1	**–**	–
Investment in joint venture	12	**86.6**	85.8	**59.0**	59.0
Property, plant and equipment		**0.8**	1.0	**4.1**	4.7
Trade and other receivables	14	**15.0**	15.9	**11.3**	12.2
Investment in subsidiaries	13	**–**	–	**1,409.7**	1,409.7
		3,277.3	3,100.9	**1,484.1**	1,485.6
Current assets					
Trade and other receivables	14	**22.7**	44.4	**130.4**	97.4
Cash and cash equivalents	15	**155.2**	211.3	**137.9**	195.6
Total assets		**3,455.2**	3,356.6	**1,752.4**	1,778.6
Current liabilities					
Trade and other payables	16	**43.2**	31.6	**73.1**	51.8
Non-current liabilities					
Trade and other payables	16	**–**	–	**2.7**	3.3
Borrowings	17	**953.5**	952.3	**(0.1)**	(0.4)
Total liabilities		**996.7**	983.9	**75.7**	54.7
Net assets		**2,458.5**	2,372.7	**1,676.7**	1,723.9
Equity					
Share capital	19	**96.1**	96.1	**96.1**	96.1
Share premium	20	**653.8**	653.8	**653.8**	653.8
Share-based payments reserve	20	**1.4**	2.4	**1.4**	2.4
Retained earnings	20	**1,707.2**	1,620.4	**925.4**	971.6
Total equity		**2,458.5**	2,372.7	**1,676.7**	1,723.9

The Company made a loss of £13.9 million (2021: profit of £29.9 million) in the year.

On behalf of the Board who approved and authorised for issue the financial statements on pages 150 to 172 on 28 November 2022.

Brian Bickell
Chief Executive

Chris Ward
Chief Financial Officer

Cash flow statements

For the year ended 30 September 2022

		Group		Company	
	Notes	2022 £m	2021 £m	2022 £m	2021 £m
Operating activities					
Cash generated from/(used in) operating activities	23	**61.8**	38.3	**(31.8)**	(14.7)
Interest received		**0.4**	0.2	**0.4**	0.2
Interest paid		**(29.3)**	(29.6)	**(0.6)**	(0.9)
Net cash from/(used in) operating activities		**32.9**	8.9	**(32.0)**	(15.4)
Investing activities					
Investment property acquisitions		**(47.4)**	(19.1)	**–**	–
Investment property disposals	7	**11.3**	5.2	**–**	–
Capital expenditure on investment properties		**(32.9)**	(34.9)	**–**	–
Purchase of property, plant and equipment		**–**	(0.1)	**–**	(0.1)
Increase in cash held in restricted accounts		**–**	(5.4)	**–**	(1.0)
Decrease in cash held in restricted accounts	15	**13.8**	0.3	**2.0**	0.3
Increase in loans to joint venture		**–**	(1.5)	**–**	(1.5)
Amounts received from subsidiaries		**–**	–	**42.4**	15.9
Amounts provided to subsidiaries		**–**	–	**(58.4)**	(49.2)
Net cash used in investing activities		**(55.2)**	(55.5)	**(14.0)**	(35.6)
Financing activities					
Proceeds from share issue	19	**–**	307.0	**–**	307.0
Share issue costs	19	**–**	(12.6)	**–**	(12.6)
Repayment of borrowings	17	**–**	(100.0)	**–**	(100.0)
Amounts provided to subsidiaries		**–**	–	**(2.8)**	–
Amounts received from subsidiaries		**–**	–	**24.9**	–
Equity dividends paid	22	**(33.8)**	(9.3)	**(33.8)**	(9.3)
Net cash (used in)/from financing activities		**(33.8)**	185.1	**(11.7)**	185.1
Net change in cash and cash equivalents		**(56.1)**	138.5	**(57.7)**	134.1
Cash and cash equivalents at the beginning of the year	15	**211.3**	72.8	**195.6**	61.5
Cash and cash equivalents at the end of the year	15	**155.2**	211.3	**137.9**	195.6

Statements of changes in equity

For the year ended 30 September 2022

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
Group						
At 1 October 2021		**96.1**	**653.8**	**2.4**	**1,620.4**	**2,372.7**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**119.1**	**119.1**
Dividends paid	22	**–**	**–**	**–**	**(33.8)**	**(33.8)**
Share-based payments		**–**	**–**	**0.5**	**–**	**0.5**
Release on exercise of share options		**–**	**–**	**(1.5)**	**1.5**	**–**
At 30 September 2022		**96.1**	**653.8**	**1.4**	**1,707.2**	**2,458.5**
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	22	–	–	–	(9.3)	(9.3)
Share-based payments		–	–	1.9	–	1.9
Release on exercise of share options		–	–	(0.8)	0.8	–
Share issue	19	19.2	275.2	–	–	294.4
At 30 September 2021		96.1	653.8	2.4	1,620.4	2,372.7
Company						
At 1 October 2021		**96.1**	**653.8**	**2.4**	**971.6**	**1,723.9**
Loss and total comprehensive loss for the year		**–**	**–**	**–**	**(13.9)**	**(13.9)**
Dividends paid	22	**–**	**–**	**–**	**(33.8)**	**(33.8)**
Share-based payments		**–**	**–**	**0.5**	**–**	**0.5**
Release on exercise of share options		**–**	**–**	**(1.5)**	**1.5**	**–**
At 30 September 2022		**96.1**	**653.8**	**1.4**	**925.4**	**1,676.7**
At 1 October 2020		76.9	378.6	1.3	950.2	1,407.0
Profit and total comprehensive income for the year		–	–	–	29.9	29.9
Dividends paid	22	–	–	–	(9.3)	(9.3)
Share-based payments		–	–	1.9	–	1.9
Release on exercise of share options		–	–	(0.8)	0.8	–
Share issue	19	19.2	275.2	–	–	294.4
At 30 September 2021		96.1	653.8	2.4	971.6	1,723.9

The Company's distributable reserves are disclosed in note 20 to the financial statements.

Notes to the financial statements

For the year ended 30 September 2022

1. Basis of preparation

Shaftesbury PLC ("the Company") is a public company limited by shares, incorporated, registered and domiciled in England and Wales. It is listed on the London Stock Exchange. The address of the registered office and its registered number are given on page 139.

The financial statements of the Company, and the consolidated financial statements of the Company and its subsidiaries (collectively, "the Group"), have been prepared in accordance with UK-adopted international accounting standards (IFRSs) and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared in Pounds Sterling and under the historical cost convention as modified by the revaluation of investment properties.

The Company is the ultimate parent company of the Group. The Company has not presented its own Statement of Comprehensive Income, as permitted by Section 408 of the Companies Act 2006. The Company made a loss of £13.9 million (2021: £29.9 million profit) in the year.

Consideration of climate change

In preparing the financial statements, the directors considered the impact of climate change, particularly in the context of climate risk and opportunity and risk management as disclosed on pages 76 to 79. No material impact on the financial reporting judgements and estimates has been identified. In particular, the directors considered the impact of climate change in respect of the following areas:

- going concern and viability of the Group; and
- the valuation of investment properties.

Societal expectations are driving government action that may impose further requirements and cost on companies in the future. Therefore, risks associated with climate change could, over time, impose changes that may potentially impact (amongst other things) levels of capital expenditure. However, currently the financial statements cannot capture such possible future outcomes as these are not yet known.

Whilst there is currently no medium-term impact expected from climate change, the directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in the preparation of the Group's financial statements.

Going concern

The Group's going concern assessment covers the period from the date of authorisation of these consolidated financial statements to 31 December 2023 (the "going concern period").

As set out in note 27, the Board have recommended, and shareholders have approved, a possible all-share merger of the Company with Capco. While subject to satisfaction, or waiver, of various conditions, our current expectation is that the proposed merger will proceed within the going concern period and should it proceed as envisaged, it will result in the Company becoming a wholly-owned subsidiary of Capco, with implications for the Group's financing arrangements. The Board's going concern assessment, therefore, first considers the Group on a standalone basis, and then on the basis that the proposed merger proceeds.

Standalone basis

Key assumptions in forecasts and debt covenant compliance

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 which envisages an economic shock leading to a severe recession. While there are other risks faced by the Group, an economic or other shock of this nature allows us to model the simultaneous confluence of the impact of the Group's principal risks in a single near-term scenario. Relative to our base forecast, this scenario envisages an immediate decline in the Group's rent collection by 12% of contracted rents for a period of 3 months; increases in our total vacancy by approximately 7-8% of ERV throughout the going concern period, a reduction in assumed ERV growth of 6 percentage points over the going concern period and an additional 3 percentage point increase in inflation affecting all expenditure. It is also assumed that there would be an immediate increase in property costs as a result of increased vacancy.

The near-term impact of climate change risks within the going concern period have been considered in the severe-but-plausible downside scenario and are expected to be immaterial.

Under this severe-but-plausible downside scenario, it is the Board's expectation that the Group will remain in compliance with the loan-to-value covenants of its individual financing arrangements. In coming to this conclusion, the Board has factored-in the ability to mitigate the risk of individual loan-to-value covenants coming under pressure through the addition of security from the Group's pool of unsecured assets (including the soon-to-be-released secured assets presently charged to its undrawn revolving credit facility, which will expire in February 2023).

The Group anticipates that, under this severe-but-plausible downside scenario, the interest cover covenants in one of its term loans would be breached within the going concern period. For the affected term loan, the Group can make up income shortfalls using negligible cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties throughout the going concern period and expects to have sufficient liquidity, security and cure rights. The interest cover covenants on its other financing arrangements would be adversely impacted but are nonetheless expected to remain in compliance throughout the going concern period.

Other than the undrawn RCF, there are no other debt maturities until 2027.

Reverse stress testing

After topping up security in its financing arrangements, from its pool of unsecured properties as needed, the Group estimates that it could withstand a circa 49% decrease in valuations from 30 September 2022 before reaching the limit of its loan-to-value covenants.

The Group has re-calculated its forecast interest cover covenant headroom, assuming the allocation of uncharged assets to debt facilities that would be necessary to sustain these valuation declines, and estimates that it could withstand a circa 68% decrease in the relevant measures of net income from its 30 September 2022 position, before reaching the limit of the interest cover covenants on its mortgage bonds. A uniform decline in income to that degree, would also cause a breach in the interest cover covenants on the secured term loans. However, these breaches could be cured with cash deposits.

In view of the prime nature of the Group's investment property portfolio and its track record of resilience in economic downturns, the Board considers the possibility of declines in valuation or income at these levels to be remote.

