PRESS RELEASE

SHAFTESBURY CAPITAL PLC ("SHAFTESBURY CAPITAL" OR "THE COMPANY")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

29 February 2024

Delivering on our strategy

Ian Hawksworth, Chief Executive, commented:

"It has been an excellent start for Shaftesbury Capital, with positive metrics delivered across the business. We set clear priorities and are pleased with the pace and performance over the first year with significant rental income growth and cost savings driving financial performance. There is strong leasing activity and pipeline across all uses with 526 leasing transactions completed at rents on average 10 per cent ahead of December 2022 ERV.

Despite geopolitical and macroeconomic uncertainty, our portfolio has demonstrated its exceptional qualities with a stable portfolio valuation. There is a broad pool of investors attracted to prime West End real estate as demonstrated by recent sales totalling £145 million at a premium to valuation.

Backed by our strong balance sheet, unique portfolio and talented team, we are confident of delivering further rental growth and attractive returns in the years ahead as the leading central London mixed-use REIT."

Overview

- Excellent leasing activity across all uses; 526 leasing transactions were completed, representing £37.0 million of rent, 10.0 per cent ahead of 31 December 2022 ERV ("Estimated Rental Value") and introducing 68 new retail and hospitality brands and concepts
- Annualised gross income increased 10.4 per cent like-for-like to £192.8 million (pro forma Dec 22: £174.7 million). ERV growth resulting in 6.9 per cent like-for-like increase to £236.9 million (pro forma Dec 22: £221.4 million)
- Valuation movement of wholly-owned portfolio -0.8 per cent on a like-for-like basis at £4.8 billion (pro forma Dec 2022 £4.9 billion) with ERV growth offset by equivalent yield movement of 26 basis points to 4.34 per cent (pro forma Dec 2022: 4.08 per cent)
- EPRA NTA of 190 pence per share (Dec 2022 reported pre-merger and June 2023: 182 pence per share and 194 pence per share respectively)
- Low vacancy: 2.1 per cent of ERV available to let
- £145 million of asset disposals completed to date, 8 per cent ahead of valuation, with several other assets under offer
- Strong balance sheet with access to £486 million of liquidity and EPRA LTV of 31 per cent (Dec 2022: 28 per cent). Completion of refinancing of merger loan facility through a new £200 million secured loan and £350 million senior unsecured loan facility
- Rental growth, cash conversion and cost control resulting in strong earnings performance. Proposed final dividend of 1.65 pence per share and a full-year dividend of 3.15 pence per share (H1: 1.5 pence; H2: 1.65 pence)
- Excellent progress on integration; renewed purpose and values which form the basis of how we operate

Medium-term targets and outlook

- Over the medium-term we are targeting rental growth of 5-7 per cent per annum. With stable cap rates, this would result in average total property returns of 7-9 per cent and total accounting returns of 8-10 per cent
- Despite the uncertain geopolitical and macroeconomic backdrop, our strong performance and leasing pipeline together with positive trading conditions across our West End locations provide us with confidence in the growth prospects for our exceptional portfolio

Highlights

Key financials

- Total equity value of £3.5 billion (Dec 2022 reported pre-merger: £1.6 billion)
- 2023 total property return 2.2 per cent; Total accounting return 5.8 per cent; Total shareholder return 33.1 per cent
- Underlying earnings of £60.4 million, equivalent to 3.7 pence per share (Jun 2023: £27.5 million)
- Adjusted EPRA cost ratio 40 per cent, targeting a significant reduction towards 30 per cent over the medium-term through income growth and cost control

Excellent operational momentum delivering income and rental growth

- High footfall and strong trading conditions across our prime West End portfolio, customers reporting sales in aggregate 10 per cent above 2022 levels
- 526 leasing transactions completed in 2023 with contracted rent of £37.0 million, comprising:
  - 188 commercial lettings and renewals: £24.2 million, 11.2 per cent ahead of 31 Dec 2022 ERV; 13.0 per cent ahead of previous passing rents; and
  - 338 residential lettings and renewals: £12.8 million, 11.7 per cent above previous passing rents
- Annualised gross income up 10.4 per cent like-for-like to £192.8 million (pro forma 2022: £174.7 million)
- Portfolio reversionary potential of £44.1 million, with current ERV 23 per cent ahead of annualised gross income

Wholly-owned portfolio valuation

- Portfolio valuation movement of -0.8 per cent on a like-for-like basis to £4.8 billion (pro forma Dec 2022 £4.9 billion)

  - H1: +0.2 per cent, H2: -1.0 per cent
- Portfolio ERV up 6.9 per cent on a like-for-like basis to £236.9 million (pro forma Dec 2022: £221.4 million)

  - H1: +3.3 per cent, H2: +3.6 per cent, reflecting strong leasing demand across all uses
- Equivalent yield: +26 basis points to 4.34 per cent (pro forma Dec 2022: 4.08 per cent)

  - H1: +10 basis points, H2: +16 basis points
- Equivalent yield on commercial portfolio (excluding residential) of 4.58 per cent

Robust and flexible balance sheet

- Liquidity of £486 million (cash of £186 million and £300 million undrawn facilities)
- Net debt of £1.5 billion (pro forma Dec 2022: £1.5 billion) and EPRA loan-to-value ratio of 31 per cent (Dec 22: 28 per cent)
- Completion of early refinancing of merger loan facility through a new long-term secured loan of £200 million and medium-term unsecured bank facility of £350 million
- Additional hedging put in place in December 2023 for £250 million of notional value for 2025 which collars SONIA between 2.0 and 3.0 per cent, in addition to existing caps for £350 million in 2024 at 2.3 per cent
- The current weighted average cash cost of drawn debt is 4.2 per cent (Jun 2023: 4.3 per cent) which reduces taking into account interest income on cash deposits and the benefit of interest rate hedging to an effective cash cost of 3.4 per cent
- Weighted average maturity of drawn debt of 5 years (Jun 2023: 4 years)
- Modest capital commitments of £24.8 million

Commitment to environment, sustainability and supporting our local communities

- Combined 2030 Net Zero Carbon Pathway published based on our approach of future proofing our heritage properties
- Sustainable refurbishment activity continues across the portfolio enhancing the energy performance credentials; 80 per cent EPC rating of A-C, up 12 percentage points during the year
- Continued support of community-led initiatives and charities which work with organisations active in the West End

KEY FINANCIALS

	As at 31 December 2023	As at 31 December 2022
Total equity[1]	**£3,480.2m**	£1,561.6m
Total equity per share[1]	**190.3p**	183.2p
Total accounting return	**5.8%**	(13.6)%
EPRA net tangible assets[1]	**£3,479.4m**	£1,552.2m
EPRA net tangible assets per share[1]	**190.3p**	182.1p
Total property return	**2.2%**	2.8%
Property portfolio market value[2]	**£4,795.3m**	£1,743.7m

	For the year ended 31 December 2023	For the year ended 31 December 2022
Gross profit	**£141.9m**	£57.3m
Profit/(loss) for the year[3]	**£750.4m**	£(211.8)m
Basic earnings/(loss) per share[1]	**45.5p**	(24.9)p
Headline earnings/(loss) per share[1]	**0.6p**	(24.8)p
EPRA earnings per share[1]	**2.7p**	6.7p
Underlying earnings per share[1]	**3.7p**	2.2p
Dividend per share[4]	**3.15p**	2.5p
Total shareholder return	**33.1%**	-35.9%

1. Refer to note 2 'Performance Measures' on page 42.
2. Refer to note 10 'Property Portfolio' on page 48.
3. Refer to the 'Income Statement' on page 33.
4. Refer to note 8 'Dividends' on page 46.

Presentation of information

The all-share merger of Capital & Counties Properties PLC ("Capco") and Shaftesbury PLC to create Shaftesbury Capital PLC ("Shaftesbury Capital") completed on 6 March 2023. The financial information included within the annual results presents the results of Shaftesbury Capital with the consolidated income statement reflecting the standalone performance of Capco for the period 1 January 2023 to 6 March 2023 and the performance of the merged business, Shaftesbury Capital, between that date and 31 December 2023. The 31 December 2023 balance sheet reflects the position of the combined Group as at 31 December 2023. The 2022 comparative information relates to Capco only.

Pro forma information has been included for certain metrics primarily on the balance sheet to provide relevant comparative information. More information on pro forma data, and reconciliation to reported numbers, is included on page 59. Where pro forma information has been included within the results this is noted as pro forma.

Refer to Glossary of terms on pages 69 to 72.

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A presentation to analysts and investors will take place today at 8:30am (UK time) at the offices of UBS, 5 Broadgate, London, EC2M 2QS. The presentation will also be available to analysts and investors through a live audio call and webcast and after the event on the Group's website at www.shaftesburycapital.com

A copy of this announcement is available for download from our website at www.shaftesburycapital.com

About Shaftesbury Capital

Shaftesbury Capital PLC ("Shaftesbury Capital") is the leading central London mixed-use REIT and is a constituent of the FTSE-250 Index. Our property portfolio, valued at £4.8 billion at December 2023, extends to 2.9 million square feet of lettable space across the most vibrant areas of London's West End. With a diverse mix of shops, restaurants, cafés, bars, residential and offices, our destinations include the high footfall, thriving neighbourhoods of Covent Garden, Carnaby, Soho and Chinatown, together with holdings in Fitzrovia. Our properties are close to the main West End Underground stations and transport hubs for the Elizabeth Line. Shaftesbury Capital shares are listed on the London Stock Exchange ("LSE") (primary) and the Johannesburg Stock Exchange ("JSE") (secondary) and the A2X (secondary).

Our purpose

Investing to create thriving destinations in London's West End where people enjoy visiting, working, and living.

Our values

We have a set of values that are fundamental to our behaviour, decision making and the delivery both of our purpose and strategy: Act with integrity; Take a creative approach; Listen and collaborate; Take a responsible, long-term view; and Make a difference.

CHIEF EXECUTIVE STATEMENT

Overview

London and particularly our West End portfolio continues to display its enduring appeal and resilience as a leading global destination with strong leasing demand across all uses. It has been an excellent start as Shaftesbury Capital, with good progress on integration and positive metrics delivered across the business.

We set clear priorities and are delighted with the pace and performance over the first year with rental growth, leasing transactions well ahead of ERV and cost savings above our initial ambitions. We have completed the sale of a number of properties ahead of valuation and successfully completed the early refinancing of the unsecured loan arranged at the time of the merger. Our active approach, informed by a deep knowledge of the West End, positions the business to deliver rental growth through converting the portfolio's reversionary potential into contracted income and cash flow, whilst establishing new rental tones. We continue to take a responsible approach, operating in an environmentally sustainable manner and reconfirmed our commitment to Net Zero Carbon by 2030 publishing a combined pathway. Despite macroeconomic uncertainty our portfolio has demonstrated its exceptional qualities with a stable portfolio valuation, in a market characterised by widened yields.

People, purpose, culture and values

Integration is well advanced with the business and the team is now located in a single office in Covent Garden. Our people have a shared passion for the West End and are one of our key strengths. I'd like to thank everyone at Shaftesbury Capital for their dedication and hard work through a period of significant change. The team is delivering excellent operational performance and creating an environment that is exciting to work in. I am proud of the energy and enthusiasm shown and the Company we are building. We have a professional, inclusive and entrepreneurial culture, reflective of our business strategy where creativity and innovation are encouraged.

Our purpose is investing to create thriving destinations in London's West End where people enjoy visiting, working and living. Engaging with our senior leadership team, we have reviewed our purpose and values and rolled these out across the business. These important commitments form the basis of how we operate. Our people conduct their day-to-day activities guided by these values which are to: Act with integrity; Take a creative approach; Listen and collaborate; Take a responsible, long-term view; and Make a difference.

We continue to invest in our people's personal development and have introduced a number of initiatives to support our colleagues and leadership team, providing greater career development opportunities over time. Furthermore, we have established the Employee Engagement Forum attended by Charlotte Boyle on behalf of the Board. This forum aims to establish a meaningful platform for communication and collaboration between the Board and employees.

Strategy and priorities

Our strategy is to deliver long-term income and value growth from our unique portfolio of properties through investment, curation and responsible stewardship, benefitting all stakeholders and contributing to the success of the West End. We place our customer at the heart of the business to deliver best in class service and leverage our deep understanding of customers and consumers. We take a creative and active approach to our portfolio investing in our remarkable locations, refreshing the offer through a dynamic leasing and asset management strategy and delivering high quality public realm. We believe in responsible stewardship and working in partnership with the wider community.

The merger has already begun unlocking both immediate and longer-term benefits including greater efficiencies, cost and operational synergies, a more diverse portfolio of scale with a stronger operational platform and enhanced access to capital and greater equity market liquidity. We are seeing delivery of broader benefits, including the use of data insights, active asset management, cross location marketing and leasing activity for customers across different parts of the portfolio and other incremental revenue opportunities.

Our priorities are to grow rents, earnings and dividends and realise the long-term potential of our real estate. As we move beyond the initial stage of integration we are seeking to accelerate operating efficiencies whilst providing excellent service to our customers. As announced in November 2023, we are targeting a significant reduction in the EPRA cost ratio towards 30 per cent over the medium-term. Shaftesbury Capital is financially strong and we have access to £486 million of liquidity. We are well-progressed in our plan to rotate five per cent of the portfolio value initially, allocating capital towards accretive investments. We will seek to manage the absolute level of finance costs to ensure efficient conversion of income to earnings. We are committed to reducing the impact of our operations on the environment, whilst engaging and collaborating with our wide range of stakeholders which is integral to our strategy and values.

There is significant potential from each of our locations. By fulfilling our Company priorities, and assuming stable cap rates, we are targeting to deliver a total property return of 7-9 per cent and total accounting return of 8-10 per cent over the medium-term. Individual components of the portfolio have different investment characteristics. We see Covent Garden which represents 53 per cent portfolio value as the most immediate area of opportunity as we enhance adjacencies through marketing Covent Garden as one district. There is an opportunity to evolve and improve Carnaby | Soho which is a vibrant mixed-use district, with iconic shopping and a strong day-to-night restaurant scene over the medium-term to enhance returns. Europe's premier Chinatown, located in the heart of the West End's entertainment district, leading to high occupancy, providing resilience and growing cash flows.

Growth in rents, earnings and dividends

Shaftesbury Capital's total shareholder return for the year, which comprises share price performance plus dividends paid during the year, was 33.1 per cent, and total accounting return for the year was 5.8 per cent. EPRA NTA increased by 4 per cent over the year to 190 pence per share (Dec 2022: 182 pence per share). Annualised gross income increased by 10.4 per cent (like-for-like) to £192.8 million. ERV increased by 6.9 per cent (like-for-like) to £236.9 million, 23 per cent above annualised gross income.

526 new leases and renewals representing £37.0 million of rental income, 10.0 per cent ahead of December 2022 ERV, completed in the year. EPRA vacancy was 4.9 per cent (pro forma Dec 2022: 4.9 per cent) with 2.1 per cent available to let and the balance being under offer.