Conclusion
Prior to available mitigations, the severe-but-plausible downside scenario would present the Group with significant challenges over the going concern period. However, the Board's 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, but before considering the proposed merger, it has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period.

Combined basis

Change of control clauses in the Group's mortgage bonds and term loans
The Group's bonds and term loans contain change of control clauses which, if triggered by the proposed merger, would, at the relevant finance provider's discretion require repayment in part or in full. Following completion of the proposed merger, it is currently expected that:

- our secured term loans will remain in place;
- our £100 million revolving credit facility will be retired as this will no longer be required given the other sources of liquidity in the combined group; and
- change of control provisions in the terms of our secured mortgage bonds will be triggered, whereby bondholders would be entitled to 'put' their bonds at par plus any accrued interest.

Capco entered into a £576 million unsecured loan facility agreement to provide funding certainty in the event that some or all of the bondholders exercise their redemption rights following completion of the proposed merger. Based on current market conditions, any drawdown of this loan facility agreement will result in increased financing costs for the combined group, which the combined group would seek to mitigate by capitalising on the increased strength of its balance sheet following completion. The facility extends for two years from 16 June 2022, which may be extended for a further six months at the option of Capco subject to the satisfaction of the extension requirements as outlined in the facility. There is subsequently a further six-month extension option available, which requires lenders' consent. The Board have satisfied themselves that this loan facility agreement remains in place.

Assessing the liquidity and prospects of the combined group
In preparing its assessment of going concern, the Board reviewed a revised and up-to-date forecast of liquidity, cash flow and covenant compliance of the combined group under a severe-but-plausible downside scenario consistent with that outlined above on a standalone basis, considering sustained low levels of rent collection, decreases in ERV growth and increases in vacancy and costs, all occurring in unison.

In assessing the Group's ability to continue as a going concern, the Board has assumed that the holders of the Group's mortgage bonds redeem their holdings on completion of the proposed merger, thus releasing the assets these are secured against to increase the combined group's pool of unsecured assets.

Consistent with the standalone assessment, under this severe downside scenario, the Group estimates that the interest cover covenants on one of its secured term loans would be breached within the going concern period. For the affected term loan, the combined group can make up income shortfalls using negligible cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties throughout the going concern period, and expects to have sufficient liquidity, security and cure-rights.

The interest cover covenants in the combined group's other financing arrangements would be adversely impacted by the severe-but-plausible downside scenario, but are nonetheless expected to be complied with throughout the going concern period.

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

In addition to interest cover and loan-to-value covenants, the £576 million loan facility agreement Capco has entered into to cover the potential redemption of the Group's £575 million mortgage bonds is subject to a covenant on the ratio of unencumbered assets to unsecured debt. It is the Group's expectation that the combined group will remain in compliance with the unencumbered assets covenant even under the severe-but-plausible downside scenario.

The Board is satisfied that there is presently no intention to liquidate the Company within the going concern period, post-completion of the proposed merger.

Reverse stress testing
After topping up security in certain of its financing arrangements from its pool of unsecured properties as needed, the Group estimates that the combined group could withstand a circa 43.8% decrease in valuations from 30 September 2022, before reaching the limit of its loan-to-value covenants. At this level, and assuming the allocation of uncharged assets to secured pools necessary to sustain such a decline, the combined group would remain in compliance with the unencumbered assets covenant in the £576 million loan facility agreement.

In the severe-but-plausible downside scenario, the financing arrangements of the combined group with least headroom on their interest cover covenants are the two Shaftesbury secured term loans. However, as noted above, subject to some limitations, breaches in these can be assumed to be cured with cash deposits or by the addition of properties with sufficient contractual income from the combined group's pool of unsecured properties.

The £576 million loan facility agreement is projected to have the next lowest headroom in the severe-but-plausible downside scenario. At the point of lowest projected headroom, and assuming no change in projected interest expense, the combined group could sustain a further decline in group net property income of up to 48% before breaching this covenant.

The combined group is expected to have floating rate debt, comprising the £576 million unsecured loan facility agreement and a £300 million revolving credit facility (to the extent drawn) and will, therefore, have exposure to fluctuations in interest rates which the standalone Group does not. However, the potential impact of fluctuation in interest rates is limited as the revolving credit facility is projected to remain undrawn throughout the going concern period in the severe-but-plausible downside. Additionally, the combined group would benefit from partial hedging in the form of interest rate caps to mitigate against the risk of fluctuations in interest rates.

Given the high proportion of fixed costs in the combined group's interest expense under the severe-but-plausible downside scenario, and the hedging in place, the interest cover reverse stress test is relatively insensitive to increases in SONIA. The Board, therefore, considers that the likelihood is remote that increases in SONIA would put material additional pressure on group interest cover covenants during the going concern period.

In view of the prime nature of the combined group's investment property portfolio and resilience in previous economic downturns, the Board considers the possibility of declines in valuation or income at these levels to be remote.

Conclusion
Based on this assessment of the liquidity and prospects of the combined group, the Board has confidence that the proposed merger would not create a material risk to the Group's ability to continue as a going concern.

On this basis, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Changes in accounting policies

The Group's significant accounting policies are disclosed in note 28. 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 2021, and did not 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

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:

- Annual Improvements 2018-2020
- IAS 1 (amendments) – Classification of liabilities as current or non-current; Disclosure of Accounting Policies
- IAS 8 (amendments) – Definition of Accounting Estimates
- IAS 12 (amendments) – Deferred taxes related to assets and liabilities arising from a single transaction
- IAS 16 (amendments) – Proceeds before intended use
- IAS 37 (amendments) – Onerous contract; Cost of fulfilling a contract
- IFRS 3 (amendments) – Reference to the Conceptual Framework

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.

The key estimate made in the current year financial statements is the valuation of investment property. This is consistent with the prior year.

Other areas of estimation include the provision for expected credit losses for trade receivables and the impairment of lease incentives and deferred letting costs. In the prior year, these were considered key estimates, however, with conditions improving throughout the year are no longer considered a key area of estimation uncertainty.

Key area of estimation uncertainty

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

Valuations are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio require estimates to be made, including, but not limited to, market yields, ERVs and void periods. 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 179 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.

Other area of estimation uncertainty

Provisions for expected credit losses, impairment of lease incentives and deferred letting costs
In preparing the financial statements, estimates are made in assessing expected credit losses in respect of trade receivables, lease incentives and deferred letting costs. These estimates draw on historical information, such as recent payment history as well as 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 order to recognise a lifetime expected credit loss allowance. Expected credit losses totalling £1.8 million (2021: £16.4 million) were charged to the Income Statement in the year.

The gross trade receivables balance subject to estimation uncertainty is £9.7 million (2021: £20.8 million). An increase of 5% to the provision percentage applied would increase the provision by £0.2 million (2021: £0.9 million). A decrease of 5% to the provision percentage applied would decrease the provision by £0.5 million (2021: £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.

The gross accrued income balance from lease incentives which is subject to estimation uncertainty is £42.7 million (2021: £46.5 million). An increase of 5% to the provision percentage applied would increase the provision by £1.4 million (2021: £1.9 million). A decrease of 5% to the provision percentage applied would decrease the provision by £0.4 million (2021: £1.3 million).

See note 5, note 14 and note 18 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 pages 175 to 177 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

	2022 £m	2021 £m
Rental income (excluding lease incentives)	**113.3**	82.0
Adjustment for lease incentives	**(2.9)**	23.0
Rental income	**110.4**	105.0
Service charge income	**12.7**	7.7
Revenue	**123.1**	112.7
Expected credit losses	**(1.8)**	(16.4)
Impairment charges	**(2.2)**	(1.3)
	119.1	95.0
Service charge expenses	**(12.7)**	(7.7)
Other property charges	**(23.6)**	(22.6)
Property charges	**(36.3)**	(30.3)
	82.8	64.7

Impairment charges of £2.2 million (2021: £1.3 million) include £1.9 million (2021: £1.7 million) for tenant lease incentive balances and £0.3 million (2021: £0.4 million credit) for deferred letting cost balances. See page 176 for property charges in respect of investment properties that were vacant during the year.

6. Administrative expenses

	2022 £m	2021 £m
Employee costs	**15.7**	14.7
Depreciation	**0.2**	0.3
Other head office costs	**6.4**	6.7
	22.3	21.7
Less: administrative fees received from the joint venture	**(0.1)**	(0.1)
	22.2	21.6

Employee costs (including the directors)	2022 £m	2021 £m
Wages and salaries	**12.3**	10.5
Social security costs	**1.2**	1.7
Other pension costs	**0.6**	0.5
Equity-settled remuneration	**1.6**	2.0
	15.7	14.7

Included within equity-settled remuneration is a charge of £1.1 million (2021: £1.4 million) for the LTIP and SAYE schemes. Note 21 includes a summary of the principal assumptions made at the last grant dates for the LTIP scheme. Details of the employee costs for the Group's key management personnel are set out in note 26.

Average monthly number of employees	2022 number	2021 number
Executive directors	**4**	4
Head office and property management	**49**	42
Estate management	**1**	1
	54	47

Auditor remuneration	2022 £000	2021 £000
Audit of the Company	**257**	114
Audit of the Group	**268**	262
Total fees for audit services	**525**	376
Audit related assurance services – half year review	**80**	45
Other assurance services	**9**	75
Total assurance services	**89**	120
Other non-audit services	**–**	207
Total fees for non-audit services	**89**	327
Total fees	**614**	703

The auditor provided no taxation services to the Group in 2022 (2021: £nil).

In 2021, the auditor acted as reporting accountants in connection with the Company's equity raise that completed on 18 November 2020. Total non-audit fees payable to Ernst & Young for permissible non-audit services were £790,000. Of this, £274,000 related to work completed in 2021 and £516,000 for 2020.

Total fees for non-audit services represented 17% (2021: 87%) of the total fees for audit services. See page 126 of the Audit Committee Report which sets out further considerations in respect of audit and non-audit fees.