There have already been significant cost savings across the business as we progress towards an effective and efficient organisational structure and cost base. Underlying administration costs were £39.3 million for the year. Total annualised recurring cost savings are expected to be over £16 million, which is well ahead of the initial target of £12 million within two years. Underlying earnings for the year are £60.4 million, equivalent to 3.7 pence per share and the Board has proposed a final dividend of 1.65 pence per share taking the total dividend for the year to 3.15 pence per share, reflecting the progression in underlying and cash earnings.

We maintain a strong balance sheet with a focus on flexibility and efficiency. EPRA LTV is 31 per cent and the interest cover ratio is 2.1 times, with significant headroom against debt covenants. During the year, we successfully completed the early refinancing of the unsecured loan arranged at the time of the merger. The Group has access to £486 million of liquidity, ensuring it is well-positioned to act on market opportunities.

Strong leasing demand delivering rental growth

The occupational market increasingly demonstrates strong polarisation of demand and a flight to quality. Our West End portfolio continues to attract target brands and concepts. There is strong demand for good quality, sustainable space with high amenity value. The West End, and particularly our portfolio, is a destination of choice for both market entry and expansion. It is a strong retail leasing market with units often attracting interest from multiple occupiers. Availability of restaurant and leisure space is very limited given the strong trading prospects together with constrained planning and licensing policies.

The office portfolio is performing well, with robust demand for well-fitted new space. During the year, we completed a significant office refurbishment pipeline with rents for well-fitted, high-quality space regularly achieving more than £100 per square foot. We rolled out our 'Assemble' product across the Group which provides for more flexible office packages and brings the offer under one brand. Our residential offer continues to appeal to a broad range of occupiers, delivering rental growth and limited vacancy. Any available space is typically let within a matter of days.

We are implementing our marketing strategy across the portfolio and are taking advantage of cross location promotional opportunities. Our digital engagement and followers continued to grow across all destinations, with more than 1.2 million followers across all social platforms. Through events and brand collaborations, there is potential to increase revenue from our non-leased income activities, whilst working with stakeholders to benefit the wider West End. We had a very successful Christmas period with a programme of festive events and shopping evenings. With a robust leasing pipeline and positive trading conditions across our West End portfolio, we are confident in its growth prospects.

Portfolio valuation

The valuation movement of the wholly-owned property was -0.8 per cent (like-for-like) in the year to £4.8 billion, implying a capital value equivalent to approximately £1,680 per square foot on average. ERV increased across all uses, 6.9 per cent overall (like-for-like) and the equivalent yield was 4.34 per cent, reflecting 26 basis points of outward movement over the year. The equivalent yield for the commercial portfolio (excluding residential) is approximately 4.58 per cent. Total property return for the year was +2.2 per cent versus the MSCI Total Return Index which recorded -0.1 per cent.

Higher interest rates and inflation have impacted the broader investment market, however investment yields in prime West End, which comprise predominantly freehold properties and often smaller lot-sizes, remain relatively resilient. There is a broad pool of domestic and international investors attracted to prime West End real estate, where investment can provide the prospect of high occupancy, good demand for space and reliable growth in long-term cash flows as demonstrated by recent sales above valuation.

Investment activity

We maintain an active and disciplined approach to capital allocation. Having identified the opportunity to recycle five per cent of the portfolio, to date we have completed the sale of 8 properties, for £145 million, 8 per cent ahead of valuation, with several other assets under offer.

Our priority is to realise the long-term potential from our assets. Active asset management and refurbishment initiatives continue to enhance value and environmental performance across the portfolio. Capital expenditure of approximately 1 per cent of portfolio value per annum is expected. The Group successfully completed a number of refurbishments this year, including several office schemes, establishing rental tones in excess of £100 per square foot.

Acquisition opportunities have remained limited, with the West End's existing owners typically private, equity rich investors reluctant to sell their scarce assets. However, there are some opportunities currently under review. Our focus is on buildings which add to and complement our existing ownership and have the potential to generate sustainable long-term growth in income and capital values.

Sustainable approach

Our sustainability strategy is founded in future proofing our heritage buildings, and creating sustainable and healthy places which people enjoy visiting, working and living. During the year, we reconfirmed our commitment to becoming a Net Zero Carbon business by 2030 and published a combined Net Zero Pathway. We have already made great progress in reducing our carbon emissions and, working with our customers, will continue to decarbonise energy where practical by replacing gas with electricity.

We continue to improve the energy efficiency of our buildings to meet energy performance standards and customers' expectations though our ongoing refurbishment programme. Approximately 80 per cent of our portfolio by ERV has EPC ratings of A-C and we target at a minimum a B rating with new refurbishments. Key sustainability activities include investment in our buildings, prioritising pedestrians where possible through initiatives to enhance the public realm, improving air quality and our extensive greening programme. As we look ahead, we will utilise our data, technology and innovation to enhance our activities and continue to collaborate closely with our customers and other stakeholders to help deliver our shared sustainability goals.

Ongoing community engagement

As a responsible, long-term investor, community engagement and collaboration are integral to our strategy and activities. Being a good neighbour is important to us. We value the communities that make our places thrive. With our experience and knowledge of the West End, we make an important contribution to safeguarding its long-term appeal and prospects.

We continue to work with our local authorities and residents to make public realm enhancements which improve the experience and appeal of our vibrant destinations for visitors, workers, residents, businesses and communities. Our community programme prioritises initiatives and charity partners in the boroughs of Westminster and Camden. This includes financial support, the provision of space at reduced rates and staff volunteering. Our active approach includes supporting charities which work with local young people, the homeless, military veterans, food banks and the elderly as well as hospitality, cultural and retail foundations.

Outlook

Excellent future prospects; well-positioned to drive total returns

Shaftesbury Capital has had an excellent start following completion of the merger in March 2023. Despite the challenging geopolitical and macroeconomic environment, we have delivered strong performance with growth in cash rents and ERV. We are confident in the growth prospects of the West End which continues to demonstrate its enduring appeal and our portfolio is well-positioned to outperform.

We are already seeing the benefits of the merger with excellent levels of activity and a strong leasing pipeline. Footfall within our portfolio is high, customer sales are tracking well ahead of 2022 levels and there is limited vacancy across the portfolio. We are focused on delivering on our priorities in order to achieve our targets of an annualised total property return of 7-9 per cent and accounting return of 8-10 per cent over the medium-term. Shaftesbury Capital has a strong balance sheet, significant liquidity and benefits from enhanced access to capital. Our aim is to generate sustained growth in income whilst managing costs appropriately to deliver a progressive dividend.

As long-term responsible owners, we are committed to implementing our Environmental, Sustainability and Community strategy, particularly achieving Net Zero Carbon by 2030. With our ambitious and talented team, Shaftesbury Capital is positioned to drive total returns and meet our important sustainability objectives as the leading central London mixed-use REIT.

Ian Hawksworth

Chief Executive

28 February 2024

OPERATING AND PORTFOLIO REVIEW

Overview

Shaftesbury Capital owns an impossible to replicate portfolio and extends to 2.9 million square feet of lettable space across the most vibrant areas of London's West End. The Group's portfolio of adaptable mixed-use buildings provides diversified income streams. With a diverse mix of shops, restaurants, cafés, bars, residential and offices, our destinations include the high footfall, thriving neighbourhoods of Covent Garden, Carnaby, Soho and Chinatown, together with holdings in Fitzrovia. Our properties are located at the heart of the West End's entertainment and cultural attractions, benefitting from excellent connectivity through close proximity to the main West End Underground stations and transport hubs for the Elizabeth Line.

Covent Garden (53% of portfolio value)

Covent Garden is a world-class global destination in the heart of the West End, steeped in history with a rich heritage, made up of unique neighbourhoods including the iconic Piazza, Market Building and surrounding streets, together with Seven Dials, a seventeenth-century network of streets and courtyards.

Covent Garden offers unique shopping and dining experiences complemented by offices and a high-quality residential neighbourhood. These sit alongside historic architecture and cultural institutions including the world-renowned Royal Opera House and more than half of London's West End theatres, attracting both domestic and international visitors alike.

This exceptional mixed-use portfolio of approximately 1.5 million square feet provides a broad range of unit sizes, attracting a wide spectrum of retail and hospitality customers.

Carnaby | Soho (31% of portfolio value)

Carnaby | Soho is an internationally renowned vibrant mixed-use district with a bustling day-to-night restaurant scene. The portfolio comprises approximately 0.9 million square feet.

Carnaby offers a critical mass of global flagships to one-off concept stores, and independent brands. There are over 100 hospitality concepts across our Carnaby | Soho portfolio which are a key ingredient to the vibrancy within the area.

Our portfolio in central Soho, focused on Berwick, Beak and Broadwick Street offers a diverse array of creative and independent businesses, iconic restaurants and entertainment venues. This is a renowned hub for the creative sector which adds to the unique character of the area.

Chinatown (14% of portfolio value)

Europe's premier Chinatown is in the heart of the West End's entertainment district. Its twelve predominately pedestrianised and interconnected streets, lined with iconic red lanterns, offer an exceptional concentration of restaurants with a wide range of Chinese and East Asian dining choices.

Equally thriving day and night, the area's restaurants, bars, shops and cafés, as well as its unique mix of oriental supermarkets and authentic Asian retail stores, attract large numbers of Londoners, tourists, Asian students and local workers.

Portfolio valuation

The valuation movement of the wholly-owned property portfolio was -0.8 per cent to £4.8 billion, equivalent to approximately £1,680 per square foot on average (pro forma Dec 2022: £1,705 per square foot) (H1: +0.2 per cent; H2: -1.0 per cent). ERV increased across all uses by 6.9 per cent blended (like-for-like) and the equivalent yield was 4.34 per cent, reflecting 26 basis points of outward movement. Total property return for the year was +2.2 per cent versus the MSCI Total Return Index which recorded -0.1 per cent.

Whilst continuing economic uncertainties have led to greater caution among investors and lower transaction volumes, London remains attractive to international and domestic investors. This is particularly so in the West End, where investment provides the prospect of high occupancy, low capital requirements and reliable growing long-term cash flows.

Independent valuations of the wholly owned portfolio undertaken by CBRE and Cushman & Wakefield represent the aggregated value of predominantly freehold properties. There is no reflection of any premium which some potential investors may ascribe to the comprehensive ownership of retail, hospitality and leisure properties in adjacent, or adjoining, locations in London's West End where there is a long record of demand exceeding availability of space. In certain market environments, this may lead prospective purchasers to regard parts of the portfolio, for example by street, to have a greater or lower value than the aggregate of the individual property values. Such parties may consider a combination of some, or all, parts of the portfolio to command a premium or discount than currently reflected in the valuation, which has been prepared in accordance with Royal Institution of Chartered Surveyors guidelines.

Portfolio by use as at 31 December 2023	Retail	Hospitality and leisure	Offices	Residential	Wholly -owned portfolio
Valuation (£m)[1]	1,605.0	1,621.7	879.1	687.4	**4,793.2**
Annualised gross income (£m)	64.8	72.7	31.5	23.8	**192.8**
ERV (£m)	78.4	82.0	50.2	26.3	**236.9**
Net initial yield	3.6%	4.2%	3.1%	2.2%	**3.5%**
Topped up net initial yield	4.0%	4.4%	3.6%	n/a	**3.8%**
Equivalent yield	4.4%	4.7%	4.8%	2.8%	**4.3%**
L-f-L valuation movement (H2)	-0.8%	-1.1%	-0.8%	-1.6%	**-1.0%**
L-f-L valuation movement (FY)	-0.5%	-0.8%	-0.5%	-1.8%	**-0.8%**
L-f-L ERV movement (H2)	+3.8%	+4.4%	+2.3%	+1.7%	**+3.6%**
L-f-L ERV movement (FY)	+6.7%	+8.4%	+5.1%	+6.1%	**+6.9%**
WAULT (years)	3.3	8.3	2.7	1.3	**4.6**
Area (sq. ft. m)[2]	0.7	1.0	0.7	0.5	**2.9**

1. Excludes £2.1 million of Group properties primarily held in Lillie Square Holdings (a wholly-owned subsidiary).
2. Excluding long-leasehold residential interests.

Portfolio by location as at 31 December 2023	Covent Garden	Carnaby | Soho	Chinatown	Fitzrovia	Wholly-owned portfolio
Valuation (£m)[1]	2,521.6	1,482.2	689.5	99.9	**4,793.2**
Annualised gross income (£m)	97.4	59.0	31.2	5.2	**192.8**
ERV (£m)	122.3	76.1	33.0	5.5	**236.9**
Net initial yield	3.4%	3.4%	4.0%	4.5%	**3.5%**
Topped up net initial yield	3.7%	3.9%	4.1%	4.7%	**3.8%**
Equivalent yield	4.3%	4.5%	4.2%	4.7%	**4.3%**
L-f-L valuation movement (H2)	+0.0%	-2.0%	-0.7%	-11.8%	**-1.0%**
L-f-L valuation movement (FY)	+0.3%	-1.6%	-0.2%	-17.4%	**-0.8%**
L-f-L ERV movement (H2)	+4.2%	+1.9%	+5.1%	+0.0%	**+3.6%**
L-f-L ERV movement (FY)	+8.7%	+4.2%	+7.6%	+0.7%	**+6.9%**
WAULT (years)	4.9	3.9	5.5	4.9	**4.6**
Area (sq. ft. m)[2]	1.5	0.9	0.4	0.1	**2.9**

1. Excludes £2.1 million of Group properties primarily held in Lillie Square Holdings (a wholly-owned subsidiary).
2. Excluding long- leasehold residential interests.

Covent Garden generated ERV growth of 8.7 per cent primarily driven by leasing and asset management activity across retail and hospitality space. 84 new commercial leases and renewals were agreed 10.1 per cent ahead of ERV. Across Carnaby | Soho, ERV growth was 4.2 per cent during the year, as a result of 78 new commercial leases and renewals agreed 12.9 per cent ahead of ERV, primarily driven by office letting and asset management activity. During the year, 17 new commercial leases and renewals were agreed in Chinatown, 10.1 per cent ahead of ERV. ERV growth in Chinatown was 7.6 per cent over the year. In Fitzrovia, 9 new commercial leases were agreed 5.5 per cent ahead of ERV. The ERV growth was 0.7 per cent during the year which reflected the small volume of transactions together with the less consolidated nature of our holdings, compared with our other locations.

Retail and hospitality and leisure ERVs are currently 17 per cent and 3 per cent, respectively, below pre-pandemic levels. Overall portfolio ERV value is 5 per cent lower than 2019 levels on a like-for-like basis.

Our interests comprise a combination of properties which are wholly-owned and a 50 per cent share of property held in the Longmartin associate investment and the Lillie Square joint venture. The consolidated financial statements, prepared under IFRS, include the Group's interest in the associates and joint ventures as one-line items in the Income Statement and Balance Sheet. Investments in associates and joint ventures account for an additional £224.1 million of property interests (our 50 per cent share).

Excellent leasing momentum across all uses

There is 2.9 million square feet of lettable space, comprising 1.7 million square feet of retail, hospitality and leisure space together with 0.7 million square feet of offices and over 700 residential apartments.

Operational performance across the portfolio has been strong with rental growth and low vacancy underpinned by sustained demand. 68 new brands and concepts were introduced during the year, reflecting the enduring appeal of our West End portfolio. Store productivity is an important measure of retail and hospitality success, and we target categories and brands across the price spectrum and market our locations to enhance sales densities and performance.

During the year 526 leasing transactions were concluded with a combined rental value of £37.0 million, comprising:

- 188 commercial lettings and renewals: £24.2 million, 11.2 per cent ahead of 31 Dec 2022 ERV and 13.0 per cent ahead of previous passing rents; and
- 338 residential lettings: £12.8 million, 11.7 per cent above previous passing rents.

Leasing transactions concluded during the year

Use	Transactions	New contracted rent (£m)	% above Dec-2022 ERV
Retail	84	11.6	9.3
Hospitality & leisure	37	4.7	14.1
Offices	67	7.9	12.4
Residential	338	12.8	7.9
Total	526	37.0	10.0

In addition, 69 commercial rent reviews with a rental value of £15.8 million were concluded on average 9.1 per cent ahead of previous passing rents.

Retail (33 per cent of the portfolio by ERV)

The portfolio includes 415 shops with an average ERV of £108 per square foot, located primarily in Covent Garden and Carnaby | Soho with a broad range of unit sizes and rental tones on offer. We cater for a variety of retailers and provide flexibility for expansion within our portfolio. There is strong demand from British, independent and global brands ranging from start-ups to established retailers seeking global flagships, which are attracted by the seven-days-a-week footfall and trading environment.

The occupational and investment market continues to demonstrate polarisation of demand to the strongest locations. Retailers place greater emphasis on global locations, consumer experience, service and flagship retailing with better digital engagement. The West End, and particularly our portfolio, remains a preferred destination for market entry and retail expansion, reflecting its enduring appeal and significance in the retail landscape.

Retail demand is strong, with various units continuing to attract interest from multiple customers. Trading conditions are positive with particularly strong performance in certain categories such as performance wear, premium and health and beauty.

As part of our strategy to unify the Covent Garden district including the Piazza with Seven Dials, the brand mix of Seven Dials is evolving to expand its consumer and leasing range whilst preserving its unique character. There have been a number of new signings on Neal Street, a key gateway into Seven Dials not only from Covent Garden but from the Elizabeth Line at Tottenham Court Road. These include premium shoe brand Loake and the first UK store for Horace. On Earlham Street, the streetwear offer has been strengthened with the signing of Axel Arigato, a flagship Soho brand which has taken space on the Dial anchoring this important street. Marking their first permanent bricks-and-mortar stores, independent British retailer Odd Muse and contemporary jewellery brand Missoma have opened debut flagship locations on Monmouth Street.

Following its success on Long Acre, performance outdoor brand Arc'teryx has upsized with a new flagship store on King Street, joining footwear and apparel brand Hoka which opened its first European retail location on James Street. We continue to strengthen the luxury and jewellery offering with the introduction of Messika, Hublot, Girard Perregeaux and Omega in the Royal Opera House Arcade and as well as Tissot which opened its debut flagship boutique on James Street.

Building on the strong brand line-up, there is an opportunity to evolve the retail offer on Carnaby Street paying particular attention to brand selection and categories that provide higher productivity, whilst taking inspiration from the area's rich history and ever-evolving retail scene of its surrounding Soho streets. A number of new retailers joined the offering including Hollister and OG Kicks opening on Foubert's Place. Award-winning cult make-up concept Sculpted by Aimee opened its new UK flagship while eyewear brand Oakley opened on Carnaby Street joining premium outerwear concept Jott. Farah relocated across the portfolio to Berwick Street, joined by the UK flagship for Wolf and Badger which brings a unique retail experience to the Soho portfolio with its collection of brands.

Reflecting strong demand during the year, we completed 84 retail lettings and renewals with a rental value of £11.6 million. Rents, on average, were 9.3 per cent above December 2022 ERV.

- H1 2023: 37 lettings and renewals: £5.1 million, 6.0 per cent ahead of 31 Dec 2022 ERV; and 11.9 per cent ahead of previous passing rents
- H2 2023: 47 lettings and renewals: £6.5 million, 6.4 per cent ahead of 30 Jun 2023 ERV; and 19.3 per cent ahead of previous passing rents

Rent reviews with rental value of £2.7 million were concluded, 7.9 per cent ahead of previous passing rents.

Hospitality and leisure (35 per cent of the portfolio by ERV)

Our portfolio offers a diverse range of food concepts, from accessible casual to premium dining. Across the portfolio, we continue to introduce high quality, innovative food concepts, which in our experience, provides a halo effect on footfall, increases dwell time, and drives improved trading. Customers across the portfolio have reported strong trading. Competition for available hospitality accommodation has been strong throughout the year. With availability being constrained by strong trading prospects together with local planning and licensing policies, we are also seeing a high rate of renewals from existing customers.

During the year, Covent Garden welcomed 13 new hospitality offerings, ranging from independent to international operators. These operators provide a variety of cuisines and price points, bringing something different to the evolving dining mix, reflecting its position as one of the West End's most popular dining destinations. Highlights include Parisian-inspired rotisserie style restaurant, Story Cellar, from two Michelin Star Chef Tom Sellers; British independent favourite, The Breakfast Club; top chef Phil Howard's pasta bar NOTTO; and internationally renowned GAUCHO.

2023 marked a decade of dining at Kingly Court and it continues to be one of our best trading hospitality locations with strong sales and low rent to sales ratios on all levels. Following the success of its 2021 opening, Imad's Syrian Kitchen has upsized into larger space on the upper floor, alongside Darjeeling Express and newly opened critically acclaimed Filipino concept Donia. The opening of Bébé Bob in Soho, located opposite the flagship Bob Bob Ricard, marked a new concept for restaurateur Leonid Shutov.

Chinatown is a sought-after location in the heart of the West End's entertainment district. The continually evolving line-up welcomed Pan-Asian restaurant concept, YiQi, while Japanese restaurant High Yaki launched its unique take on Japanese barbecue in Newport Place, joining an unmatched collection of authentic regional Chinese and pan-Asian restaurants.

Fitzrovia has introduced four UK dining debuts, including the recently launched 64 Goodge Street by Woodhead Restaurant Group, Ukrainian-born Spanish concept, Boca a Boca, July, a brand-new Alsace-inspired dining concept, and Mealtime Malatang, a Sichuanese street food operator.

37 hospitality and leisure leasing transactions completed with a rental value of £4.7 million, 14.1 per cent ahead of December 2022 ERV. Rent reviews totalled £11.6 million, 9.8 per cent above previous passing rents.

- H1 2023: 18 lettings and renewals: £1.7 million, 4.3 per cent ahead of 31 Dec 2022 ERV; and 4.7 per cent ahead of previous passing rents
- H2 2023: 19 lettings and renewals: £3.0 million, 12.8 per cent ahead of 30 Jun 2023 ERV; and 9.8 per cent ahead of previous passing rents

Office (21 per cent of the portfolio by ERV)

The portfolio offers 0.7 million square feet of office space across 418 office suites with a broad range of floorplates. Typically, office accommodation is occupied by media, creative, technology and professional services businesses. With a wide range of office suites, we cater to a broad range of customer needs and provide opportunity for expansion.

There is a growing number of customers relocating to the West End from other central London locations as employers continue to recognise the importance of a vibrant atmosphere in attracting and retaining staff. The Carnaby and Covent Garden development pipeline is well-positioned to capture this demand, with their high amenity value and excellent environmental credentials.

There is a flight to quality with a preference for fully fitted space and low-density use, provided on flexible lease terms. We have developed our fully fitted offering through our 'Assemble' brand to capture this demand, delivering rental growth. Demand for office space is robust across the West End with recent lettings commanding a rental tone of approximately £100 per square foot.

During the year, 67 office leasing transactions with a rental value of £7.9 million were concluded 12.4 per cent ahead of December 2022 ERV. Rent reviews with rental value of £1.5 million completed, 5.8 per cent ahead of previous passing rents.

- H1 2023: 34 lettings and renewals: £3.7 million, 6.8 per cent ahead of 31 Dec 2022 ERV; and 9.8 per cent ahead of previous passing rents
- H2 2023: 33 lettings and renewals: £4.2 million, 12.8 per cent ahead of 30 Jun 2023 ERV; and 13.9 per cent ahead of previous passing rents

Residential (11 per cent of the portfolio by ERV)

The central London residential letting market was positive throughout 2023. There continues to be good leasing demand for residential accommodation across the portfolio of 709 residential apartments. Our proposition of characterful period buildings with modern specification located in vibrant, well-managed areas attracts interest from a broad range of customers.

The sustained strong demand throughout the year resulted in any available space typically being let within a matter of days, often involving competitive bidding.

During the year 338 residential lettings and renewals with a rental value of £12.8 million completed 11.7 per cent ahead of previous passing rents and, at 31 December 2023 only 6 units were available to let.

- H1 2023: 131 residential lettings and renewals: £4.6 million, 4.7 per cent ahead of 31 Dec 2022 ERV; and 8.9 per cent ahead of previous passing rents
- H2 2023: 207 residential lettings and renewals: £8.2 million, 7.7 per cent ahead of 30 Jun 2023 ERV; and 13.3 per cent ahead of previous passing rents

Active consumer engagement through brand partnerships and activations

Unique consumer experiences are offered across our predominantly pedestrianised destinations. We work closely with our customers to enhance operating metrics such as footfall, conversion and spend which in turn support our rental growth prospects.

We have rolled out a holistic marketing and brand partnership strategy. We have direct access to over 1.2 million consumers across our social media channels and have launched portfolio-wide digital collaborations. During the year, our level of engagement and number of followers continued to grow across all destinations.

We had a successful Christmas period across the portfolio with a programme of festive events and shopping evenings. Covent Garden unveiled a new Christmas scheme, the first in nearly a decade, while the vibrant Carnaby Universe Christmas campaign offered a series of events and collaborations including working with our important charity partner, Choose Love.

Chinatown continues to see engagement and growth across both its Chinese and Western social media channels. The annual Chinese New Year parade, the largest outside of Asia, took place in February 2024 celebrating the year of the Dragon throughout a 15-day celebration period.

Important marketing initiatives across the portfolio include:

- American Express spend incentive campaign across Covent Garden and Carnaby | Soho, driving spend, brand loyalty and data insights
- In celebration of the Coronation of King Charles III, a variety of activities took place across the portfolio, including welcoming Their Majesties King Charles III and Queen Camilla to the Covent Garden estate
- A sculpture trail linking the enlarged Covent Garden portfolio, in aid of conversation charity Tusk
- Celebrations to mark Pride and Earth Day
- Brand partnerships included Wimbledon Screenings, pop ups from Lego, Marc Jacobs, MaxMara and Formula E
- An installation of handcrafted parasols in Chinatown
- Immersive dining campaigns across Carnaby | Soho
- Extensive Christmas campaigns across our portfolio
- Brand partnership with Paul Smith illuminating the Market Building

Annualised gross income and ERV

At 31 December 2023, annualised gross income had increased by 10.4 per cent (like-for-like) to £192.8 million. ERV was £236.9 million, up 6.9 per cent over the year (like-for-like).

A key priority is to deliver growth in cash rents, capturing the reversion between annualised gross income and the valuers' ERV as well as generating sustained rental growth in line with our medium-term target of 5-7 per cent. Our active approach is informed by a broad base of experience and deep knowledge of the West End. This enables the business to deliver rental growth through 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 buildings.

As at 31 December 2023, the portfolio's reversion was £44.1 million, with the opportunity to grow annualised gross income by 22.9 per cent before taking into account any further ERV growth. The components of this reversion are set out below.

Components of the reversion

	31 December 2023 £m
Annualised gross income	192.8
Contracted	17.3
Under offer	6.2
Available-to-let	4.7
Under refurbishment	13.9
Net under-rented	2.0
ERV	**236.9**

High occupancy

At 31 December 2023, EPRA vacancy (including units under offer) was 4.9 per cent of portfolio ERV; 2.8 per cent was under offer and 2.1 per cent was available-to-let.

Under offer

Use	% of portfolio ERV	ERV (£m)	Area ('000 sq. ft.)
Retail	0.3	0.7	5.6
Hospitality & leisure	0.9	2.0	18.2
Offices	1.5	3.3	35.3
Residential	0.1	0.2	4.2
Total	**2.8**	**6.2**	**63.3**

Available-to-let space

Use	% of portfolio ERV	ERV (£m)	Area ('000 sq. ft.)
Retail	0.6	1.3	17.9
Hospitality & leisure	0.6	1.4	20.6
Offices	0.8	1.8	25.1
Residential	0.1	0.2	4.0
Total[1]	**2.1**	**4.7**	**67.6**

1. Includes 5 units let on a temporary basis (ERV: £0.7 million).

Refurbishment activity

Active asset management and refurbishment initiatives continue to unlock income and value as well as enhance environmental performance. During the year, refurbishments with an ERV of £10.6 million completed, of which £9.0 million is contracted or under offer including 72 Broadwick Street representing £3.6 million.

On average, we expect approximately one per cent of portfolio value to be invested per annum in refurbishment, asset management and repositioning opportunities, including actions to improve energy performance. This year, £35.1 million of capital expenditure has been incurred, and capital commitments amount to £24.8 million as at 31 December 2023.

The ERV of space under refurbishment amounts to £13.9 million across 0.2 million square feet, representing 5.8 per cent of portfolio ERV (30 June 2023: 6.7 per cent).

Under refurbishment

Use	% of portfolio ERV	ERV (£m)	Area ('000 sq. ft.)
Retail	1.0	2.4	17.8
Hospitality & leisure	1.5	3.6	61.4
Offices	2.9	6.9	86.7
Residential	0.4	1.0	18.9
Total	**5.8**	**13.9**	**184.8**

Active capital recycling

In 2023, we completed the sale of seven properties for gross proceeds of £88.1 million, 11.8 per cent ahead of the latest valuation (before sale costs). Subsequent to year end, a further £57 million disposals completed bringing total disposals to £145 million, 8 per cent ahead of valuation, and with a total ERV of £9.0 million.

We are well-positioned with access to significant liquidity to act on appropriate market opportunities. Assets remain tightly held in the area, however there are acquisition opportunities under review which meet our criteria to deliver attractive long-term rental growth and total returns. During the year we completed the lease regear of the Royal Opera House Arcade in Covent Garden and acquired a residential apartment in Seven Dials.

Joint ventures and associates

We own 50 per cent of Longmartin and Lillie Square and in the summaries that follow, all figures represent our 50 per cent share.