7. Profit on disposal of investment properties

	2022 £m	2021 £m
Net sale proceeds	**11.3**	5.2
Book value	**(10.4)**	(5.1)
	0.9	0.1

8. Finance costs

	2022 £m	2021 £m
Mortgage bond interest	**13.9**	13.9
Bank and other interest	**15.4**	15.7
Issue cost amortisation	**1.2**	1.3
	30.5	30.9

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

	2022 £m	2021 £m
At the beginning of the year	**2,964.1**	3,115.5
Acquisitions	**55.3**	13.2
Disposals	**(10.4)**	(5.1)
Refurbishment and other capital expenditure	**35.9**	37.4
Net revaluation surplus/(deficit) on investment properties	**99.5**	(196.9)
Book value at 30 September	**3,144.4**	2,964.1
Fair value at 30 September:		
Properties valued by Cushman & Wakefield	**3,188.1**	3,010.5
Lease incentives and costs included in receivables	**(43.7)**	(46.4)
Book value at 30 September	**3,144.4**	2,964.1

The investment properties valuation comprises:

	2022 £m	2021 £m
Freehold properties	**2,957.7**	2,805.7
Leasehold properties	**230.4**	204.8
	3,188.1	3,010.5

Investment properties were valued at 30 September 2022 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 and void periods. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out on page 179. 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 (2021: 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. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Audit Committee Report on pages 122 to 125.

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 41% 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.

10. Investment properties continued

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				Change in Yield			
	-10% £m	-5% £m	+5% £m	+10% £m	-0.25% £m	+0.25% £m	+0.5% £m	+0.75% £m
(Decrease)/increase in the fair value	(276.0)	(138.5)	141.9	285.4	229.7	(199.8)	(375.4)	(531.2)

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

At 30 September 2022, the Group had capital commitments of £33.9 million (2021: £18.8 million). This included £30.2 million relating to future capital expenditure for the enhancement of the Group's investment properties (2021: £15.1 million) and £3.7 million for an acquisition, conditional on certain requirements being met (2021: £3.7 million). See pages 40 to 41 for a discussion of the Group's property activity during the year. Details of the restrictions on the Group's investment properties are set out in note 17.

11. Accrued income

	2022 £m	2021 £m
Accrued income in respect of lease incentives	**39.5**	43.9
Less: included in trade and other receivables (note 14)	**(9.0)**	(9.8)
	30.5	34.1

At 30 September 2022, the Group held impairment provisions totalling £3.2 million (2021: £2.6 million) against lease incentive balances. See note 3 for further information.

12. Investment in joint venture

	2022 £m	2021 £m
Group		
At the beginning of the year	**85.8**	96.8
Share of profit/(losses)	**0.8**	(11.0)
Book value at 30 September	**86.6**	85.8

	2022 £m	2021 £m
Company		
Shares at cost		
At 1 October and 30 September	**59.0**	59.0

The Company owns 7,782,100 B ordinary £1 shares in Longmartin Properties Limited, representing 50% of that company's issued share capital. The company is incorporated in Great Britain and registered in England and Wales and is engaged in property investment in London. Longmartin's principal place of business and registered office is the same as the Group, as set out on page 139. Control of Longmartin is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

Change of control provisions in the joint venture agreement would be triggered if the proposed merger with Capco becomes effective, as set out in note 27.

At 30 September 2022, the joint venture had capital commitments of £0.3 million (2021: £3.6 million) relating to future capital expenditure for the enhancement of its investment properties, of which, the Group's share is 50%.

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

	2022 £m	2021 £m
Statement of Comprehensive Income		
Rental income	**13.9**	14.1
Service charge income	**2.1**	1.3
Revenue	**16.0**	15.4
Expected credit losses	**(0.1)**	(2.1)
Impairment charges	**(0.3)**	(0.4)
Other property charges	**(2.8)**	(2.7)
Service charge expenses	**(2.1)**	(1.3)
Net property income	**10.7**	8.9
Administrative expenses	**(0.3)**	(0.3)
Operating profit before investment property valuation movements	**10.4**	8.6
Net revaluation deficit on investment properties	**(0.8)**	(22.6)
Operating profit/(loss)	**9.6**	(14.0)
Finance costs	**(7.0)**	(7.2)
Profit/(loss) before tax	**2.6**	(21.2)
Current tax	**(0.6)**	(0.4)
Deferred tax	**(0.5)**	(0.3)
Profit/(loss) and total comprehensive income/(loss) for the year	**1.5**	(21.9)
Profit/(loss) attributable to the Group	**0.8**	(11.0)

12. Investment in joint venture continued

	2022 £m	2021 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**339.9**	336.4
Accrued income	**3.5**	2.4
Other receivables	**1.3**	1.3
	344.7	340.1
Cash and cash equivalents	**5.0**	5.1
Other current assets	**8.4**	8.5
Total assets	**358.1**	353.7
Current liabilities	**36.4**	34.1
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**28.6**	28.0
Total liabilities	**185.0**	182.1
Net assets	**173.1**	171.6
Net assets attributable to the Group	**86.6**	85.8

13. Investment in subsidiaries

	2022 £m	2021 £m
Shares in Group undertakings		
At the beginning of the year	**1,409.7**	1,226.8
Additional share capital issued by subsidiaries	**–**	182.9
At 30 September	**1,409.7**	1,409.7

In 2021, a number of subsidiaries issued share capital to the Company. All transactions were settled through intercompany indebtedness.

The full list of the Company's subsidiary undertakings is presented below. Except where indicated otherwise, the Company owns, directly, all of the ordinary issued share capital:

Active subsidiaries:

Shaftesbury Carnaby PLC
Shaftesbury Covent Garden Limited
Shaftesbury Chinatown PLC
Shaftesbury Soho Limited
Shaftesbury AV Investment Limited
Shaftesbury AV Limited[1]
Shaftesbury CL Investment Limited
Shaftesbury CL Limited[1]

Dormant subsidiaries:

Carnaby Estate Holdings Limited
Carnaby Investments Limited
Carnaby Property Investments Limited[1]
Chinatown Estate Holdings Limited
Chinatown Property Investments Limited[1]
Covent Garden Estate Holdings Limited
Shaftesbury Covent Garden Property Investments Limited[1]
Shaftesbury Charlotte Street Limited
Charlotte Street Estate Holdings Limited
Shaftesbury West End Limited
Chinatown London Limited
Shaftesbury Investments 2 Limited
Shaftesbury Investments 4 Limited
Shaftesbury Investments 5 Limited
Shaftesbury Investments 6 Limited
Shaftesbury Investments 7 Limited
Shaftesbury Investments 8 Limited
Shaftesbury Investments 9 Limited
Shaftesbury Investments 10 Limited
Shaftesbury WE Limited[2]

1. 100% of the share capital of these subsidiaries is held by other Group companies.
2. To simplify the Group structure, this subsidiary was dissolved on 9 October 2021.

All of the companies are either engaged in property investment, are holding companies, or are dormant. They are incorporated in Great Britain and are registered in England and Wales. The registered office of the subsidiaries is the same as the Group, as set out on page 139.

14. Trade and other receivables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Current trade and other receivables				
Trade receivables	**9.7**	20.8	**–**	–
Provision for expected credit losses	**(4.6)**	(14.1)	**–**	–
	5.1	6.7	**–**	–
Accrued income in respect of lease incentives (note 11)	**9.0**	9.8	**–**	–
Amounts due from subsidiaries	**–**	–	**126.5**	93.1
Amounts due from joint venture	**2.9**	1.7	**2.9**	1.7
Other taxation	**–**	0.9	**–**	–
Prepayments	**5.2**	11.3	**0.7**	0.6
Other receivables	**0.5**	14.0	**0.3**	2.0
Total current trade and other receivables	**22.7**	44.4	**130.4**	97.4
Non-current trade and other receivables				
Amounts due from joint venture	**11.3**	12.2	**11.3**	12.2
Other receivables (note 15)	**3.7**	3.7	**–**	–
Total non-current trade and other receivables	**15.0**	15.9	**11.3**	12.2

Trade receivables represent amounts due from tenants. Within this balance is £2.5 million (2021: £3.9 million) owed for service charges.

See notes 3 and 18 for further information on the provision for expected credit losses.

Cash deposits totalling £14.9 million (2021: £8.3 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.

15. Cash and cash equivalents

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Cash at bank	**155.2**	211.3	**137.9**	195.6
Restricted cash (included in other receivables in note 14):				
Non-current other receivables	**3.7**	3.7	**–**	–
Current other receivables	**–**	13.8	**–**	2.0
Total restricted cash	**3.7**	17.5	**–**	2.0

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.

16. Trade and other payables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Current trade and other payables				
Deferred rental income	**6.2**	3.1	**–**	–
Accruals and deferred service charge income	**2.0**	3.3	**–**	–
	8.2	6.4	**–**	–
Trade payables and accruals in respect of capital expenditure	**10.3**	7.3	**–**	–
Amounts due to subsidiaries	**–**	–	**61.0**	44.3
Other taxation and social security	**2.6**	1.2	**2.5**	1.8
Other payables and accruals	**22.1**	16.7	**9.0**	5.3
Lease liabilities	**–**	–	**0.6**	0.4
Total current trade and other payables	**43.2**	31.6	**73.1**	51.8
Non-current trade and other payables				
Lease liabilities	**–**	–	**2.7**	3.3
Total non-current trade and other payables	**–**	–	**2.7**	3.3

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

17. Borrowings

Group

	2022			2021		
	Nominal value £m	Unamortised issue costs £m	Book value £m	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	**575.0**	**(3.4)**	**571.6**	575.0	(3.9)	571.1
Secured bank facility	**–**	**(0.1)**	**(0.1)**	–	(0.4)	(0.4)
Secured term loans	**384.8**	**(2.8)**	**382.0**	384.8	(3.2)	381.6
Total Group borrowings	**959.8**	**(6.3)**	**953.5**	959.8	(7.5)	952.3

In 2021, 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. At 30 September 2022, there were no drawings against the Group's secured bank facility (2021: £nil), however, the Group was still able to benefit from it, and as such, unamortised issue costs of £0.1 million (2021: £0.4 million) continue to be carried in the Balance Sheet. The facility, totalling £100.0 million, expires in February 2023. In light of the proposed merger with Capco, it is currently expected that it will be retired at expiry. See note 27.

Details of the Group's current financial position are discussed on pages 50 to 52.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £2,566.3 million (2021: £2,444.1 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

		Cash flows			
	1.10.2021 £m	Inflows £m	Outflows £m	Non-cash items £m	30.9.2022 £m
Non-current borrowings					
Mortgage bonds	**575.0**	**–**	**–**	**–**	**575.0**
Secured term loans	**384.8**	**–**	**–**	**–**	**384.8**
Loan issue costs	**(7.5)**	**–**	**–**	**1.2**	**(6.3)**
	952.3	**–**	**–**	**1.2**	**953.5**
Loan issue costs[1]	**7.5**	**–**	**–**	**(1.2)**	**6.3**
Cash & cash equivalents (note 15)	**(211.3)**	**(87.3)**	**143.4**	**–**	**(155.2)**
Net debt	**748.5**	**(87.3)**	**143.4**	**–**	**804.6**

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

		Cash flows			
	1.10.2020 £m	Inflows £m	Outflows £m	Non-cash items £m	30.9.2021 £m
Non-current borrowings					
Mortgage bonds	575.0	–	–	–	575.0
Secured bank facility	100.0	–	(100.0)	–	–
Secured term loans	384.8	–	–	–	384.8
Loan issue costs	(8.8)	–	–	1.3	(7.5)
	1,051.0	–	(100.0)	1.3	952.3
Loan issue costs[1]	8.8	–	–	(1.3)	7.5
Cash & cash equivalents (note 15)	(72.8)	(351.0)	212.5	–	(211.3)
Net debt	987.0	(351.0)	112.5	–	748.5

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

Availability and maturity of borrowings

	2022			2021		
	Committed £m	Drawn £m	Undrawn £m	Committed £m	Drawn £m	Undrawn £m
Repayable in less than 1 year	**100.0**	**–**	**100.0**	–	–	–
Repayable between 1 and 5 years	**290.0**	**290.0**	**–**	100.0	–	100.0
Repayable between 5 and 10 years	**549.8**	**549.8**	**–**	839.8	839.8	–
Repayable after 10 years	**120.0**	**120.0**	**–**	120.0	120.0	–
	1,059.8	**959.8**	**100.0**	1,059.8	959.8	100.0

17. Borrowings continued

Interest rate profile of interest bearing borrowings

	2022		2021	
	Debt £m	Interest rate	Debt £m	Interest rate
Secured term loans	**384.8**	**3.85%**	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%
Weighted average cost of drawn borrowings		**2.99%**		2.99%

The Group and Company also incur non-utilisation fees on undrawn facilities. At 30 September 2022, the charge on the undrawn facility of £100.0 million (2021: £100.0 million) for the Group and Company was 0.64% (2021: 0.64%).

The credit margin on the Group and Company's secured bank facility was 1.6% (2021: 1.6%).

Company

	2022			2021		
	Nominal value £m	Unamortised issue costs £m	Book value £m	Nominal value £m	Unamortised issue costs £m	Book value £m
Secured bank facility	**–**	**(0.1)**	**(0.1)**	–	(0.4)	(0.4)
Total Company borrowings	**–**	**(0.1)**	**(0.1)**	–	(0.4)	(0.4)

At 30 September 2022, there were no drawings against the Company's secured bank facility (2021: £nil), however, the Company was still able to benefit from it, and as such, unamortised issue costs of £0.1 million (2021: £0.4 million) continue to be carried in the Balance Sheet.

The facility, totalling £100.0 million, expires in February 2023. In light of the proposed merger with Capco, it is currently expected that it will be retired at expiry. See note 27.

Net debt reconciliation

		Cash flows			
	1.10.2021 £m	Inflows £m	Outflows £m	Non-cash items £m	30.9.2022 £m
Non-current borrowings					
Loan issue costs	**(0.4)**	**–**	**–**	**0.3**	**(0.1)**
	(0.4)	**–**	**–**	**0.3**	**(0.1)**
Loan issue costs[1]	**0.4**	**–**	**–**	**(0.3)**	**0.1**
Cash & cash equivalents (note 15)	**(195.6)**	**(69.7)**	**127.4**	**–**	**(137.9)**
	(195.6)	**(69.7)**	**127.4**	**–**	**(137.9)**

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

		Cash flows			
	1.10.2020 £m	Inflows £m	Outflows £m	Non-cash items £m	30.9.2021 £m
Non-current borrowings					
Secured bank facility	100.0	–	(100.0)	–	–
Loan issue costs	(1.0)	–	–	0.6	(0.4)
	99.0	–	(100.0)	0.6	(0.4)
Loan issue costs[1]	1.0	–	–	(0.6)	0.4
Cash & cash equivalents (note 15)	(61.5)	(323.4)	189.3	–	(195.6)
	38.5	(323.4)	89.3	–	(195.6)

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

Availability and maturity of borrowings

	2022			2021		
	Committed £m	Drawn £m	Undrawn £m	Committed £m	Drawn £m	Undrawn £m
Repayable in less than 1 year	**100.0**	**–**	**100.0**	–	–	–
Repayable between 1 and 5 years	**–**	**–**	**–**	100.0	–	100.0

18. Financial instruments

Categories of financial instruments (book value)	Notes	2022 £m	2021 £m
Group			
Financial assets			
Trade and other receivables	14	**5.1**	6.7
Amounts due from joint venture	14	**14.2**	13.9
Other receivables	14	**4.2**	17.7
Cash and cash equivalents	15	**155.2**	211.3
		178.7	249.6
Financial liabilities			
Trade and other payables – due within one year	16	**(32.4)**	(24.0)
Interest bearing borrowings	17	**(953.5)**	(952.3)
		(985.9)	(976.3)
Net financial instruments		**(807.2)**	(726.7)
Company			
Financial assets			
Amounts due from subsidiaries	14	**126.5**	93.1
Amounts due from joint venture	14	**14.2**	13.9
Other receivables	14	**0.3**	2.0
Cash and cash equivalents	15	**137.9**	195.6
		278.9	304.6
Financial liabilities			
Trade and other payables – due within one year	16	**(9.0)**	(5.3)
Lease liabilities	16	**(3.3)**	(3.7)
Amounts due to subsidiaries	16	**(61.0)**	(44.3)
		(73.3)	(53.3)
Net financial instruments		**205.6**	251.3

Included in other receivables are cash balances held on deposit, which have certain conditions restricting their use which are due between 2029 and 2035.

Fair values of financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. At 30 September 2022, the fair value of these financial instruments was £791.2 million (2021: £1,005.1 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. Change of control provisions in our financing arrangements would be triggered if the proposed merger with Capco becomes effective, as set out in note 27.

The fair values of the Group's and Company'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.

Contractual cash flows

The tables below summarise the undiscounted contractual cash flows arising on interest bearing financial liabilities based on conditions existing at the Balance Sheet date. The Group has no obligation to repay its mortgage bonds or secured term loans in advance of their maturities between 2027 and 2035. The Group's secured bank facility matures in February 2023.

Group

30 September 2022	Book value £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	5–10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	**953.5**	**959.8**	**–**	**–**	**290.0**	**549.8**	**120.0**
Interest	**3.0**	**227.9**	**28.7**	**28.7**	**86.1**	**71.3**	**13.1**
Total	**956.5**	**1,187.7**	**28.7**	**28.7**	**376.1**	**621.1**	**133.1**

30 September 2021	Book value £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	5–10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	952.3	959.8	–	–	–	839.8	120.0
Interest	3.0	256.7	28.7	28.7	86.2	95.4	17.7
Total	955.3	1,216.5	28.7	28.7	86.2	935.2	137.7

18. Financial instruments continued

Company

30 September 2022	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	–	–	–	–	–	–	–
Interest	0.1	0.1	0.1	–	–	–	–
Lease liabilities	3.3	3.8	0.6	0.6	1.7	0.9	–
Total	**3.4**	**3.9**	**0.7**	**0.6**	**1.7**	**0.9**	–

30 September 2021	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	–	–	–	–	–	–	–
Interest	0.1	0.1	0.1	–	–	–	–
Lease liabilities	3.7	4.4	0.6	0.6	1.7	1.5	–
Total	3.8	4.5	0.7	0.6	1.7	1.5	–

Management of financial risks (Group and Company)

An overview of the Group's risk management policies and the principal risks and uncertainties is set out on pages 82 to 88. The disclosure below provides further detail regarding financial risk management.

Credit risk

Credit risk refers to the risk that a counterparty will default on their contractual obligations resulting in financial loss to the Group. The Group defines default as the failure to meet contractual obligations as such obligations fall due. Generally, default risk is managed through a large and diverse tenant base so that tenant credit risk is widely spread.

Prior to entering into contractual arrangements, where appropriate, tenants are required to provide cash deposits to mitigate the potential loss in the event of default. Tenant deposits are referred to in note 14.

With the recovery following the lifting of Covid restrictions, we have seen an increase in footfall, from both domestic visitors, international tourists and the returning workforce as the UK enjoyed its first restriction-free summer since 2019. With the strong recovery in spending in our villages, occupier demand across all uses has been good driving a return to pre-pandemic occupancy levels and rent collection rates. However, the macroeconomic climate has deteriorated in recent months and could continue to worsen in the near future.

Whilst we have not yet seen a significant impact on footfall or trading in our areas, rising inflation and the cost-of-living crisis could reduce consumer confidence and spending. Together with reduced availability, and increased cost of finance, this could place additional pressures on occupiers, who are already dealing with their own inflationary pressures, staffing and supply chain challenges, and potentially higher leverage following the pandemic. In turn, this could affect their ability to pay rents, potentially increase tenant default and reduce occupier demand, leading to increased vacancy in our villages and reduced rent collection rates.

In respect of tenant arrears, the Group identified risk factors associated with each use (hospitality, retail, office and residential) and calculated provisions taking into account the type of use, rent deposits held and rent collections, on a tenant-by-tenant basis. The Group was able to utilise £0.5 million (2021: £1.2 million) of the £14.9 million (2021: £8.3 million) tenant rent deposits held by the managing agent (see note 14) at 30 September 2022 to offset unpaid rent receivables. Absent the assumed use of tenant deposits held by the managing agent at 30 September 2022 as collateral against arrears at that date, the maximum exposure to credit risk for the Group was £4.6 million (2021: £5.5 million). Tenant arrears are derecognised when there is no longer a reasonable expectation of collection. In the current year, £11.3 million of tenant arrears were derecognised.

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 5% of the total balance due (2021: 2%).

Where cash is deposited with banks or financial institutions, the Group considers the counterparty credit rating and places amounts with different banks or financial institutions to spread counterparty credit risk. Deposits and liquidity requirements are reviewed on a weekly basis.

The Company's credit risk management, objectives and policies are consistent with those of the Group.

Capital risk

The capital structure of the Group consists of equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings is set out in note 17 and the Group's share capital and reserves are set out in notes 19 and 20 and the Statement of Changes in Equity. The Group regularly reviews its loan covenant compliance.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles.

The Group's capital structure and financing strategy are discussed in the Strategic Report on page 51.

Liquidity risk

The Board keeps under review the Group's funding requirements, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing and planned commitments. The Group's liquidity position and requirements are regularly considered.

Market risk

Interest rate risk arises from the Group's use of interest bearing financial instruments and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs.