Longmartin

At 31 December 2023, Longmartin's long leasehold property was valued at £158.8 million (2022: £160.3 million). After allowing for capital expenditure, the valuation decrease for the year was 1.3 per cent. Like-for-like, ERVs increased 9.4 per cent, of which 5.8 per cent was recorded in the second half of the year. At 31 December 2023, the equivalent yield was 4.86 per cent, an increase of 38 basis points over the year (31 December 2022: 4.48 per cent).

Pursuant to the terms of the Longmartin investment (forming 3 per cent of the Group's property portfolio), the merger triggered the right for The Mercers' Company (the "Mercers") to require the Company to offer to sell its shares in the Longmartin investment to them (or to a third-party purchaser identified by them). The Mercers have elected to consider acquiring the Company's shares in the Longmartin investment and discussions are ongoing. There is no certainty that a transaction relating to the Company's investment in Longmartin will be agreed.

Lillie Square

Shaftesbury Capital owns 50 per cent of the Lillie Square joint venture, a residential estate and remaining development phases located in West London. The property valuation as at 31 December 2023 was £65.3 million, 10.3 per cent lower (like-for-like) than the 31 December 2022 valuation of £77.0 million. In addition, Shaftesbury Capital owns £1.8 million of other related assets adjacent to the Lillie Square estate.

In total, 355 Phase 1 and 2 residential apartments have been sold. 65 units are available and 32 units have been leased on a short-term basis. The sale of 4 units completed during the year representing £6.8 million of value. (Shaftesbury Capital share: £3.4 million). The joint venture is in a cash position of £15.9 million (£7.9 million Shaftesbury Capital share).

Sustainability and environmental stewardship

We are committed to reducing the impact of our operations on the environment, whilst engaging and collaborating with our wide range of stakeholders is integral to our strategy and values. As a long-term, responsible investor, sustainability has always been an important aspect of delivering our strategy. It is our ambition to become a UK leader in sustainability for heritage properties, and we will continue to re-use, re-purpose and improve our buildings to enhance energy performance and meet the evolving needs of our customers.

We adopt a low-carbon approach to future-proofing our heritage buildings, minimising additional embodied carbon and air pollution which comes from demolition and construction, whilst improving their energy performance at modest financial outlay. We estimate the cost of sustainability improvements to meet our commitments, included in our capital expenditure estimates, is on average approximately 0.1 per cent of portfolio value annually. Approximately 80 per cent of our portfolio by ERV now has EPC ratings of A-C, up 12 percentage points relative to 2022. We target a minimum rating of B on all new refurbishment projects.

We are committed to be Net Zero Carbon for our scope 1 & 2 emissions by 2025, and across the whole business (scopes 1, 2 & 3 emissions) by 2030. In November 2023, a combined Net Zero Carbon Pathway by 2030 was published which recognises that our heritage buildings represent substantial long-term carbon stores. Green leases, which encourage greater collaboration on data to enhance energy performance, are standard for new customers across the portfolio.

We are committed to transparent reporting through recognised indices. Following the merger and the subsequent name change from Capco to Shaftesbury Capital, both Capco and Shaftesbury's submissions to relevant indices during 2023 relate only to their individual activities and approach. The 2023 submissions, to be made during 2024, will be based on the Company's combined activities and approach. We are proud to have increased our CDP rating to A- putting us in the leadership category and reflecting the additional work done to improve our climate risk management and reporting.

Following the successful pilot of Carbon Risk Real Estate Monitor ("CRREM") analysis on a number of properties in the Covent Garden portfolio, we are currently carrying out detailed energy efficiency audits on a larger sample of buildings across the portfolio.

Stakeholder and community engagement

Community engagement and collaboration are integral to our strategy and activities. We are committed to engaging with and supporting the vibrant communities that make our places thrive.

With our experience and knowledge of the West End, we make an important contribution to safeguarding its long-term appeal and prospects. Our stakeholders include local authorities, neighbouring owners and business improvement districts, industry groups, residents, and charitable organisations.

We continue to work with our local authorities and residents to make public realm enhancements to improve both air quality and the experience and appeal of our vibrant and thriving places for visitors, workers, residents, businesses and communities. These include pedestrianisation, streetscape improvements, providing outdoor seating and schemes to reduce traffic congestion and pollution.

During the year, we have continued to support community-led initiatives which work with local people in Camden and Westminster providing support for, and engagement with, local charities to address needs in our local communities. We provide financial support, subsidised space and staff volunteering. This support includes sponsorship of a student at Westminster University through our Scholar Programme, Young Westminster Foundation's Brighter Futures Fund, Young Camden Foundation's Heads Up Mental Health Fund and the Covent Garden Community Trust. Pop up space was provided to Smartworks, a UK charity which harnesses fashion for good, focusing on getting out of work women back into the workplace.

Our portfolio is located close to major cultural attractions. We continue our support of culture and the arts, including the patronage of the Donmar Theatre in Seven Dials, as well as partnerships with the Society of London Theatres, British Fashion Council, British Beauty Council and London & Partners.

FINANCIAL REVIEW

Presentation of information

The all-share merger of Capital & Counties Properties PLC ("Capco") and Shaftesbury PLC to create Shaftesbury Capital PLC ("Shaftesbury Capital") completed on 6 March 2023. The financial review sets out the results of Shaftesbury Capital with the consolidated income statement reflecting the standalone performance of Capco for the period 1 January to 6 March and the performance of the merged business, Shaftesbury Capital, between the completion date of 6 March 2023 and 31 December 2023. The balance sheet as at 31 December 2023 reflects the position of the combined Group. The 2022 comparative information relates to Capco pre-merger.

Reflecting the Company's focus primarily on the wholly-owned portfolio, all information is presented on an IFRS basis, with Group share (which included the share of joint ventures and associates on a proportionally consolidated basis) no longer being presented. Key performance metrics have been restated to reflect this change. Pro forma information has been included for the balance sheet to provide relevant comparative information. Further details on pro forma information, and reconciliation to reported numbers, is included on page 59.

Financial highlights

Shaftesbury Capital has had an excellent 2023 characterised by operational momentum across our portfolio, with strong leasing demand across all uses resulting in rental growth. Footfall trends across the West End are positive, buoyed by increasing international visitor numbers, contributing to growth in sales for our retail and hospitality customers. Against a backdrop of geopolitical and macroeconomic uncertainty, the resilient performance over the year demonstrates the exceptional qualities of our portfolio, which has generated growth in annualised income and ERV as well as a stable property valuation, particularly in a market characterised by widened yields.

Underlying earnings for the year were £60.4 million, equivalent to 3.7 pence per share based on the weighted average number of shares during the year. Net rental income has increased in the year, offset in part by higher finance costs and administration expenses. The Directors have declared a final dividend of 1.65 pence per share, which when combined with the interim dividend of 1.5 pence results in a total dividend per share in respect of the year of 3.15 pence per share.

The wholly-owned portfolio has been independently valued at £4,795.3 million, reflecting a -0.8 per cent like-for-like movement relative to the pro forma 31 December 2022 valuation of £4,857.8 million. ERV increased by 6.9 per cent (like-for-like) to £236.9 million and the equivalent yield was 4.34 per cent, reflecting outward movement of 26 basis points.

The sale of seven properties was completed in the year for total proceeds of £88.1 million, 11.8 per cent ahead of the latest valuation. Subsequent to year end a further property has been sold for £56.5 million bringing total disposals to £145 million, 8 per cent ahead of valuation.

Overall EPRA NTA (net tangible assets) per share increased by 4.5 per cent in the year from 182.1 pence at 31 December 2022 to 190.3 pence. Combined with the 3.15 pence per share dividend paid to shareholders during the year, the total accounting return for the year is 5.8 per cent. Total shareholder return for the year was 33.1 per cent, reflecting dividends paid and the increase in the share price from 106.5 pence to 138.1 pence per share.

Significant progress has been made on cost savings across the business, well ahead of the phasing included in the merger documentation, which set out a run rate of £12.0 million within two years, of which £6.0 million would be achieved within a year of completion. Total annualised savings are expected to amount to over £16 million, primarily in administration costs, the majority of which relate to actions or decisions already taken. A number of broader benefits from the merger have also been identified, including incremental revenue opportunities. We continue to work towards an effective and efficient organisational structure, with the EPRA cost ratio (which measures property-level and administration costs relative to gross rental income) targeted to reduce towards 30 per cent over the medium-term.

The Group has a strong balance sheet with a focus on resilience, flexibility and efficiency. The EPRA loan to value ratio at year end was 31 per cent. There is significant headroom against debt covenants and access to liquidity, comprising cash and undrawn facilities, of £485.7 million (31 December 2022: £416.5 million).

During the year, £550 million of debt was raised comprising a £200 million 10-year loan facility, secured against a portfolio of assets within the Carnaby portfolio, and an unsecured medium term bank financing of £350 million (upsized from £300 million) comprising a term loan and a revolving credit facility. The proceeds, together with the Group's cash resources, were used to repay the loan facility which was drawn down in full in April 2023 to fund redemption of the Chinatown and Carnaby bonds for £575 million. Priorities over the forthcoming period are to refinance the 2026 debt maturities as well as consideration of longer-term financing options to evolve our capital structure, taking advantage of the Group's enhanced credit profile.

As set out in the November 2023 investor event, we are targeting average annual rental growth of 5-7 per cent and, assuming stable cap rates, total property returns of 7-9 per cent and total accounting returns of 8-10 per cent over the medium-term.

Accounting implications of the merger

As detailed in note 1 'Principal accounting policies' under 'Critical accounting judgements and key sources of estimation uncertainty', from an accounting perspective, Capco was the deemed acquirer of Shaftesbury. The book value of Shaftesbury's net assets has been adjusted to reflect their fair value at the completion date of 6 March 2023, in accordance with IFRS 3.

The major adjustments required by IFRS 3 included:

- the derecognition of Shaftesbury tenant lease incentives and deferred letting fees of £42.0 million held within 'Other receivables'. The balance would have been amortised to net rental income on a straight-line basis over the remaining term of the lease to the earlier of break or expiry. As a result of this adjustment, net rental income for the Shaftesbury assets from 6 March 2023 reflects amortisation of new tenant lease incentives and deferred letting fees only.
- £959.8 million nominal of fixed rate debt held by Shaftesbury was fair valued at £889.0 million, resulting in a £70.8 million fair value movement. The Group's 50 per cent share of the Longmartin debt was fair valued at £56.6 million, £3.4 million lower than nominal value of £60 million, leading to a total fair value difference of £74.2 million. £24.6 million of this difference has been derecognised through other finance costs on redemption of the Chinatown and Carnaby bonds. The remainder will be amortised as a charge to other finance costs over the remaining term of the debt facilities, with a £5.2 million charge being recorded in the year. At 31 December 2023 the unamortised balance of the fair value adjustment was £44.4 million, equivalent to 2.4 pence per share in EPRA NTA.

Consideration issued on completion of the merger was in the form of 3.356 Capco shares for each Shaftesbury share, with a total of 1,096 million shares being issued (including 128.4 million shares issued to a Capco-controlled entity in respect of secured Shaftesbury shares previously held as collateral for the exchangeable bonds). The Shaftesbury Capital share price was trading at a 32 per cent discount to EPRA NTA on 6 March 2023, which in turn results in the deemed value of the consideration being at a discount to the fair value of Shaftesbury's net assets on completion. This discount, referred to under IFRS as a 'bargain purchase' gain, amounted to £805.5 million and has been recognised under the IFRS 3 completion accounting in the consolidated income statement.

Prior to the merger, Capco-owned 25.2 per cent of Shaftesbury shares with the investment held as a "financial asset at fair value through profit and loss". The investment was revalued on 3 March 2023 based on the closing share price of 421.6 pence resulting in a fair value gain of £52 million during the period. Following the merger, Shaftesbury is fully consolidated with no separate investment held.

Accounting policies have been aligned following the merger. As a result, tenant lease incentives and deferred letting fees, which were previously amortised to lease expiry within Capco, have been amended to be amortised on a straight-line basis to the earlier of the lease break date and expiry. This change has led to a £5.1 million reduction in net rental income in the current year with a corresponding reduction in other receivables. As tenant lease incentives and deferred letting fee balances are deducted from the market value of investment property to calculate the portfolio carrying value, this adjustment is also reflected through investment property carrying value and the revaluation movement, and consequently it does not impact net asset value or profit for the year.

In addition, for legacy Capco, letting fees deferred on the balance sheet and amortised to property costs on a straight-line basis had not been previously deducted from the market value of investment property. Since the related leases are included in the valuation, the investment property carrying value has been reduced by £4.1 million, being the balance of deferred letting fees carried on the balance sheet at 1 January 2023. This adjustment is included within the valuation movement for the year.

Alternative performance measures

As is usual practice in the real estate sector, alternative performance measures ("APMs") are presented for certain indicators, including earnings, earnings per share and EPRA net tangible assets, making adjustments set out by EPRA in its Best Practice Recommendations. These recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency, comparability and coherence of the sector.

One of the key performance measures which the Group uses is underlying earnings. The underlying earnings measure reflects the underlying financial performance of the Group's core West End property rental business and is a relevant metric in determining dividends. The measure aligns with the main principles of EPRA earnings which excludes valuation movements on the wholly-owned, joint venture and associate properties, fair value changes of financial instruments and listed investments, cost of early close out of debt, gain on bargain purchase and IFRS 3 merger-related transaction costs. In calculating underlying earnings, additional adjustments are made to exclude items considered to be non-recurring or significant by virtue of size and nature. Consistent in the calculation for both years is the removal of the financial performance of the Lillie Square joint venture, associated tax adjustments and the interest receivable on the loan issued to the joint venture by the Group. Lillie Square is not considered to be a core part of the operations of the Group and therefore its results are not included in underlying earnings. The fair value movement of the option component of the exchangeable bond is also adjusted from underlying earnings as such movements do not reflect the true nature of the performance of the Group.

Following the completion of the all-share merger on 6 March 2023, the following new adjustments have been made to underlying earnings:

- A fair value exercise was performed on the Shaftesbury balance sheet, with the debt (including an adjustment to the investment in Longmartin arising from the fair value adjustment of the underlying debt in the associate) adjusted to be held at a fair value of £945.6 million compared to the nominal value of £1,019.8 million. The balance of the fair value adjustments will be amortised to other finance costs over the remaining term of the debt facilities. In the current year, EPRA earnings has been adjusted by £24.6 million, to reflect the accelerated unwind of the fair value adjustment following the early redemption of the Chinatown and Carnaby bonds in April 2023. The current year amortisation of the fair value adjustment for the other debt facilities of £5.2 million has been adjusted from underlying earnings within other finance costs.
- £8.7 million of merger-related integration and other non-underlying costs have been incurred. These costs are non-recurring as they relate to significant transactions outside the core operations of the Group.
- A £5.1 million reduction to gross profit has been reported as a result of the alignment of accounting policies following the merger. Details are set out in note 1 'Principal accounting policies' under 'Changes in accounting policies'. The alignment was considered immaterial and not adjusted retrospectively. The cumulative impact as at 1 January 2023 was adjusted against gross profit and as such has been adjusted from underlying earnings to reflect the true performance of the business for the current year.