The Group's policy is to minimise interest rate risk through long-term fixed rate debt. At 30 September 2022, 100% of the Group's drawn borrowings were fixed rate. As such, the Group does not have a material exposure to changes in long-term interest rates.

19. Share capital

Group and Company	2022 number million	2021 number million	2022 £m	2021 £m
Allotted and fully paid (ordinary 25p shares)				
At the beginning of the year	**384.2**	307.4	**96.1**	76.9
Exercise of share options	**0.2**	–	**–**	–
Share issue	**–**	76.8	**–**	19.2
At 30 September	**384.4**	384.2	**96.1**	96.1

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 respect of the equity issue, Capco and Norges Bank were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity issue in respect of 16,250,000 and 19,245,032 shares respectively, for a total consideration of approximately £65 million and £77 million respectively. In respect of Capco, this transaction was disclosed via the Regulatory News Service on 22 October 2020, in accordance with LR11.1.10R. In respect of Norges Bank, 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.

20. Reserves

The Statement of Changes in Equity is set out on page 153.

The following describes the nature and purpose of each of the reserves within equity:

Reserve	Description and purpose
Share premium	Amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share-based payments reserve	Reserve used to recognise the value of equity-settled remuneration provided to employees.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income, net of dividends and adjustments for equity-settled remuneration.

The Company's retained earnings include amounts distributable of £234.2 million (2021: £282.1 million).

21. Share-based remuneration

The Group operates a long-term incentive plan (LTIP), sharesave scheme (SAYE) and a deferred annual share bonus scheme (DASBS). A summary of the rules of the schemes is set out in the Remuneration Policy, available on the Group's website.

LTIP and SAYE schemes

The following share options granted to executive directors and employees were outstanding at 30 September 2022:

Date of grant	At 1.10.2021	Awarded	Exercised	Lapsed	At 30.9.2022	Exercisable 30.9.2022	Option exercise price	Weighted average price at exercise	Exercise period
SAYE									
01.07.2016	6,201	–	–	(6,201)	–	–	£7.26	–	–
30.06.2017	1,978	–	–	–	1,978	1,978	£7.58	–	2022-2023
28.06.2019	8,869		–	–	8,869	1,386	£6.49	–	2022-2025
09.07.2020	112,665	–	–	(36,686)	75,979	–	£4.62	–	2023-2026
08.07.2021	27,923	–	–	(7,079)	20,844	–	£4.83	–	2024-2027
LTIP									
04.12.2018	407,054	–	–	(407,054)	–	–	Nil	–	–
12.12.2019[1]	471,434	–	–	(22,357)	449,077	–	Nil	–	–
24.07.2020	261,893	–	(155,589)	(28,508)	77,796	–	Nil	–	2023
22.12.2020	862,999	–	–	(30,898)	832,101	–	Nil	–	2023-2030
22.12.2020	39,043	–	–	–	39,043	–	Nil	–	2022-2023
14.12.2021	–	662,940	–	(40,520)	622,420	–	Nil	–	2024-2031
07.02.2022	–	555,626	–	–	555,626	–	Nil	–	2025-2032
	2,200,059	**1,218,566**	**(155,589)**	**(579,303)**	**2,683,733**	**3,364**			

1. All share options will lapse at the vesting date in December 2022.

	At 1.10.2021	Awarded	Exercised	Lapsed	At 30.9.2022
Weighted average exercise price	0.35	–	–	0.44	0.20
Weighted average remaining contractual life	2.66				2.54

The fair value of option grants is measured by Lane Clark & Peacock LLP, Actuaries & Consultants. For the grants made during the year, the main inputs and assumptions, and the resulting fair values, are as follows:

21. Share-based remuneration continued

	LTIP	LTIP
Grant date	14.12.2021	07.02.2022
Share price at date of grant	£5.96	£6.07
Exercise price	Nil	Nil
Expected life of award (years)	3 or 5	5
Share return volatility (per annum)	30%	30%
Risk free discount rate (per annum)	0.4%	1.3%

	14.12.2021		07.02.2022	
	LTIP (TSR)	LTIP (TAR)	LTIP (TSR)	LTIP (TAR)
Fair values:				
No holding period	£3.12	£5.96	£3.17	£6.07
Contingent holding period	£3.06	£5.96	£3.11	£6.07
Two year holding period	£2.81	£5.36	£2.86	£5.46

The vesting conditions relating to options granted in the year under the LTIP are described in the Remuneration Policy, available on the Group's website.

Deferred annual share bonus scheme

	2022 Shares	2021 Shares
At the beginning of the year	522,495	568,144
Awarded	580,990	128,343
Technical adjustment[1]	–	16,536
Lapsed	(15,812)	–
Exercised	(64,809)	(190,528)
At 30 September	1,022,864	522,495

1. Following the equity raise in November 2020, the outstanding number of deferred bonus shares were adjusted to reflect the inherent bonus element in the equity raise. These were technical adjustments to align share plan participants with shareholders.

22. Dividends

	Pence per share			
	PID	Ordinary	2022 £m	2021 £m
Final dividend for:				
Year ended 30 September 2021	2.75p	1.25p	15.4	–
Interim dividend for:				
Year ended 30 September 2022	4.8p	–	18.4	–
Year ended 30 September 2021	2.4p	–	–	9.3
Dividends paid in the year			33.8	9.3

A second interim dividend of 5.1p per share was declared by the Board on 29 November 2022. It will be paid as a PID on 21 December 2022 to shareholders on the register at 9 December 2022. The dividend, totalling £19.6 million, will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2023. See page 50 of the Strategic Report for commentary on dividends.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 1,022,864 (2021: 528,867) ordinary shares during the year.

23. Cash flows from operating activities

		Group		Company	
Operating activities	Notes	2022 £m	2021 £m	2022 £m	2021 £m
Profit/(loss) before tax		119.1	(194.9)	(13.9)	29.9
Adjusted for:					
Lease incentives recognised net of impairment	5	4.8	(21.3)	–	–
Share-based payments		0.5	1.9	0.5	1.9
Depreciation	6	0.2	0.3	0.2	0.3
Net revaluation (surplus)/deficit on investment properties	10	(99.5)	196.9	–	–
Profit on disposal of investment properties	7	(0.9)	(0.1)	–	–
Net finance costs/(income)		29.5	30.2	(0.1)	0.7
Transactions with subsidiaries		–	–	(21.5)	(52.4)
Share of post-tax (profit)/loss from joint venture	12	(0.8)	11.0	–	–
Cash flows from/(used in) operations before changes in working capital		52.9	24.0	(34.8)	(19.6)
Changes in working capital:					
Change in trade and other receivables		0.9	6.4	(0.1)	3.2
Change in trade and other payables		8.0	7.9	3.1	1.7
Cash generated from/(used in) operating activities		61.8	38.3	(31.8)	(14.7)

Transactions with subsidiaries in the table above includes amounts for administrative charges, finance charges and dividends which were settled through intercompany indebtedness. See note 17 for the cash flow movement in net debt.

24. Performance measures

Earnings per share

	2022			2021		
	Profit after tax £m	Number of shares[1] million	Earnings per share pence	Loss after tax £m	Number of shares[1] million	Loss per share pence
Basic	**119.1**	**384.2**	**31.0**	(194.9)	374.8	(52.0)
Dilutive effect of share options	**–**	**0.4**	**–**	–	–	–
Diluted	**119.1**	**384.6**	**31.0**	(194.9)	374.8	(52.0)

EPRA earnings per share

Last year, we introduced an alternative earnings measure, Covid-adjusted EPRA earnings, which adjusted EPRA earnings as if the cost of waivers offered to tenants during the pandemic had been recognised immediately in the Income Statement rather than spread over the remaining lease term. This year, we have revised this APM to also exclude the impact of exceptional costs related to the proposed merger. The APM, now referred to as "Underlying EPRA earnings", provides users of the financial statements with a measure of normalised operating results and allows comparability of typical earnings.

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

	2022			2021		
	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	**119.1**	**384.2**	**31.0**	(194.9)	374.8	(52.0)
EPRA adjustments:						
Net revaluation (surplus)/deficit on investment properties (note 10)	**(99.5)**		**(25.9)**	196.9		52.5
Profit on disposal of investment properties (note 7)	**(0.9)**		**(0.2)**	(0.1)		–
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**0.4**		**0.1**	11.3		3.0
Deferred tax	**0.2**		**–**	0.1		–
EPRA earnings	**19.3**	**384.2**	**5.0**	13.3	374.8	3.5
Covid-adjustments	**5.5**		**1.5**	(20.7)		(5.5)
	24.8	**384.2**	**6.5**	(7.4)	374.8	(2.0)
Proposed merger costs (note 27)	**13.2**		**3.4**	–	–	–
Underlying EPRA earnings/(loss)	**38.0**	**384.2**	**9.9**	(7.4)	374.8	(2.0)

Like-for-like rental growth

	2022 £m	2021 £m
Rental income in current year	**110.4**	105.0
Adjusted for impact of:		
Impact of acquisitions	**(0.7)**	(0.3)
Impact of disposals	**(0.1)**	(0.2)
Like-for-like rental income in current year (A)	**109.6**	104.5
Rental income in previous year	**105.0**	114.4
Adjusted for impact of:		
Impact of acquisitions	**(0.1)**	–
Impact of disposals	**(0.5)**	(0.2)
Like-for-like rental income in previous year (B)	**104.4**	114.2
Like-for like growth/(decline) in rental income ((A-B)/B)	**5.0%**	(8.5)%

1. Weighted average number of shares.

24. Performance measures continued

EPRA net asset measures

	2022 EPRA NRV £m	2022 EPRA NTA £m	2022 EPRA NDV £m
IFRS net assets	2,458.5	2,458.5	2,458.5
Dilutive effect of share options[1]	0.5	0.5	0.5
Deferred tax[2]	8.9	8.9	–
Difference between fair value and carrying value of debt:			
Secured term loans[3,4]	–	–	57.8
Mortgage bonds[4]	–	–	113.7
Investment property purchasers' costs	225.5	–	–
Total	**2,693.4**	**2,467.9**	**2,630.5**
Number of diluted shares (million)	384.9	384.9	384.9
Diluted net assets per share (£)	7.00	6.41	6.83

	2021 EPRA NRV £m	2021 EPRA NTA £m	2021 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

Total accounting return (TAR)

	2022 pence	2021 pence
Opening EPRA NTA (A)	**619.0**	728.0
Closing EPRA NTA	**641.0**	619.0
Increase/(decrease) in the year	**22.0**	(109.0)
Dividends paid in the year	**8.8**	2.4
TAR (B)	**30.8**	(106.6)
TAR % (B/A)	**5.0%**	(14.6)%

Financing ratios

	2022 £m	2021 £m
Loan-to-value and gearing		
Nominal value of debt	**959.8**	959.8
Cash and cash equivalents	**(155.2)**	(211.3)
Net debt (A)	**804.6**	748.5
Fair value of investment properties (B)	**3,188.1**	3,010.5
Loan-to-value (A/B)	**25.2%**	24.9%
EPRA NTA (C)	**2,467.9**	2,382.1
Gearing (A/C)	**32.6%**	31.4%
Interest cover		
Operating profit before investment property disposals and valuation movements (A)	**47.4**	43.1
Finance costs	**30.5**	30.9
Finance income	**(1.0)**	(0.7)
Net finance costs (B)	**29.5**	30.2
Interest cover (A/B)	**1.6x**	1.4x
Cost of debt		
Blended cost of drawn borrowings	**3.0%**	3.0%
Commitment fees on undrawn secured bank facilities	**0.6%**	0.6%
Blended cost of debt	**3.1%**	3.1%

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. See also notes 18 and 27 for information on the fair value of these items and the impact of the proposed merger with Capco.