Further details on APMs used, including details on pro forma information, and how they reconcile to IFRS, are set out on page 58.

FINANCIAL PERFORMANCE

SUMMARY INCOME STATEMENT

The 2023 summary income statement represents the standalone performance of Capco for the period to 6 March 2023 and that of the combined Group from that date to 31 December 2023. The comparative information for 2022 relates to the previously reported results of Capco.

	2023 £m	2022 £m
Gross profit	**141.9**	57.3
Loss on revaluation and profit on sale of investment property	**(65.0)**	(0.8)
Change in fair value of listed equity investment	**52.0**	(239.5)
Other income	**2.7**	13.5
Administration expenses[1]	**(83.8)**	(40.6)
Net finance costs[2]	**(51.9)**	(24.6)
Profit from joint ventures and associates	**0.2**	-
Taxation	**(0.2)**	(6.0)
Other[3]	**(51.0)**	28.9
	(55.1)	(211.8)
Gain on bargain purchase	**805.5**	-
Profit/(loss) for the year	**750.4**	(211.8)
Basic earnings/(loss) per share	**45.5p**	(24.9)p
EPRA earnings[4]	**45.0**	57.3
EPRA earnings per share[4]	**2.7p**	6.7p
Underlying earnings[4]	**60.4**	18.6
Underlying earnings per share[4]	**3.7p**	2.2p
Weighted average number of shares[5]	**1,648.9m**	851.3m

1. Administration expenses include £44.5 million of non-underlying costs (2022: £14.6 million), substantially related to merger-related transaction and integration costs, which are considered non-recurring in nature.
2. Excludes other finance income and costs and change in fair value of derivative financial instruments (included in 'Other' above).
3. Includes impairment of other receivables, other finance income and costs including the change in fair value of derivatives and amortisation of merger adjustments for the fair value of Shaftesbury debt adjustment on merger.
4. Further details regarding EPRA and Underlying earnings are disclosed in note 2 'Performance measures'.
5. In total, 1,953.2 million shares are in issue as at 31 December 2023. Following the issuance of 1,095.6 million shares on 6 March 2023, the weighted average number of shares for the 12 months ended 31 December 2023 is 1,648.9 million. The weighted average number of shares excludes 128.4 million own shares held as collateral for the exchangeable bond and 3.1 million shares held by the Group's approved Employee Benefit Trust, both of which are included in the total number of shares in issue of 1,953.2 million.

Gross profit

	2023 £m	2022 £m
Rent receivable	**171.9**	61.5
Straight lining of tenant lease incentives[1]	**3.9**	6.3
Service charge income	**19.3**	6.3
Revenue	**195.1**	74.1
(Provision for)/reversal of expected credit loss	**(2.0)**	1.6
Property expenses[1]	**(31.1)**	(10.2)
Service charge expenses	**(19.3)**	(6.3)
Impairment of tenant lease incentives	**(0.8)**	(1.9)
Gross profit	**141.9**	57.3

1. 2023 includes £5.1 million reduction for the change in accounting policy to adjust the amortisation period for tenant lease incentives and deferred letting fees. £4.1 million adjustment is recorded through straight lining of tenant lease incentives and £1.0 million in property expenses.

Rent receivable income has increased by 13.2 per cent like-for-like compared with December 2022 reflecting the positive letting activity across the portfolio.

Straight lining of tenant lease incentives, after a non-cash charge of £4.1 million reflecting the change in accounting policy noted above, has increased revenue by £3.9 million in the year. Excluding the change in accounting policy, the impact of straight lining tenant lease incentives would have increased income by £8.0 million, reflecting the large volume of new leases signed in the year.

Reflecting the normalisation of cash collection levels, as at 31 December 2023 the balance sheet provision for expected credit losses for rent receivable was £4.8 million representing 26 per cent of the rent receivable balance. As at 31 December 2022 the legacy Capco provision was £4.0 million representing 33 per cent of the rent receivable balance.

Loss on revaluation and profit on sale of investment property

The market valuation of the wholly-owned portfolio has decreased by 0.8 per cent like-for-like between December 2022 (pro forma) and December 2023 to £4,795.3 million. ERV increased by 6.9 per cent (like-for-like) to £236.9 million and the equivalent yield was 4.34 per cent, reflecting outward movement of 26 basis points. The equivalent yield on the commercial portfolio (excluding residential assets) was approximately 4.58 per cent.

The loss on revaluation of £68.5 million recorded in the income statement, and revaluation gain of £1.8 million recorded in the statement of comprehensive income, is based on carrying value of the property portfolio after adjustments for lease incentives and capital expenditure and takes into account valuation movements on the Shaftesbury investment property between the fair value on completion of the merger and the valuation at 31 December 2023.

Seven properties have been disposed during the year for gross proceeds of £88.1 million. Based on the opening book value and sale costs, overall profit of £3.5 million has been recognised.

Other income

Dividend income of £2.6 million was received from the 25.2 per cent shareholding in Shaftesbury on 15 February 2023 in relation to the final quarter of 2022.

Administration expenses

	2023 £m	2022 £m
Depreciation	**0.4**	0.2
Other administration expenses	**38.9**	25.8
Underlying administration expenses	**39.3**	26.0
Merger-related transaction costs	**35.8**	14.6
Merger-related integration and non-underlying administration expenses	**8.7**	–
Administration expenses	**83.8**	40.6

Underlying administration expenses of £39.3 million, is considerably below the combined previously reported administrative expenses by each separate company, prior to the merger.

In addition to underlying administration expenses of £39.3 million, merger-related transaction costs of £35.8 million have been incurred during the year, with the majority related to successful completion of the merger.

One-off merger-related integration and other costs of £8.7 million have been incurred. Delivering recurring cost synergies and other merger benefits continues to be a priority for the Group with total annualised cost savings expected to be over £16 million, which represents significant progress ahead of the phasing included in the merger documentation (which set out a run rate of £12.0 million within two years, of which £6.0 million would be achieved within a year of completion).

Over the medium-term the Group is targeting an improvement in the EPRA cost ratio towards 30 per cent from its current level of 39.9 per cent, driven by growth in rental income and rigorous management of irrecoverable property costs and administration expenses.

Net finance costs

Following the merger, the £576 million loan facility was drawn in full in April 2023 to fund the redemption of the £575 million Chinatown and Carnaby bonds. In August 2023, a £200 million 10-year loan facility, secured against a portfolio of assets within the Carnaby portfolio, was drawn and used to repay part of the £576 million loan facility. The remainder was repaid in December 2023 using Group cash and the proceeds of the new £350 million unsecured loan facility.

Net finance costs of £51.9 million include interest on the additional £385 million of fixed rate debt secured on Shaftesbury assets acquired on completion of the merger.

Finance income increased by £13.0 million to £15.6 million during the year, comprising £6.3 million interest earned on cash held on deposit and £9.3 million in relation to interest rate hedging arrangements. Protection is in place in relation to the interest rate exposure on all of the Group's drawn variable rate debt until the end of 2025 through caps and collars. The average cash balance held through the year was approximately £135 million.

Profit from joint ventures and associates

Our share of Longmartin's post-tax profit was £0.2 million for the period 6 March to 31 December 2023. Our share of the revaluation deficit was £1.0 million. Excluding the revaluation and fair value adjustment on debt and including the £0.4 million interest received on the interest-bearing loan provided to the associate, our share of underlying earnings from Longmartin was £2.1 million. £1.5 million dividends were received during 2023.

Taxation

The Group continues to satisfy the requirements to qualify for REIT status. Therefore, as its income is substantially derived from qualifying property rental business activities within the REIT regime, the majority of its income is exempt from tax. There is a tax charge of £0.2 million in the year (2022: £nil), relating to non-REIT activity, mainly arising in respect of finance income.

Dividends

The Board has declared a final dividend of 1.65 pence per share, bringing the total dividend to 3.15 pence per share reflecting progression in underlying earnings and cash generation. The total gross dividend payable is £32.2 million of which £2.1 million relates to the Group entity which holds 128.4 million shares as security under the terms of the exchangeable bonds. The entity has provided an undertaking not to exercise its voting rights in respect of such ordinary shares but will receive the declared dividend, the majority of which should subsequently be retained by the Group following the dividend threshold test as set out in the exchangeable bond conditions. In addition, the dividend will not be paid in relation to the 3.1 million shares held by the Group's approved Employee Benefit Trust.

The dividend is to be paid 0.65 pence as a PID and 1.0 pence as a non-PID, on 31 May 2024 to shareholders on the register at 26 April 2024.

During the first half, in respect of the period pre-merger, Capco paid a second interim dividend of 1.7 pence per Capco share and Shaftesbury paid a dividend of 2.7 pence per Shaftesbury share to their respective shareholders.

SUMMARY BALANCE SHEET

The 31 December 2022 balance sheet reflects the Capco standalone position. The pro forma balance sheet has been included in order to provide additional information for comparative purposes.

	31 December 2023 £m	30 June 2023 £m	Pro forma[1] 31 December 2022 £m	31 December 2022 £m
Property portfolio[2]	**4,760.4**	4,865.2	4,829.2	1,715.1
Investment in joint ventures and associates	**83.4**	84.4	86.8	0.2
Financial assets at fair value	**-**	-	–	356.9
Net debt[3]	**(1,499.1)**	(1,553.5)	(1,488.2)	(633.5)
Other assets and liabilities	**135.5**	157.6	98.6	122.9
Net assets	**3,480.2**	3,553.7	3,526.4	1,561.6
EPRA net tangible assets	**3,479.4**	3,541.3	3,526.4	1,552.2
EPRA net tangible assets per share (pence)	**190.3p**	193.8p	192.8p	182.1p
Adjusted, diluted number of shares[4]	**1,828.8m**	1,827.2m	1,828.8m	852.3m

1. Pro forma information is explained in further detail on page 59.
2. 31 December 2023 includes £20.2 million accounted for as owner-occupied property.
3. Net debt based on nominal value of debt drawn less cash, excluding tenant deposits of £14.5 million (30 June 2023: £14.4 million; 31 December 2022 and pro forma: £13.4 million).
4. Number of shares as at pro forma 31 December 2022, 30 June 2023 and 31 December 2023 excludes 128.4 million shares held as collateral for the exchangeable bond and 3.1 million within an approved Employee Benefit Trust. Total shares in issuance, including these components, was 1,953.2 million shares as at 30 June and 31 December 2023.

EPRA NTA

The EPRA NTA movement reflects the effect of merger completion and the portfolio valuation movement. As referred to earlier, through the completion accounting, the Shaftesbury debt, including the debt in relation to our share of the Longmartin investment, which had an overall nominal value of £444.8 million, was fair valued and was held at £400.4 million as at 31 December 2023. This difference of £44.4 million, or 2.4 pence in terms of EPRA NTA per share, will reverse as the balance sheet value of the debt accretes to nominal value over the remaining term of the debt. The impact of this unwind is excluded from underlying earnings.

Property portfolio

The carrying value of the wholly-owned portfolio as at 31 December 2023 is £4,760.4 million, including £20.2 million reflected as owner occupied in the year. During the year, seven properties have been sold with an opening carrying value of £83.2 million for gross proceeds of £88.1 million.

In 2023 the Group acquired the remaining interest in the Royal Opera House Arcade and a long leasehold residential unit in Neals Yard was purchased in September 2023. Subsequent capital expenditure during the year was £35.1 million.

The valuation of the wholly-owned property portfolio of £4,795.3 million was 0.8 per cent lower on a like-for-like basis compared with the December 2022 pro forma position of £4,857.8 million. ERV increased across all uses by 6.9 per cent overall (like-for-like) to £236.9 million and the equivalent yield was 4.34 per cent, reflecting 26 basis points of outward movement over the year. The MSCI Capital Return for the year was -5.6 per cent.

Total property return for the year was 2.2 per cent. The MSCI Total Return Index recorded negative performance of 0.1 per cent reduction for the year resulting in 2.3 per cent outperformance.

Investment in joint ventures and associates

The figures below in relation to the Longmartin and Lillie Square investments represent our 50 per cent share.

Longmartin

At 31 December 2023, Longmartin's long leasehold property was valued at £158.8 million (Dec 2022: £160.3 million). After allowing for capital expenditure, the valuation decrease was 1.3 per cent. ERVs increased by 9.4 per cent and at 31 December 2023, the equivalent yield was 4.86 per cent, an increase of 38 basis points over the year (Dec 2022: 4.48 per cent).

Longmartin has a £60.0 million fixed-rate term loan maturing in 2026. As at 31 December 2023, net debt, based on nominal value, was £58.1 million resulting in LTV of 36.6 per cent.

Lillie Square

The property valuation as at 31 December 2023 was £65.3 million, a 10.3 per cent like-for-like decline against the 31 December 2022 valuation of £77.2 million. In total, 355 Phase 1 and 2 units have been sold. 65 units are available and 32 units have been leased on a short-term basis. The sale of 4 units completed during the year representing £3.4 million gross proceeds. Our share of net cash in the joint venture was £7.9 million and there is no external debt.

Debt and gearing

The Group maintains a strong financial position, with diversified sources of funding, significant headroom against debt covenants, access to liquidity, modest capital commitments, substantial unencumbered asset value and finance costs are protected against interest rate movements until December 2025.

The Group's cash and undrawn committed facilities as at 31 December 2023 were £485.7 million (pro forma: £521.6 million).

	31 December 2023 £m	30 June 2023 £m	Pro forma[1] 31 December 2022 £m	31 December 2022 £m
Cash and cash equivalents[2]	**185.7**	157.3	221.6	116.5
Undrawn committed facilities	**300.0**	300.0	300.0	300.0
Cash and undrawn committed facilities	**485.7**	457.3	521.6	416.5
Commitments	**(24.8)**	(22.8)	(35.6)	(1.7)
Available resources	**460.9**	434.5	486.0	414.8

1. Pro forma information is explained in further detail on page 59.
2. Excludes tenant deposits of £14.5 million (30 June 2023: £14.4 million; Pro forma and 31 December 2022: £13.4 million).

As at 31 December 2023, the Group had capital commitments of £24.8 million.

The gearing measure most widely used in the industry is loan-to-value ("LTV") which at 31 December 2023 was 31.3 per cent. This is comfortably within the Group's limit of no more than 40 per cent. EPRA LTV was 30.9 per cent.