25. Operating leases

The Group as a lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases based on contracted rental income at the year end:

	2022 £m	2021 £m
Not later than one year	**97.2**	88.5
Later than one year but not later than five years	**248.1**	229.9
Later than five years	**211.6**	200.1
	556.9	518.5

The Group has over 1,250 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Typical lease terms are set out in the Strategic Report on pages 25 to 30.

The Company as a lessee

Future aggregate minimum payments in respect of a non-cancellable operating lease based on annual amounts payable at the year end:

	2022 £m	2021 £m
Not later than one year	**0.6**	0.6
Later than one year but not later than five years	**2.3**	2.3
Later than five years	**0.9**	1.4
	3.8	4.3

The Company leases its head office accommodation from a wholly-owned subsidiary.

26. Related party transactions

Transactions during the year between the Company, its subsidiaries and the joint venture are disclosed below:

	2022 £m	2021 £m
Transactions with subsidiaries:		
Administrative fees receivable	**18.2**	16.4
Dividends receivable	**0.1**	30.9
Interest receivable	**4.9**	5.6
Interest payable	**1.7**	0.5
Share capital issued by subsidiaries	**–**	182.9
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Loans advanced to the joint venture	**–**	1.5
Interest receivable	**0.6**	0.6

Amounts due from subsidiaries and the joint venture are disclosed in note 14 and amounts due to subsidiaries are disclosed in note 16. All amounts are unsecured, repayable on demand and bear a market rate of interest. These balances have been assessed for expected credit losses under IFRS 9 and the impairments are immaterial.

Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Annual Remuneration Report on pages 131 to 137, and below, there were no other transactions with directors.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below. Further information regarding the remuneration of individual directors is given in the Annual Remuneration Report on pages 131 to 137.

Directors' emoluments	2022 £m	2021 £m
Short-term employee benefits	**3.2**	3.1
Other long-term benefits	**2.3**	1.2
Share-based payments	**0.5**	0.7
	6.0	5.0

27. Proposed merger

On 16 June 2022, the Boards of Shaftesbury and Capco announced the agreement on the terms of a recommended all-share merger to form Shaftesbury Capital PLC. The Board has received the necessary shareholder support for the proposed merger at the Court Meeting and General Meeting on 29 July 2022. The proposed merger is conditional upon satisfaction or waiver of a number of conditions, including the CMA Condition, as set out in Part Three of the Scheme Document dated 7 July, available on the Company's website.

Contingent liabilities

To date, the Group has incurred £13.2 million of costs in relation to the proposed merger and expects to incur further expenditure for financial and legal advice, transaction costs and professional fees amounting to £26.1 million, of which £24.0 million is contingent on the proposed merger completing.

Financing arrangements

In the event that the proposed merger with Capco becomes effective, and as set out in paragraph 15 of part one of the Scheme of Arrangement document dated 7 July:

- our term loans with Aviva and Canada Life will remain in place;
- it is expected that our £100 million revolving credit facility will be retired as this will no longer be required given the other sources of liquidity in the combined group; and
- change of control provisions in the terms of our secured mortgage bonds will be triggered, whereby bondholders would be entitled to 'put' their bonds at par plus any accrued interest.

Capco has entered into a £576 million loan facility agreement to provide funding certainty in the event that some or all of the holders of the Shaftesbury Mortgage Bonds exercise their change of control put right following completion. Based on current market conditions, any drawdown of this loan facility agreement will result in increased financing costs for the combined group, which the combined group would seek to mitigate by capitalising on the increased strength of its balance sheet following completion.

Longmartin joint venture

In the event that the proposed merger with Capco becomes effective, change of control provisions in our joint venture agreement provide that:

- Our joint venture partner has a period of nine months to notify the Company that it requires the Company to offer to sell its shares in the joint venture to the joint venture partner. The price payable for the shares is that agreed between the Company and the joint venture partner, or, if no agreement is reached, then as determined by an independent share valuation expert.
- Upon notification by the joint venture partner (as set out above), the voting rights attached both to the shares owned by the Company and to the Company's directors who are appointed to the board of the joint venture are suspended until the Company's shares in the joint venture are transferred to the joint venture partner (or its nominated third party purchaser), or until the joint venture partner waives such suspension.
- If our joint venture partner fails to require the Company to make an offer to sell its shares, within nine months of the change of control or declines the offer to sell, then the offer lapses and the joint venture agreement continues.

28. Significant accounting policies

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries.

Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to variable returns and has the ability to affect those returns through its power over the entity. All intercompany transactions and balances are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

In the Company's Balance Sheet, investments in subsidiaries are included at cost less any provision in respect of impairment loss.

Net property income

Net property income comprises rental income, service charge income, property expenses, service charge expenses, expected credit losses on rent receivables and service charge receivables and impairment of lease incentives and deferred letting costs.

Rental income arises from operating leases granted to tenants. Rental income, including stepped rents, is recognised on a straight-line basis over the term of the lease. Rental income uplifts arising as a result of rent reviews are recognised when agreement of terms is reasonably certain.

The cost of lease incentives offered to tenants to enter into a lease, typically initial rent-free periods and sometimes capital contributions, is recognised on a straight-line basis over the non-cancellable period of the lease, being the earlier of its expiry date or the date of the first break option.

As lessor, the Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Payments received from tenants to surrender their lease obligations are recognised immediately in the Group Statement of Comprehensive Income.

Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned.

The Group's revenue from contracts with customers, as defined in IFRS 15, includes service charge income. Service charge income is recognised as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual services provided each reporting period are determined using costs incurred as the input method. As the Group acts as a principal, service charge income and costs are shown gross in the financial statements.

Irrecoverable property costs, including vacant costs and other property expenditure, are expensed to the Statement of Comprehensive Income in the year to which they relate. Initial direct costs incurred in arranging an operating lease are added to the carrying value of investment properties, and are subsequently recognised as an expense over the lease term on the same basis as the lease income.

Employee benefits

Share option schemes

The Company administers a long-term incentive plan (LTIP) and a sharesave scheme (SAYE). The cost of granting share options to employees under these schemes is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant. The expense is recognised on a straight-line basis over the vesting period based on the number of options that are expected to vest.

The fair value of the long-term incentive plan is calculated using the modified binomial pricing model and the Monte Carlo simulation pricing model for the non-market based and market based conditions respectively. At each reporting period, the non-market based condition is reassessed and the impact, if any, of a revision to original estimates is recognised in the Statement of Comprehensive Income.

The fair value of the sharesave scheme is calculated using a modified binomial pricing model.

28. Significant accounting policies continued

Deferred annual share bonus scheme
Under the Company's annual bonus scheme, employees have the option to take their annual bonus in either cash or shares. Where employees opt to take the bonus in cash, it is expensed to the Statement of Comprehensive Income in the year in which it relates.

Where employees opt to take all, or part, of their bonus in shares, the Company offers a matching award of up to 50%, subject to continued employment throughout the performance period. The cost of the matching award is recognised on a straight-line basis over the performance period. The remaining expense is recognised in the year to which it relates. Leaver provisions during the performance period are set out in the Remuneration Policy which is available on the Company's website.

Pension contributions
Payments to the defined contribution plan are charged to the Statement of Comprehensive Income as they fall due.

Investment properties
Investment properties are initially recognised on acquisition at cost, including related acquisition costs, when the Group assumes control of the property. Investment properties are revalued annually to reflect fair value. Fair value is determined either by external professional valuers or by the directors in the case of properties sold shortly after the period end. The fair value, as determined by the valuers, is adjusted for unamortised lease incentive and deferred letting cost balances.

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income. Depreciation is not provided in respect of investment properties.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in future economic benefits which are expected to accrue to the Group. All other property expenditure is written-off in the Statement of Comprehensive Income as incurred.

Premiums payable to tenants in connection with the surrender of their lease obligations are capitalised if they arise in connection with a value-enhancing project, otherwise they are recognised immediately in the Statement of Comprehensive Income.

Amounts received by way of compensation for dilapidations from tenants vacating properties are credited against the cost of reinstatement works. Where the Group has no intention of carrying out such works, the amounts received are credited to the Statement of Comprehensive Income.

Disposals of investment properties are recognised in the period when control of the property transfers to the buyer. Typically, disposal will either occur on unconditional exchange of contracts or completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange of contracts, control will not usually transfer until completion. Any gain or loss on disposal, being the difference between the net disposal proceeds and the carrying value of the property, is included in the Statement of Comprehensive Income in the period in which the property is derecognised.

All of the Group's leases to its tenants are operating leases except where the Group grants long leasehold interests to tenants, in which case, as substantially all the risks and rewards of ownership are transferred to the tenant, the property is not recognised as an investment property.

Acquisitions
Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Joint ventures
Joint ventures are those entities over which the Group has joint control, established by contractual agreement. The Group has one joint venture, the investment in which is accounted for using the equity method. On initial recognition the investment was recognised at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of, and dividends from, the joint venture. The Group's investment in the joint venture is presented separately on the Balance Sheet and the Group's share of the joint venture's post-tax profit or loss for the year is also presented separately in the Statement of Comprehensive Income.

Where there is an indication that the Group's investment in its joint venture may be impaired, the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the Statement of Comprehensive Income.

If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

In the Company's Balance Sheet, the investment in its joint venture is stated at cost less any provision for impairment loss.

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

Tenant lease incentives are included in current trade and other receivables when the amounts to be charged against rental income fall within one year of the Balance Sheet date. Amounts which will be charged against rental income in more than one year are included in non-current assets.

The Group assesses expected credit losses for trade receivables and impairment on lease incentives on a forward-looking basis. See note 3 and note 18 for further information.

Trade payables are recognised at fair value and subsequently held at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and on-demand bank deposits.

Cash held on deposit which has certain conditions restricting its use and is not available on demand, liquid or readily convertible, is classified within other receivables.

Borrowings and costs of raising finance
Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently held at amortised cost. Issue costs and premiums are written-off to the Statement of Comprehensive Income using an effective interest rate method.

Other information

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5 Year Summary

Income Statement

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Rental income	110.4	105.0	114.4	117.3	112.8
Service charge income	12.7	7.7	10.1	9.6	9.3
Revenue	**123.1**	**112.7**	**124.5**	**126.9**	**122.1**
Expected credit losses	(1.8)	(16.4)	(13.0)	-	-
Impairment charges	(2.2)	(1.3)	(8.9)	-	-
Property charges	(23.6)	(22.6)	(18.2)	(19.3)	(19.0)
Service charge expenses	(12.7)	(7.7)	(10.1)	(9.6)	(9.3)
Net property income	**82.8**	**64.7**	**74.3**	**98.0**	**93.8**
Other administrative expenses	(22.2)	(21.6)	(14.4)	(15.2)	(13.7)
Costs in relation to the proposed merger	(13.2)	-	-	-	-
Revaluation movements and disposal profits	100.4	(196.8)	(698.2)	(12.5)	127.7
Operating profit/(loss)	**147.8**	**(153.7)**	**(638.3)**	**70.3**	**207.8**
Net finance costs	(29.5)	(30.2)	(31.8)	(30.5)	(31.2)
Share of post-tax profit/(loss) from joint venture	0.8	(11.0)	(29.4)	(13.8)	(1.1)
Profit/(loss) before tax	119.1	**(194.9)**	**(699.5)**	**26.0**	**175.5**
Tax charge for the year	-	-	-	-	-
Profit/(loss) after tax	**119.1**	**(194.9)**	**(699.5)**	**26.0**	**175.5**

	2022	2021	2020	2019	2018
EPRA earnings	19.3	13.3	29.4	54.6	51.7
Underlying EPRA earnings	38.0	13.3	29.4	54.6	51.7
Basic EPS[1]	31.0	(52.0)p	(222.7)p	8.3p	56.9p
EPRA EPS[1]	5.0p	3.5p	9.4p	17.4p	16.8p
Underlying EPRA EPS[1]	9.9p	3.5p	9.4p	17.4p	16.8p
Total dividends per share payable in respect of the financial year[1]	9.9p[2]	6.4p[3]	-	17.3p	16.4p

1. Earnings and dividends per share information were restated for 2018-2020, by adjusting the weighted average number of shares to include the bonus element inherent in the equity issue in November 2020 (see note 19 to the financial statements).
2. Includes an interim dividend of 4.8p paid in July 2022 and a second interim dividend of 5.1p declared on 29 November 2022 relating to earnings for the financial year ended 30 September 2022.
3. Includes the final dividend of 4.0p for the financial year ended 30 September 2021, and the interim dividend of 2.4p, in respect of the year ended 30 September 2021, paid to fulfil the Group's 2020 PID obligations under REIT legislation.

Balance Sheet

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Investment properties (book value)	3,144.4	2,964.1	3,115.5	3,765.9	3,714.8
Investment in joint venture	86.6	85.8	96.8	127.6	143.9
Other non-current assets	46.3	51.0	21.2	18.2	14.9
Non-current assets	**3,277.3**	**3,100.9**	**3,233.5**	**3,911.7**	**3,873.6**
Cash and cash equivalents	155.2	211.3	72.8	54.0	118.5
Other current (liabilities)/assets	(20.5)	12.8	25.3	(8.7)	(10.5)
Borrowings	(953.5)	(952.3)	(1,051.0)	(949.8)	(948.6)
Net assets	**2,458.5**	**2,372.7**	**2,280.6**	**3,007.2**	**3,033.0**

	2022	2021	2020	2019	2018
EPRA NTA (diluted)[1]	£6.41	£6.19	£7.28	£9.61	£9.70
Total Accounting Return[1]	5.0%	(14.6)%	(23.3)%	0.8%	5.8%
Net debt	804.6	748.5	987.0	905.8	841.3
Loan-to-value	25.2%	24.9%	31.5%	23.9%	22.6%

1. Net asset per share and Total Accounting Return information has been restated for 2018-2020, by adjusting the number of shares to include the bonus element inherent in the equity issue in November 2020 (see note 19 to the financial statements).

Alternative Performance Measures (APMs)

The Group has applied the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures in this Annual Report. 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 Annual Report, but should not be viewed in isolation.

Set out below is a summary of APMs used in the Annual Report. EPRA performance measures are a set of standard disclosures for the property sector as set out by EPRA 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 titled measures presented by other companies.

APM	Nearest IFRS measures	Summary	Purpose	Explanation and reconciliation
Income Statement				
EPRA earnings and earnings per share	Profit and total comprehensive income for the period and earnings per share	A measure of a company's operating performance and the extent to which dividends are underpinned by recurring operating activities. The calculation removes the impact of investment property valuation movements, profits on disposal of investment properties and deferred tax arising in the Longmartin joint venture.	EPRA BPR	Note 24 and Financial report (page 48)
Underlying EPRA earnings	Profit and total comprehensive income for the period and earnings per share	Provides additional information on EPRA earnings "as if" the cost of rent waivers during the Covid-19 pandemic had been recognised immediately in the Income Statement rather than spread over the remaining lease term and excluding the impact of the proposed merger costs incurred in the period. The measure was previously Covid-adjusted EPRA earnings and earnings per share. It has been updated this year to adjust for exceptional costs associated with the proposed merger.	We consider this useful additional information for investors, lenders and equity analysts	Note 24 and Financial report (pages 48-49)
Like-for-like growth/decline in rental income	Revenue	Provides supplementary information on the change in rental income growth excluding the impact of acquisitions, disposals and larger refurbishment schemes.	We consider this useful for investors	Note 24 and Financial report (page 49)
EPRA cost ratio	N/A	Measure of operating costs as a % of gross rental income	EPRA BPR	Page 176
Blended cost of debt	N/A	Weighted average cost of drawn borrowings, plus non-utilisation fees on undrawn borrowings at the Balance Sheet date.	Widely used by equity analysts and investors	Note 24 and Debt summary (page 51)
Interest cover	N/A	Measure of the number of times operating profit before investment property disposals and valuation movements covers net finance costs.	Widely used by equity analysts and investors	Note 24 and Debt summary (page 51)
Balance Sheet				
EPRA net tangible assets (NTA) and NTA per share	Net assets	Net assets, adjusted to exclude assets and liabilities which are not expected to crystallise in normal circumstances. In our case, the calculation excludes deferred tax related to property valuation surpluses and deficits in the Longmartin joint venture.	EPRA BPR Used as a measure in remuneration	Note 24 and Balance Sheet (page 50)
EPRA net disposal value (NDV) and NDV per share	Net assets	The value of net tangible assets, assuming an orderly sale of the 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.	EPRA BPR	Note 24
EPRA net reinstatement value (NRV) and NRV per share	Net assets	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	EPRA BPR	Note 24
EPRA capital expenditure	Refurbishment and other capital expenditure	Measures total capital outlay on investment property, including acquisitions and capital expenditure, and our proportionate share of these items in the Longmartin joint venture	EPRA BPR	Page 177
Valuation growth/decline	Net surplus/deficit on revaluation of investment properties	Revaluation surplus/deficit excluding the impact of acquisitions and disposals during the reporting period, expressed as a percentage return on the valuation at the beginning of the period adjusted, on a time weighted basis, for capital expenditure during the period	Provides supplementary information on the valuation performance of those assets in the portfolio in both the current and previous years. Widely used by equity analysts and investors.	Portfolio report (pages 42-45)
Net debt	Borrowings less cash and cash equivalents	Measure of the financing position at the Balance Sheet date	Widely used by equity analysts and investors	Note 24 and Financial report (page 51)
Loan-to-value	N/A	Measures the level of leverage as a percentage of the fair value of investment properties	Widely used by equity analysts and investors	Note 24 and Financial report (page 51)
Gearing	N/A	Measures the level of leverage as a percentage of net assets in the calculation of EPRA NTA	Widely used by equity analysts and investors	Note 24 and Financial report (page 51)
Other				
Total accounting return	N/A	Measures shareholder value creation, taking into account the movement in EPRA NTA together with dividends paid during the period.	Used as a measure in remuneration	Note 24 and Financial report (page 50)

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

EPRA measures

The following is a summary of the EPRA performance measures included in this Annual Report. The measures are defined in the Glossary.

Measure	Definition	Page	2022	2021
Earnings	Earnings from operational activities, excluding fair value movements in respect of properties, profits on disposal of investment properties and deferred tax arising in our joint venture	48	£19.3m	£13.3m
Earnings per share	EPRA earnings per weighted average number of ordinary shares	48	5.0p	3.5p
Capital expenditure	Capital expenditure categorised between acquisitions and on the investment portfolio, including our proportional share of joint venture capital expenditure	177	£93.4m	£51.1m
NTA	Net assets, assuming exercise of share options, adjusted to remove deferred tax arising in our joint venture	169	£2,467.9m	£2,382.1m
NDV	Net assets, assuming exercise of share options, adjusted to include the excess of fair value of debt over book value	169	£2,630.5m	£2,320.9m
NRV	Net assets, assuming exercise of share options, adjusted to remove deferred tax arising in our joint venture but to add back investment property purchasers' costs	169	£2,693.4m	£2,595.4m
NTA per share	NTA divided by the number of shares at the Balance Sheet date on a diluted basis	169	£6.41	£6.19
NDV per share	NDV divided by the number of shares at the Balance Sheet date on a diluted basis	169	£6.83	£6.03
NRV per share	NRV divided by the number of shares at the Balance Sheet date on a diluted basis	169	£7.00	£6.74
Net Initial Yield (NIY)	Current annualised rental income less non-recoverable property costs as a % of property valuation plus assumed purchasers' costs	179	3.2%	3.1%
Topped-up NIY	NIY adjusted to reflect expiry of rent-free periods and stepped rents	179	3.5%	3.5%
Vacancy	ERV of vacant space as a % of ERV of all properties	38	4.0%	6.0%
Cost ratio	Total costs as a % of gross rental income - including direct vacancy cost	176	40.4%	40.9%
	Total costs as a % of gross rental income - excluding direct vacancy cost	176	37.8%	36.8%

As disclosed in note 4 to the 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, retail and leisure 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. Like-for-like calculations of growth in values and rents are therefore stated on an aggregated basis.