	31 December 2023 £m	30 June 2023 £m	Pro forma[1] 31 December 2022 £m	31 December 2022 £m
Cash and cash equivalents	**185.7**	157.3	221.6	116.5
Debt at nominal value	**(1,684.8)**	(1,710.8)	(1,709.8)	(750.0)
Net debt	**(1,499.1)**	(1,553.5)	(1,488.2)	(633.5)
Loan-to-value	**31.3%**	31.7%	30.6%	36.3%
EPRA loan-to-value	**30.9%**	30.8%	n/a	28.0%
Interest cover	**212.7%**	199.5%	n/a	182.1%
Weighted average debt maturity - drawn facilities	**5.0 years**	4.2 years	n/a	4.5 years
Weighted average cost of debt - gross[2]	**4.2%**	4.3%	n/a	2.7%
Weighted average cost of debt - net	**3.4%**	3.4%	n/a	1.5%
Drawn debt with interest rate protection[3]	**100%**	100%	n/a	100%

1. Pro forma information is explained in further detail on page 59.
2. As at 31 December 2023 the weighted average cost of debt reduces to an effective running cash cost of 3.4 per cent taking account of interest on cash deposits and interest rate caps and collars.
3. Taking account of interest on cash deposits and interest rate caps and collars.

At 31 December 2023, Group net debt was £1.5 billion.

During the year, £550 million of debt was raised, with the proceeds being used towards repayment of the £576 million loan facility drawn on completion of the merger to fund the redemption of the £575 million Carnaby and Chinatown bonds.

In August 2023, a £200 million 10-year loan facility, secured against a portfolio of assets within the Carnaby portfolio, was agreed with Aviva Investors. The facility sits alongside the existing secured term loans with Aviva of £130 million and £120 million maturing in 2030 and 2035 respectively. The annual cash interest rate in respect of the overall amount of £450 million of secured term loans with Aviva Investors is 4.7 per cent.

In December 2023, a £350 million unsecured loan agreement comprising a term loan of £200 million and revolving credit facility of £150 million was signed. The agreement has an initial maturity of three years, with the option to extend the term by a further two periods of one year each, subject to lender approval. The facility includes a £125 million uncommitted accordion feature which may allow the Company to increase the total revolving facility commitments.

Following the refinancing activity in the year, the weighted average maturity of the Company's drawn debt has been extended to over 5 years. The current weighted average cost of debt is 4.2 per cent, which reduces taking into account interest income on cash deposits and the benefit of interest rate hedging to an effective cash cost of 3.4 per cent.

All of the Group's drawn debt is at fixed rates or currently has interest rate protection in place until the end of 2025. Interest rate collars were already in place for £200 million of notional value through to December 2024, capped at 1.23 per cent. Additional interest rate hedging was put into place in April 2023, capping SONIA exposure at 3.75 per cent for a further £300 million of notional value for 2023 and £150 million of notional value for 2024, at a total cost of £3.4 million (resulting in £500 million of hedging for 2023 at an effective 2.7 per cent and £350 million for 2024 at an effective 2.3 per cent). In December 2023, further hedging was put in place for £250 million of notional value of SONIA exposure for 2025, at a cost of £1.6 million, which provides for a cap of 3.0 per cent and a floor of 2.0 per cent.

CASH FLOWS

Movement in cash flow	£m
Cash, excluding tenant deposits, as at 31 December 2022	**116.5**
Cash acquired on merger	**118.1**
	234.6
Operating inflow	**63.3**
Investing inflow	**36.4**
Financing outflow	**(37.8)**
Dividends paid	**(41.9)**
Non-underlying	**(68.9)**
Cash, excluding tenant deposits, as at 31 December 2023	**185.7**

Taking into account cash acquired as part of the merger, the overall balance of cash decreased by £48.9 million to £185.7 million as at 31 December 2023. This is largely due to:

- Operating cash inflows of £63.3 million reflecting growing net rental income and continuing positive cash collections, partly offset by administrative and finance costs.
- Investing cash inflows of £36.4 million, included £88.1 million gross proceeds from the sale of seven properties offset by £33.8 million capital expenditure and £17.4 million for the Royal Opera House Arcade lease regear and long leasehold residential unit. £4.2 million has been received from the Longmartin investment in the year comprising a dividend of £1.5 million and £2.7 million loan repayment.
- Of the £37.8 million financing outflow, £25 million relates to the net movement in facilities drawn and repaid following the £550 million raised in the year to fund the redemption of the £575 million Carnaby and Chinatown bonds. £7.8 million of costs have been incurred on facility arrangement fees, following the refinancing activities during the year. The remaining £5.0 million movement reflects payments in relation to the additional interest rate hedging (£3.4 million in April 2023 and £1.6 million in December 2023).
- Total dividends paid in the year excludes the £1.9 million paid to the Group entity which holds 128.4 million shares as security under the terms of the exchangeable bonds. Following the dividend threshold test, as set out in the exchangeable bond conditions, the full dividend was subsequently retained by the Group.
- Non-underlying movements represent payment of merger-related transaction and integration costs. Certain merger-related transaction costs were included in the Shaftesbury acquisition balance sheet but have been paid after the merger date and, therefore, reflect the difference between the costs included in the income statement of £44.5 million and the statement of cash flows.

Going concern

Further information on the going concern assessment is set out in note 1 'Principal accounting policies'.

The Company has a strong balance sheet with EPRA loan-to-value of 30.9 per cent, group interest cover of over two times and access to cash and undrawn facilities of £485.7 million as at 31 December 2023. There remains sufficient liquidity and debt covenant headroom even in a downside "severe but plausible" scenario.

There continues to be a reasonable expectation that the Group will have adequate resources to meet both on-going and future commitments for at least 12 months from the date of signing these financial statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the 2023 Annual Report.

Situl Jobanputra
Chief Financial Officer
28 February 2024

PRINCIPAL RISKS AND UNCERTAINTIES

EFFECTIVE RISK MANAGEMENT

Risk management

The Board has overall responsibility for Group risk management. It determines its risk appetite and reviews principal risks and uncertainties regularly, together with the actions taken to mitigate them. The Board has delegated responsibility for the review of the adequacy and effectiveness of the Group's internal control framework to the Audit Committee.

Risk is a standing agenda item at management meetings. This gives rise to a more risk-aware culture and consistency in decision-making across the organisation in line with the corporate strategy and risk appetite. All corporate decision-making takes risk into account, in a measured way, while continuing to drive an entrepreneurial culture.

The Executive Committee is responsible for the day-to-day commercial and operational activity across the Group and is, therefore, responsible for the management of business risk. The Executive Risk Committee, comprising the Chief Executive, Chief Financial Officer, members of the Executive Committee, General Counsel, Joint Group Financial Controllers and Head of Sustainability, is the executive level management forum for the review and discussion of risks, controls and mitigation measures. The corporate and business division risks are reviewed on a regular basis by the Executive Risk Committee, so that trends and emerging risks can be identified and reported to the Board.

Senior management from each part of the business identify and manage the risks for their area or function on a day-to-day basis and maintain a risk register. The severity of each risk is assessed through a combination of each risk's likelihood of an adverse outcome and its impact. In assessing impact, consideration is given to financial, reputational and regulatory factors, and risk mitigation plans are established. A full risk review is undertaken annually in which the risk registers are aggregated and reviewed by the Executive Risk Committee. The Directors confirm that they have completed a robust assessment of the principal and emerging risks faced by the business, assisted by the work performed by the Executive Risk Committee.

Risk appetite statement

The Group risk appetite statement is designed to set the right tone at the top for the Group and support decision-making at a strategic level by the Board and the Executive Committee. This statement provides guiding principles to support decision-making at both a Board and senior management level. The Group's risk appetite statement is reviewed and updated by the Board at appropriate intervals and, in any event, on an annual basis. The Group's risk appetite statement has been communicated to senior management who are responsible for incorporating the identified principles in decision-making. The Group's risk appetite statement is as follows:

> "We invest to create thriving destinations in London's West End where people enjoy visiting, working and living. We use our expertise in property investment and our commitment to a strong balance sheet to take commercial risks in a measured way, so that we are able to deliver sustainable growth and long-term returns for our shareholders.
>
> We are risk averse in relation to the impact of our business on the environment and on the health and safety of our people and the public, and it is a key priority for us that our business operates in compliance with laws, regulations and our contractual commitments."

Investing in one location presents an inherent geographic concentration risk and there are certain external factors which the Group cannot control. However, in executing the Group's strategy, we seek to minimise exposure to operational, reputation and compliance risks, recognising that our appetite to risk varies across different elements of the strategy. Recognising that risk appetite is not an "absolute", the Group may move higher or lower on the risk curve, as circumstances dictate.

Assessing risk

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 2023 Annual Report.

Internal controls

The main elements of the Group's internal control framework are set out below:

- Clear remit, terms of reference and schedule of matters for the Board and its Committees
- Close involvement of the Executive Committee in the day-to-day operations of the business, with regular meetings with senior management
- Delegated authority limits
- Daily monitoring of risks and controls by management
- Formal assessment by the Executive Risk Committee of strategic and emerging risks and the related controls or mitigations, with reporting to the Audit Committee
- Regular Board updates on operations, IT systems and cyber security
- Transparent tax strategy, published on the Group's website, which sets out the approach to tax risk management and governance
- Whistleblowing policy and hotline procedures, where employees and third parties may raise any matters of concern confidentially, are reviewed by the Audit Committee annually

Specific controls relating to financial reporting and consolidation process include:

- Appropriately staffed management structure, with clear lines of responsibility and accountability
- A comprehensive budgeting and review system
- Board and Audit Committee updates from the Chief Financial Officer and Joint Group Financial Controllers, which include forecasts, performance against budget and financial covenants
- Formal reviews of the effectiveness of financial, operational and compliance controls by management and external advisers are reported to the Audit Committee
- BDO LLP ("BDO"), appointed as internal auditor of the Group, conducts regular audits of the Group's control procedures and reports its findings to the Audit Committee

Risk outlook

During 2023, there has been strong operational performance across the portfolio, reflecting the benefits of the Group's active asset management, together with the exceptional qualities and long-term resilience of the West End. Strong leasing demand continued across all uses, leading to high occupancy levels and strong rent collection. The long-term impact of the pandemic alongside broader macroeconomic factors, in particular evolving inflationary pressures and interest rates, on the future demand for, and use of, lettable space, evolution of consumer behaviour and travel patterns remain a consideration and the Board continues to monitor this.

Despite the recovery in the operating environment and trading conditions, risk remains heightened, reflecting the current macroeconomic and geopolitical backdrop, manifesting in, amongst other things, inflation and increased borrowing rates which may have an impact on property valuations, availability and cost of funding, our customers' profitability and consumer behaviour.

Many of the Group's customers are exposed to the changes and challenges facing the retail and hospitality sectors, including macroeconomic factors, such as availability and cost of credit for customers and their businesses, the potential for the level of consumer spending to be impacted by cost-of-living pressures, business and consumer confidence, inflation rates, energy costs, supply chain disruption, labour shortages and other operational costs.

If current global or UK macroeconomic conditions continue to deteriorate, or there is a further increase in geopolitical uncertainty, this could impact UK real estate markets, resulting in downward pressure on the valuation of the Group's properties and gross rental income.

The Group's operations may be adversely affected if it fails to comply with climate and environmental regulation or its own environmental, social or governance standards. Operations may also be adversely affected by climate and environment related risks, which could lead to significant costs to mitigate environmental impacts.

Following completion of the merger, operational and business risks were assessed. These were aligned across both businesses; however, the principal risks have been refined following the merger. Performance of the Group is dependent in part on its ability to deliver the benefits of the merger. There has been very good progress through the year, and further activity will continue over the coming years as we work towards an effective and efficient organisational structure and cost base.

Emerging risks

The Group monitors emerging risks to identify and assess those risks that may potentially impact upon its strategic plans. These risks are circumstances or trends which are often evolving rapidly which could significantly impact on the Group's financial strength, competitive position or reputation within the next three years or over the longer term. Generally, the impact and probability of occurrence are not yet fully understood and, consequently, necessary mitigations have not yet fully evolved.

The Group conducts a horizon scanning exercise to identify potential risks and emerging trends which may be impactful in the future. Based on this exercise, the most relevant emerging risks and opportunities are assessed to establish relevance and identify any additional remediation required. The prioritised emerging risks are further reviewed and validated by senior management to gain a better understanding of their impact and to develop strategies to address them. A non-exhaustive list of emerging risks is outlined below.

Emerging risks with a one-to-three-year time horizon include:

- UK political uncertainty and evolving geopolitical conditions;
- UK corporate reform and landlord/tenant legislation changes;
- Building Safety Act and changes to UK property valuation methodologies and practices;
- Green energy and sustainability priorities; and
- Disruptive technological advancements, which may include areas such as artificial intelligence, blockchain and metaverse.

Emerging risks with a longer-term horizon include:

- Changes in social dynamics, demographic shifts and trends in space usage, urbanisation and consumption and travel patterns;
- Longer-term climate change impacts;
- Consumer behaviour;
- Impact of digital currencies on consumer behaviour; and
- Residential rent control and regulatory tax changes.

Principal risks and uncertainties

The Group's principal risks and uncertainties, which are set out on the following pages, are reflective of where the Board has invested time during the year. Following a detailed review of the principal risks post-merger, certain risks have been disaggregated in the current year to clearly align the mitigating actions to the respective risks. This is reflected below. These principal risks are not exhaustive. The Group monitors a number of additional risks and adjusts those considered 'principal' as the risk profile of the business changes. See also the risks inherent in the compilation of financial information, as disclosed in note 1 'Principal accounting policies' within 'Critical accounting judgements and key sources of estimation and uncertainty'.

2023 Risk	**Change in the year**
Economic and political[1]	Increase
Portfolio[1]	Stable
Operational resilience[1]	Stable
Leasing and asset management	Stable
People	Stable
Climate change	Stable
Compliance with law and regulations	Stable

1. These risks were previously reported as one risk 'Economic, political and operating conditions' in 2022.

Risk	Impact on Strategy	Mitigation
Economic and political		
Impact of 'higher for longer' interest rates and lack of availability or increased cost of debt or equity funding Inflationary pressures on operating costs, including energy and the cost-of-living crisis Adverse impact on business and consumer confidence, increased material costs, prolonged supply chains and reduced labour supply Decline in real estate valuations due to macroeconomic conditions Persistent significant discount in the share price relative to EPRA NTA Uncertain political climate and/or changes to legislation and policies	Reduced property return Reduced rental income and/or capital values as customers could suffer staff shortages, increased costs, longer lead times and lower availability of inventory Higher operating and finance costs Reduced financial and operational flexibility	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities, and diversified sources of funding Early refinancing of debt maturities Covenant headroom monitored and stress tested Fixed rate financing and derivative contracts to provide interest rate protection Monitoring proposals and emerging policy and legislation, with industry lobbying where appropriate Engagement with key stakeholders and local authorities
Change in 2023: Increased **Context and actions taken:** The Group focuses on prime assets in the West End of London which historically have proved to be economically resilient. The Group has had a long-term focus on maintaining a strong balance sheet, with sufficient liquidity, to ensure it is able to withstand market volatility and take advantage of opportunities. During the year, the Group raised £550 million of debt, with proceeds being used to repay the £576 million loan facility drawn post completion of the merger. Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the current macroeconomic environment, to help plan for future impacts on the business. Funding, debt and treasury metrics are monitored on a continual basis with a focus on preserving liquidity and capital. A downside scenario has been analysed in connection with the going concern assessment, details of which are set out in note 1 'Principal accounting policies' within 'Going concern'. The financial statements have been prepared on a going concern basis. We remain in close dialogue with local authorities to understand future plans and work constructively to position the estate in the best possible manner.		
Portfolio		
Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour (including, but not limited to, structural changes in the office and retail sectors) Portfolio concentration Volatility in the investment market	Inability to deliver business plan or a structural change to the business plan impacting returns or capital values	Focus on prime 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 Regular assessment of investment market conditions including bi-annual external valuations Regular strategic analysis with focus on creating mixed-use destinations and residential districts with unique attributes Reconfigure and repurpose space to respond to, and anticipate, changing customer demand

<table>
<tr><th colspan="3">Portfolio risk continued</th></tr>
<tr><td colspan="3">Change in 2023: Stable

Context and actions taken:

The Group focuses on prime assets in the West End of London primarily in the retail and hospitality sector. The value of control over areas brings the ability to curate and drive growth over the long term. We actively promote our areas to drive footfall and curate areas to maintain places that are popular.