EPRA cost ratio

	Note	**2022 £m**	2021 £m
Gross rental income			
Revenue	5	**123.1**	112.7
Less: service charge income	5	**(12.7)**	(7.7)
Share of joint venture rental income	12	**7.0**	7.1
		117.4	112.1
Cost			
Property charges	5	**36.3**	30.3
Less: service charge expenses	5	**(12.7)**	(7.7)
Share of joint venture property expenses	12	**1.4**	1.4
Administrative expenses	6	**22.2**	21.6
Capitalised property and administrative expenses		**-**	-
Share of joint venture administrative expenses	12	**0.2**	0.2
Total costs		**47.4**	45.8
Vacant property costs		**(2.7)**	(4.2)
Share of joint venture vacant property costs		**(0.3)**	(0.4)
Total costs excluding vacant property costs		**44.4**	41.2
EPRA cost ratio (including vacant property costs)		**40.4%**	40.9%
EPRA cost ratio (excluding vacant property costs)		**37.8%**	36.8%

1. We do not capitalise property nor administrative expenses.
2. The above figures exclude expected credit losses, impairment charges and costs in relation to the proposed merger.

Investment properties

Whilst our portfolio is geographically concentrated in London's West End, it is granular in nature, with c. 600, generally small buildings, often clustered in contiguous blocks. It is not practical to provide detailed property-by-property information recommended by EPRA's BPR. However, an analysis of our portfolio, split by occupier use, is set out on page 42.

We own 100% of our properties, except for property held by our Longmartin joint venture, in which we have a 50% interest. The breakdown of our wholly-owned portfolio between freehold and long leasehold ownership is set out on page 158.

At 30 September 2022, we had 873 commercial and 594 residential leases, with no individual tenant representing a material amount of our current annualised income. The ten largest tenants represented just 9% of current annualised income. As our tenant base is so granular, we do not believe listing the top ten tenants, nor a detailed analysis of tenant business sector is useful. However, the analysis on page 42 sets out details of income and rental values by occupier use.

EPRA vacancy by occupier use is set out on page 38.

Like-for-like growth/(decline) in ERV is set out on pages 42 to 43. Like-for-like growth/(decline) in rental income is set out on page 168.

Development disclosures

Our wholly-owned portfolio is mostly within Conservation Areas and around 20% of our buildings are listed. We do not carry out material speculative developments. Our capital expenditure commitments are low, with an average annual spend of around 1% of portfolio value. Included in this are numerous small schemes, and generally no one scheme is material.

Details of our larger schemes at 30 September 2022 are set out on pages 40 to 41. An overview of assets held for, or undergoing, refurbishment is set out on page 40.

EPRA capital expenditure

	2022 £m	2021 £m
Group		
Acquisitions	**55.3**	13.2
Investment property capital expenditure		
- On acquisitions during the year	**0.7**	-
- On like-for-like portfolio	**35.2**	37.4
Joint venture (our 50% share)		
Investment property capital expenditure	**2.2**	0.5
	93.4	51.1

Details of acquisitions and capital expenditure in the year are set out on pages 40 to 41.

Debt covenants

Set out below is a 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.
Revolving credit facility	Quarterly	Consolidated net rental income plus dividends from 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.

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	Quarterly	Amounts drawn to valuation of specifically secured assets.	66.67%	Cure rights available. Draw stop at 50% during term of ICR waiver.

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.
Loan-to-value	Quarterly	Debt to valuation of specifically secured assets.	60%	Cure rights available.

Portfolio valuation analysis

at 30 September 2022

	Hospitality & leisure	Retail	Offices	Residential	Wholly owned portfolio	Longmartin joint venture[1]
Fair value (£m)	1,143	852	622	571	3,188	167
Annualised current income[5] (£m)	46.8	31.8	19.3	18.0	115.9	6.6
ERV (£m)	52.2	40.3	32.8	20.5	145.8	8.6
% of total fair value	36%	27%	19%	18%	100%	
% of annualised current income	40%	27%	17%	16%	100%	
% of ERV	36%	28%	22%	14%	100%	
Average ERV (£ psf)	76	87	69	53	72	66
WAULT (years)	8	3	2	Note 2		Note 3
Initial yield	3.8%	3.4%	2.7%	2.2%	3.2%	3.2%
Topped up initial yield	4.1%	4.1%	3.2%	N/A	3.5%	3.7%
Equivalent yield	4.4%	4.4%	4.6%	2.6%	4.1%	4.3%
Area (sq. ft. m)	0.7	0.4	0.5	0.4[4]	2.0	0.3
Units	325	297	313	632[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: 10 years, retail: 2 years, offices: 7 years.
4. Excluding apartments which are sold off on long leases, covering approximately 224,000 sq. ft.
5. Gross income, including estimated turnover related rents.

Wholly-owned portfolio valuation by village

at 30 September 2022

	Valuation £m	Annualised current income[1] £m	ERV £m	Valuation growth[2] %	Equivalent yield %
Carnaby	1,235	41.9	59.7	6.2%	4.3%
Covent Garden	826	29.3	36.2	1.8%	3.9%
Chinatown	705	29.3	30.7	1.1%	4.0%
Soho	293	10.7	13.5	4.0%	4.1%
Fitzrovia	129	4.7	5.7	4.4%	3.9%
2022	**3,188**	**115.9**	**145.8**	**3.6%**	**4.1%**
2021	3,011	107.8	131.7	(5.4%)	3.9%

1. Including estimated turnover related rents.
2. Like-for-like, taking into account acquisitions, disposals, capital expenditure, and a change of use from leisure to office at our 68 Broadwick Street. Alternative performance measure. See page 175.

Shareholder Information

Corporate Timetable

Dividend and bond interest	
2022 second interim dividend for the year ended 30 September 2022:	
- Ex-dividend	8 December 2022
- Record date	9 December 2022
- Payment date	21 December 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. Other enquiries should be sent to: investor.relations@shaftesbury.co.uk.

Company website

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

Effect of REIT status on payment of dividends

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

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

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

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

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 at: 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

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

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

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

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

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

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

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

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

Capco
Capital & Counties Properties PLC

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

Combined group
The Shaftesbury Group and the Capco Group after the proposed merger has taken effect, expected to be known as Shaftesbury Capital PLC.

Competition and Markets Authority (CMA)
The Competition and Markets Authority of the UK

Competition and Markets Authority Condition (CMA Condition)
Issuance of a decision by the CMA that it is not the CMA's intention to make a Phase 2 CMA Reference, with such a decision being issued on an unconditional basis or else conditional on the CMA's acceptance of undertakings which are reasonably satisfactory to Shaftesbury and Capco (or the applicable time period having expired without a Phase 2 CMA Reference)

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

Direct energy consumption
Emissions from sources that are owned or controlled by the reporting company.

Dow Jones Sustainability Index
A family of indices evaluating the sustainability performance of publicly listed companies.

DTR
The Financial Conduct Authority's Disclosure and Transparency Rules.

Embodied Carbon
The total greenhouse gas (GHG) emissions generated to build or refurbish an asset. This includes emissions from extraction, manufacture/processing, transportation and assembly.

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 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 sBPR
EPRA Best Practice Recommendations on Sustainability Reporting.

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.

FRC
Financial Reporting Council.

FTSE4Good
A series of benchmarks and tradable indexes for ESG investors, which was launched in 2001.

GHG
Greenhouse gas emissions.

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

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

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.

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

Leasing activity
The rental value secured 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 previous accounting period.

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

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

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

London Living Wage
An hourly rate of pay, calculated independently to reflect the high cost of living in the capital.

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

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

Net 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.

Paris Agreement
An agreement by participating countries to combat climate change and adapt to its effects. The central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above preindustrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

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.

Proposed merger or merger
The proposed acquisition by Capco of Shaftesbury, to be implemented by way of the Scheme or, should Capco so elect with the consent of the Takeover Panel and subject to the terms of a co-operation agreement between the companies, by means of a takeover offer.

Prospectus
Prospectus issued by Capco in respect of the proposed merger dated 7 July 2022, available on both ours and Capco's websites (www.shaftesbury.co.uk; www.capitalandcounties.com).

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

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

RPI
Retail Price Index.

Rule 2.4 announcement or Rule 2.7 announcement
Announcements made under Rule 2.4 and Rule 2.7 of The City Code On Takeovers And Mergers.

Scheme or scheme of arrangement
The Scheme of Arrangement proposed to be made under Part 26 of the Companies Act 2006 as set out in the Scheme Document (which is available on our website: www.shaftesbury.co.uk), with or subject to any modification, addition or condition which Shaftesbury and Capco agree with and which is approved or imposed by the court.

Scheme Document
The document sent to shareholders in connection with the proposed merger.

Scope 1 emissions
Direct GHG emissions from owned or controlled sources such as gas used for heating.

Scope 2 emissions
Indirect GHG emissions from the generation of purchased energy such as electricity.

Scope 3 emissions
Indirect GHG emissions (not included in scope 2) that relate to activities that occur in the value chain of the reporting company.

Science Based Targets
A carbon emissions target that it is in line with the scale of reductions determined by climate scientists to be required to meet the goals of the Paris Agreement.

UN SDG
United Nations 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.

Shaftesbury Capital
See combined group.

Sterling Overnight Interbank Average Rate (SONIA)
Overnight risk-free interest rate paid by banks for unsecured Sterling transactions.

TCFD
Task Force on Climate-related Financial Disclosure.

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 NTA per ordinary share plus dividends paid per ordinary share during the period of calculation, expressed as a percentage of the EPRA NTA per share at the beginning of the period.

Underlying EPRA earnings/earnings per share
EPRA earnings/earnings per share adjusted to remove the impact of rent waivers (where there were no associated lease modifications, such as lease extensions) granted during the Covid 19 pandemic, and exceptional costs associated with the proposed merger.

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 investment 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.

Weighted average vacant period
The average time that space has been available to let (excluding property which is held for, or undergoing, refurbishment and EPRA vacancy due to exceptional larger refurbishment schemes) across the wholly-owned portfolio from the start of the period to the reporting date, weighted by the ERV of that space.

WAULT
Weighted average unexpired lease term, assuming tenant break options are exercised.


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SPACES

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