Sustained customer demand has led to low vacancy levels. Strong footfall and spend improving, with customer sales on average in excess of 2019 levels.

Through regular dialogue with potential and current customers and regular assessments of the market, we are able to better understand market demand and reconfigure space as appropriate.</td></tr>
<tr><th colspan="3">Operational resilience</th></tr>
<tr><td>Misconduct or poor operational or sustainability standards

Poor performance from one of the Group’s third-party advisers

Inability to effectively integrate people, systems and processes

Catastrophic event such as a terrorist attack, natural disaster, health pandemic or cyber security crime</td><td>Reduced rental income, higher operating costs, and/or reduced capital values

Reduced financial and operational flexibility

Diminishing London’s status

Business disruption or damage to property

Reputational damage</td><td>Supplier procurement policy and regular monitoring of external advisers

Engagement with key stakeholders and local authorities

Building reinstatement, loss of rent and terrorist insurance

Detailed business continuity and crisis communication plans in place

On-site security and cyber security in place

Health and safety policies and procedures

Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities</td></tr>
<tr><td colspan="3">Change in 2023: Stable

Context and actions taken:

Whilst being invested in one area is a risk, the Group’s ownership in prime West End real estate is also a strength and an opportunity, providing control and allowing curation of the area to maintain places that are popular.

Given the high-profile nature of the Group’s assets, the risk of an external event is inevitably heightened. It is therefore important that the Group maintains recommended levels of insurance and implements effective security and health and safety policies.

Business continuity plans for both employees and service providers, including introduction of external resources, if required, and other policies have been reviewed together with HR policies, technology and communication where appropriate. IT security systems that support data security and disaster recovery are in place.

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 continues to be a key focus, especially during this year as we integrated systems and processes. This was led by the Integration Committee, with support from external advisers, including specialist consultants, to ensure appropriate controls and security protocols are in place. Employees are provided with regular cyber security and phishing training.</td></tr>
</table>

<table>
<tr><td colspan="3">Leasing and asset management</td></tr>
<tr><td>Inability to achieve target rents or to attract target customers due to market conditions

Competition from other locations/formats

Unfavourable planning/licensing policy, legislation or action impacting on the ability to secure approvals or consents</td><td>Decline in customer demand for the Group’s properties

Reduced income and increased vacancy

Reduced return on investment and development property</td><td>High quality customer mix

Strategic focus on creating mixed-use destinations with unique attributes

Engagement with local and national authorities

Pre-application and consultation with key stakeholders and landowners

Regular assessment of market conditions and development strategy

Business strategy based on long-term returns</td></tr>
<tr><td colspan="3">Change in 2023: Stable

Context and actions taken:

The Group takes measured risks by using its expertise in place-making and creative and active asset management to deliver long-term value through rental growth and attracting new customers. During 2023, leasing activity remained strong, with high occupancy levels reflecting the strength of demand for prime central London real estate.

The impact on customer demand and supply chains as well as inflationary pressures is kept under review.

The Group looks for opportunities to create or enhance value in the portfolio through the planning process, cognisant of the risks but using our experience and skill to deliver our objectives.

The Group has a focused leasing and marketing strategy, ensuring the business is well-positioned. The Group regularly engages with suppliers to understand their ability to meet our requirements and standards.</td></tr>
<tr><td colspan="3">People</td></tr>
<tr><td>Inability to retain, integrate and recruit the right people and develop leadership skills within the business

Key person risk as the Group has a relatively limited headcount</td><td>Inability to execute strategy and business plan

Constrained growth, lost opportunities

Pressure on corporate costs</td><td>Succession planning, performance evaluations, training and development

Long-term and competitive incentive rewards

Flexible and modern working practices</td></tr>
<tr><td colspan="3">Change in 2023: Stable

Context and actions taken:

The success of the business is down to a dedicated team of skilled and talented individuals working collaboratively together. The health and well-being of our people is of the utmost importance including the ability to create a culture and environment that allows each person to grow, develop and perform to the best of their abilities.

There remains a risk of illness or absence across employees, management or service providers which would disrupt the day-to-day activities of the Group’s business and running of the estate. Team communication strategies have been implemented to ensure managers can adequately supervise and support employees working from home.

Recruiting and on-boarding policies have been adjusted where necessary to ensure that the business is able to continue to attract, develop and retain the best possible resources.

We continue to monitor closely employees’ mental and physical well-being and the health and safety of our employees and service providers remains a top priority with regular seminars and webinars from external experts.</td></tr>
</table>

Climate change		
Physical impact on our assets from rising temperatures or other extreme climate-related event such as flooding Transitional challenge of increasing and more onerous compliance and reporting requirements, as well as retrofitting, insuring or leasing our assets in a heritage environment on an appropriate whole life carbon basis Inability to keep pace with customer and consumer demand for proactive action to manage and mitigate climate-related risk	Reduced income, capital values or business disruption Increased operating costs to meet reporting and target metrics and compliance Increased capital costs of retrofitting, or inability to resolve listed building or planning challenges, leads to buildings becoming carbon stranded Reduced income through lower rents and longer void periods due to reduced customer demand	Company manages climate-related risks and opportunities and sustainability team in place Net Zero Carbon commitment by 2030 backed by Net Zero Carbon Pathway, re-committed post-merger. For more detail on the mitigation measures in place for climate risk, please refer to the Group's TCFD disclosures in the 2023 Annual Report as well as the Group's Net Zero Carbon Pathway Active management plan with external reporting via recognised indices and benchmarks, including EPRA, CDP, MSCI and GRESB Continued engagement with stakeholders in order to preserve heritage buildings, while enhancing environmental performance Pro-active customer and consumer engagement programme and setting of appropriate climate-related targets on both development and operations

Change in 2023: Stable

Context and actions taken:

The Group believes in taking a responsible and forward-looking approach to environmental issues and the principles of sustainability. The Group recognises the urgent responsibility to tackle climate change and this is reflected in its 2030 Net Zero Carbon target. As a long-term steward of the West End, the Group understands the benefits of a strong track record of restoring and celebrating the heritage of the area through considered refurbishments and developments.

Following the merger, the Group re-committed its Net Zero Carbon Pathway, confirming the scope, and taking into account minor differences in pre-merger approaches, enhancements to best practice and changes in regulation. The Group has made material progress in the decarbonisation of the portfolio, as reported in November. With seven years remaining until 2030, we are at a critical point for action and will continue our efforts in 2024 to reduce greenhouse gas emissions in our buildings and operations. This requires more innovative and sustainable ways of working, and includes our supply chain partners across development and operational disciplines, our customers, as well as our corporate actions.

Compliance with law and regulations		
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes, including potential changes to the Landlord and Tenant Act or other associated reforms Accidents causing loss of life or very serious injury to employees, contractors, customers and visitors to the Group's properties; or near misses of the same Exit from REIT regime due to non-compliance with REIT requirements	Prosecution for non-compliance with legislation Litigation or fines, reputational damage Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes Health and safety procedures, training and governance across the Group Appointment of reputable contractors Adequate insurance held to cover the risks inherent in property ownership and construction projects

Compliance with law and regulations continued
Change in 2023: Stable **Context and actions taken:** Compliance with law and regulations, including health and safety, remains a key priority for the Board. Protocols are in place and communicated across the various stakeholder groups to ensure everyone is aware of new legislation and requirements. The health and safety of our people and the public is a key priority. The Group works closely with its stakeholders to mitigate health and safety risks. We remain in communication with HMRC regarding our REIT status, the Group's ability to comply with the requirements and the approach which HMRC will take in relation to any breach of the REIT conditions.

DIRECTORS’ RESPONSIBILITIES

Statement of Directors’ responsibilities

The statement of Directors’ responsibilities below has been prepared in connection with the Group’s full Annual Report for the year ended 31 December 2023. Certain parts of the Annual Report have not been included in this announcement as set out in Note 1 to the condensed financial information.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company’s position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- 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 it faces.

The responsibility statement was approved by the Board of Directors on 28 February 2024 and signed on its behalf by:

Ian Hawksworth

Chief Executive

28 February 2024

Situl Jobanputra

Chief Financial Officer

28 February 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Revenue	3	**195.1**	74.1
Costs[1]	3	**(53.2)**	(16.8)
Gross profit	3	**141.9**	57.3
Other income		**2.7**	13.5
Administration expenses	4	**(83.8)**	(40.6)
Loss on revaluation and profit on sale of investment property		**(65.0)**	(0.8)
Change in value of investments and other receivables		**(12.5)**	(7.9)
Change in fair value of financial assets through profit or loss	15	**52.0**	(239.5)
Operating profit/(loss)		**35.3**	(218.0)
Finance income	5	**15.6**	2.6
Finance costs	6	**(67.5)**	(27.2)
Other finance income	5	**4.1**	3.5
Other finance costs	6	**(31.3)**	(6.5)
Change in fair value of derivative financial instruments	15	**(11.3)**	39.8
Net finance (costs)/income		**(90.4)**	12.2
Operating loss after finance costs		**(55.1)**	(205.8)
Profit from joint ventures and associates	11	**0.2**	–
Gain on bargain purchase	9	**805.5**	–
Profit/(loss) before tax		**750.6**	(205.8)
Taxation	7	**(0.2)**	(6.0)
Profit/(loss) for the year		**750.4**	(211.8)
Earnings/(loss) per share			
Basic earnings/(loss) per share	2	**45.5p**	(24.9)p
Diluted earnings/(loss) per share	2	**45.3p**	(24.9)p

1. Included in costs is £2.0 million provision (2022: £1.6 million reversal) of expected credit loss in relation to rent receivables.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Profit/(loss) for the year		**750.4**	(211.8)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation gain on owner-occupied property	10	**1.8**	–
Total comprehensive income/(expense) for the year		**752.2**	(211.8)

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investment property	10	**4,740.2**	1,715.1
Property, plant and equipment		**24.0**	0.6
Investments in joint ventures and associates	11	**83.4**	0.2
Financial assets at fair value through profit or loss	15	**–**	356.9
Derivative financial instruments		**1.4**	12.1
Trade and other receivables	12	**116.1**	115.6
		4,965.1	2,200.5
Current assets			
Trade and other receivables	12	**42.7**	20.8
Derivative financial instruments		**8.3**	–
Cash and cash equivalents	13	**200.2**	129.9
		251.2	150.7
Total assets		**5,216.3**	2,351.2
Non-current liabilities			
Borrowings	14	**(1,534.8)**	(738.3)
Lease liabilities		**(2.7)**	(5.4)
Derivative financial instruments	15	**(7.2)**	(3.3)
		(1,544.7)	(747.0)
Current liabilities			
Borrowings	14	**(94.9)**	–
Lease liabilities		**(0.3)**	(0.7)
Tax liabilities		**(0.2)**	–
Trade and other payables		**(96.0)**	(41.9)
		(191.4)	(42.6)
Total liabilities		**(1,736.1)**	(789.6)
Net assets		**3,480.2**	1,561.6
Equity			
Share capital	16	**488.2**	212.8
Other components of equity		**2,992.0**	1,348.8
Total equity		**3,480.2**	1,561.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Own shares £m	Capital redemption reserve £m	Merger Reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 January 2022		212.8	232.5	–	1.5	293.7	7.7	(0.3)	1,038.9	1,786.8
Loss and total comprehensive expense for the year		–	–	–	–	–	–	–	(211.8)	(211.8)
Ordinary shares issued		0.4	–	–	(0.4)	–	–	–	1.7	1.7
Share buyback		(0.4)	–	–	0.4	–	–	–	(1.7)	(1.7)
Dividends	8	–	–	–	–	–	–	–	(15.3)	(15.3)
Realisation of share-based payment reserve on issue of shares		–	–	–	–	–	(0.2)	–	(0.1)	(0.3)
Fair value of share-based payment		–	–	–	–	–	2.3	–	–	2.3
Realisation of cash flow hedge		–	–	–	–	–	–	(0.1)	–	(0.1)
Balance at 31 December 2022		212.8	232.5	–	1.5	293.7	9.8	(0.4)	811.7	1,561.6

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014, and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves.

For the year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Own shares[1] £m	Capital redemption reserve £m	Merger Reserve[2] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 January 2023		**212.8**	**232.5**	**–**	**1.5**	**293.7**	**9.8**	**(0.4)**	**811.7**	**1,561.6**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**750.4**	**750.4**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.8**	**1.8**
Total comprehensive income for the year									**752.2**	**752.2**
Completion of all-share merger[3]	9	**273.9**	**–**	**(32.1)**	**–**	**962.3**	**–**	**–**	**–**	**1,204.1**
Dividends[4]	8	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(41.9)**	**(41.9)**
Issue of shares and realisation of share-based payment reserve on issue of employee share options[5]		**1.5**	**–**	**(0.8)**	**–**	**–**	**(9.8)**	**–**	**11.9**	**2.8**
Fair value of share-based payment		**–**	**–**	**–**	**–**	**–**	**1.3**	**–**	**–**	**1.3**
Realisation of cash flow hedge		**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Balance at 31 December 2023		**488.2**	**232.5**	**(32.9)**	**1.5**	**1,256.0**	**1.3**	**(0.3)**	**1,533.9**	**3,480.2**

1. Represents the nominal value of 128,350,793 shares issued to a controlled entity in respect of secured shares previously held as collateral for the exchangeable bonds and 3,146,886 shares held by the Group's Employee Benefit Trust in respect of employee share awards.
2. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. Current year amount represents non-qualifying consideration received following the all-share merger with Shaftesbury completed on 6 March 2023. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions.
3. Represents share capital issued and non-qualifying consideration received following the all-share merger with Shaftesbury completed on 6 March 2023.
4. Excludes £1.9 million dividend paid to a controlled entity, Capco Investment London (No.7) Scottish Limited Partnership, in respect of 128,350,793 shares held as collateral for the exchangeable bonds. The entity has provided an undertaking not to exercise its voting rights in respect of such ordinary shares but will receive the declared dividend, all of which was retained by the Group following the dividend threshold test as set out in the exchangeable bond conditions.
5. Represents the issue of 6,170,629 new shares and subsequent realisation of the outstanding share-based payment reserve on the close out of the Capco share scheme prior to completion of the all-share merger. Following the vesting, 3,146,886 shares were purchased by the Group's Employee Benefit Trust.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Cash flows from operating activities			
Cash generated from operations	19	**29.8**	33.5
Finance costs paid		**(59.5)**	(29.7)
Interest received		**16.1**	2.7
Tax received		**–**	0.5
Net cash (outflow)/inflow from operating activities		**(13.6)**	7.0
Cash flows from investing activities			
Purchase and development of property		**(51.2)**	(11.1)
Purchase of fixed assets		**(3.4)**	–
Sale of property		**88.1**	–
Cash acquired in a business combination	9	**118.1**	–
Dividends received from associates		**1.5**	–
Loans to joint ventures and associates repaid		**2.7**	18.2
Net cash inflow from investing activities		**155.8**	7.1
Cash flows from financing activities			
Issue of shares		**–**	1.7
Share buyback		**–**	(1.7)
Borrowings repaid		**(1,151.0)**	(200.0)
Borrowings drawn		**1,126.0**	–
Acquisition of derivative financial instruments		**(5.0)**	–
Cash dividends paid	8	**(41.9)**	(15.3)
Net cash outflow from financing activities		**(71.9)**	(215.3)
Net movement in cash and cash equivalents		**70.3**	(201.2)
Cash and cash equivalents at 1 January		**129.9**	331.1
Cash and cash equivalents at 31 December	13	**200.2**	129.9

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

General Information

Shaftesbury Capital PLC (formerly Capital & Counties Properties PLC) (the "Company"), was incorporated and registered in England and Wales and domiciled in the United Kingdom on 3 February 2010 under the Companies Act 2006 as a public company limited by shares, registration number 7145051. The registered office of the Company is Regal House, 14 James Street, London, WC2E 8BU, United Kingdom. The principal activity of the Company is to act as the ultimate parent company of Shaftesbury Capital PLC Group (the "Group"), whose principal activity is the investment and management of property.

Following the all-share merger ("the merger") on 6 March 2023 of Capital & Counties Properties PLC ("Capco") with Shaftesbury to form Shaftesbury Capital, the Group's assets principally comprise investment property within the West End of London, including Covent Garden, Chinatown, Carnaby, Soho and Fitzrovia.

Basis of preparation

The financial information set out in this announcement has been extracted from the Company's consolidated financial statements for the year ended 31 December 2023, and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The consolidated financial statements and this announcement were approved by the Board of Directors on 28 February 2024. The auditors have reported on the consolidated financial statements for the year ended 31 December 2023 under section 495 of the Companies Act 2006. The auditors' report is unqualified and does not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Company's statutory financial statements for the year ended 31 December 2022 have been filed with the Registrar of Companies and those for the year ended 31 December 2023 will be filed following the Company's Annual General Meeting.

The Group's consolidated financial statements are prepared in accordance with United Kingdom-adopted international financial accounting standards ('UK-adopted IFRS' or 'IFRS'), and the applicable legal requirements of the Companies Act 2006. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of international accounting standards ("IAS") in conformity with the requirements of the Companies Act 2006 and UK-adopted IFRS and complies with the disclosure requirements of the Listing Rules of the UK Financial Conduct Authority, this announcement does not itself contain sufficient information to comply with IASs and IFRSs. The Group expects to publish full financial statements that comply with IFRS in March 2024.

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention as modified for the revaluation of property, derivative financial instruments and equity investments held at fair value through profit or loss.

Going concern

The Directors have considered the appropriateness of adopting the going concern basis in preparing the financial statements. The Group's going concern assessment covers the period to 30 June 2025 (the "going concern period"), being at least 12 months from the date of authorisation of these consolidated financial statements.

Footfall across the West End is strong, particularly in our portfolio. There are high occupancy levels across the portfolio and trading activity is positive with customer sales up 10 per cent year on year.

The West End continues to attract target brands and concepts. There is strong leasing demand across all uses delivering rental growth. There continues to be macroeconomic and political uncertainty, including as to the prospects for interest rates and inflation as well as geopolitical risks. The West End and the Group's unique portfolio of prime investments are not completely insulated, however they have demonstrated remarkable resilience.

The Group maintains a strong balance sheet with a focus on resilience, flexibility and efficiency. There is significant headroom against debt covenants and access to significant liquidity, £486 million as at 31 December 2023. In preparing the assessment of going concern, the Directors have considered projections of the Group's liquidity, committed capital expenditure, income, costs, cash flows and debt covenants.

The Directors have assessed a base case and a "severe but plausible" downside scenario.

As at the year end, the Group had net debt of £1.5 billion, an EPRA LTV ratio of 31 per cent and Group interest cover of 2.1 times. The Group is projected to have sufficient cash reserves and undrawn facilities to meet debt maturities during the going concern period. Drawn debt is at fixed rates or currently has interest rate protection in place. Interest rate hedging is in place which caps SONIA exposure at an average of 2.3 per cent on £350 million of notional value to December 2024 and 3.0 per cent on £250 million for 12 months to December 2025.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

The Group's debt matures between August 2024 and 2037. Debt maturities during the going concern assessment period relate to the £95 million of private placement loan notes maturing in the second half of 2024, which are expected to be funded through cash reserves and undrawn facilities.

The Group's financial resources are expected to be sufficient to cover its commitments over the going concern period.

Relative to the Group's base case forecast, the severe but plausible downside scenario includes the following key assumptions:

- Substantial reduction in forecast rental income due to a combination of extended voids and tenant failures;
- Elevated SONIA rates in excess of current market expectations; and
- Declines in rental values, along with a widening of valuation yields, resulting in reduced asset values.

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 the severe but plausible downside scenario, the Group is expected to remain in compliance with the loan-to-value and interest cover covenants of its individual financing arrangements.

In addition to considering a severe but plausible downside scenario, the Board has also undertaken reverse stress testing, which indicates that the Group could withstand a decrease of 38 per cent in income and valuations, before breaching its debt financial covenants.

Based on their analysis, the Directors are satisfied that there is a reasonable expectation that the Group will be able to meet its ongoing and future commitments for at least 12 months from the date of approval of the financial statements and have therefore resolved that the Group's financial statements be prepared on a going concern basis.

Critical accounting judgements and key sources of estimation and uncertainty

The preparation of consolidated financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses from sources not readily apparent. Although these estimates and assumptions are based on management's best knowledge of the amount, historical experiences and other factors, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

The most significant area of estimation uncertainty is in respect of the valuation of the property portfolio, including the merger date valuation of the investment properties acquired in the business combination, where external valuations are obtained.

The fair value of the Group's investment and trading property (trading property included within the Lillie Square joint venture) at 31 December 2023 was determined by independent, appropriately qualified external valuers CBRE and Cushman & Wakefield for the wholly-owned property portfolio, JLL for the Lillie Square joint venture and Knight Frank for the Longmartin associate. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards.

As various inputs used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of estimation uncertainty. The Group's external valuers have made a number of assumptions including, but not limited to, market yields, ERVs and void periods. These assumptions are in accordance with the RICS Valuation Professional Standards, however, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. The key unobservable inputs used in the valuation models are those in respect of equivalent yields and ERV, which are summarised on page 66. Further information on the approach taken by the valuers in valuing the property 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 'Property portfolio'.

Other areas of estimation in the financial statements (which are not considered critical) include REIT compliance, the impairment of and expected credit loss allowance on trade receivables, share-based payments and the fair value estimation of the remaining assets acquired, and liabilities assumed in the business combination and the likelihood of contingent liabilities resulting in future liabilities for the Group.

The significant judgement in the preparation of these financial statements included determining the accounting acquirer in the business combination. As set out in IFRS 3 'Business Combinations', one of the combining entities is required to be identified as the acquirer and one as the acquiree. In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. The pertinent facts and circumstances of the merger have been reviewed and considered by management and it is the Directors' view that although on completion, Shaftesbury shareholders (excluding the existing Capco shareholding in Shaftesbury) owned approximately 53 per cent of the combined Group, having regard to a number of factors, Capco was the acquirer for IFRS 3 accounting purposes. The transaction, whilst implemented through an

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

offer, was effectively structured as a merger with the economic terms having regard to relative NTAs and market capitalisations.

Upon merger Capco was the entity issuing its equity interests and already held a 25.2 per cent shareholding in Shaftesbury held since 2020. The balance of the Board, Executive Directors and Executive Committee in the combined Group was also assessed. Following completion of the merger in March 2023 the Board comprised six Shaftesbury and four Capco directors. The three Executive Directors comprised two Capco directors, the Chief Executive and Chief Financial Officer, and one Shaftesbury director, the Chief Operating Officer. Following completion of the merger, an Executive Committee, comprising three Capco and two Shaftesbury leadership team members, was established and was responsible for the day-to-day management and operation of the Group. In December 2023 the Chief Operating Officer stepped down from the Board and left the Company, as did three Non-executive Directors in January 2024. Following these departures, the Board now includes two Executive Directors being the Chief Executive and Chief Financial Officer, both former Capco directors. The Executive Committee now comprises three Capco and one Shaftesbury leadership team members, and continues to be responsible for the day-to-day management and operation of the Group.

New accounting policies

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board that are effective for annual periods that begin on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 (amendment) (Disclosure of Accounting Policies)
- IAS 8 'Accounting Policies, Changes in Accounting Estimates, and Errors' (amendment) (Definition of Accounting Estimates)
- IAS 12 'Income Taxes' (amendment) (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)
- IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (amendment) (Sale or contribution of assets between an investor and its associate or joint venture)
- IFRS 17 'Insurance contracts'
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

At the date of approval of the consolidated financial statements the following standards and interpretations which have not been applied in these consolidated financial statements were in issue but not effective, and in some cases have not been adopted for use under UK-adopted international accounting standards:

- IAS 1 'Presentation of Financial Statements' (amendment) (Classification of Liabilities as Current or Non-Curren**t)**
- IAS 1 'Presentation of Financial Statements' (amendment) (Non-current Liabilities with Covenants)
- IAS 7 and IFRS 7 'Statement of Cash Flows and Financial Instrument Disclosure' (amendment) (Supplier Finance Arrangements)
- IFRS 16 'Leases' (amendment) (Lease liability in a sale and leaseback)

The Group has assessed the impact of these new standards and interpretations and does not anticipate any material impact on the consolidated financial statements.

Changes in accounting policies

Following the merger an alignment of accounting policies has been conducted leading to the following amendments:

Tenant lease incentives and deferred letting fees – change in lease term

Under IFRS 16 "Leases" the lease term is defined as the non-cancellable period of a lease, together with both periods covered by an option to extend or terminate the lease if the lessee is reasonably certain to exercise that option.

Previously, in the Capco (now Shaftesbury Capital) financial statements, the Group amortised tenant lease incentives and deferred letting fees on a straight-line basis over the lease term to lease expiry as the assumption was that lessees were reasonably certain not to exercise their option at break date. This has been amended such that all lease incentives are amortised over the non-cancellable period of the lease.

The comparative financial information has not been restated to reflect this change in accounting policy as the adjustment is not material and would have no impact on net assets nor profit for the period and has instead been adjusted prospectively. As a result, the straight-lining of lease incentives has been reduced by £4.1 million and deferred letting fees have been reduced by £1.0 million in the consolidated income statement, with a reduction of £5.1 million within other receivables in the balance sheet. As tenant lease incentives and deferred letting fees are deducted from the market value of investment property to reach the

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

carrying value, the adjustment is also reflected through investment property on the balance sheet and revaluation of investment property in the consolidated income statement.

Adjustment to investment property for deferred letting fees

Previously in the Capco (now Shaftesbury Capital) financial statements the Group accounted for deferred letting fees in the consolidated balance sheet and amortised to property costs on a straight-line basis over the lease term without a corresponding deduction from the market value of investment property due to this not being material. Deferred letting fees are considered initial direct costs and are deducted from the market value of investment property to calculate the carrying value. A £4.1 million adjustment has been made, reflecting the balance as at 1 January 2023, as a deduction from investment property and there is a corresponding revaluation loss. The adjustment is not material and therefore has not been applied retrospectively.

The following new accounting policies have been applied within the 2023 consolidated financial statements.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method (at the point the Group gains control over a business as defined by IFRS 3 "Business Combinations").

The cost of an acquisition is measured as the aggregate of the consideration transferred, which includes the cash paid and the aggregate of the fair values, at the date of exchange, of other assets transferred, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, and the amount of any non-controlling interests in the acquiree.

Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Goodwill represents the excess of the cost of acquisition of a business combination over the fair value of the identifiable net assets of the business acquired at the date of acquisition. In the case that the fair value of the identifiable net assets acquired is greater than the total consideration paid, negative goodwill arises on the acquisition. The negative goodwill is recognised as a gain on bargain purchase in the consolidated income statement.

Owner-occupied property

Owner-occupied property comprises property held for use in the production or supply of goods or services or for administrative purposes. Investment property is transferred to owner-occupied on commencement of entering into a lease for material elements of the property. The property is transferred and subsequently carried at market value, which is determined in the same manner as investment property. Revaluation gains are recognised in equity. A revaluation loss will reverse any previous revaluation gain recorded in equity with the residual recognised in profit or loss.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Segmental reporting

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 Executive Committee. The Executive Committee is responsible for regularly reviewing the Group's internal reporting in order to assess performance and for allocation of resources, and consists of the Chief Executive, Chief Financial Officer and the two Executive Directors.

Previously, the Group determined the operating segments to be organised into the following divisions:

- Covent Garden;
- Other, which comprised the Shaftesbury Investment, the Group interest in Innova and other head office companies and investments; and
- Lillie Square, which represents the Group's interests in the Lillie Square joint venture and a number of smaller properties in the adjacent area.

Following the merger, the information reviewed by the Executive Committee is prepared on a basis consistent with these financial statements. That is, the information is provided and monitored at a Group level and includes the IFRS reported results, EPRA and underlying measures (previously the information provided was on a Group share basis). The management information previously presented for the Lillie Square and Other segments is no longer separately reported to the Executive Committee, as it makes up a small proportion of the combined Group post-merger, or in the case of the Shaftesbury Investment which is no longer in place. These former segments no longer meet the requirements under IFRS 8 to be separately reported.

In assessing the identification of operating segments, the Group considers the activities of the chief operating decision maker including decision making authorities for allocation of resources and the information they regularly receive. This consideration also factors that performance measures are set and only monitored at a single Group level. The Annual Report includes additional operational information on the property portfolio grouped by village and use. This information is used within certain levels of the business and is also considered useful for readers of the Annual Report, but is not used by the chief operating decision maker for monitoring performance or the allocation of resources.

2 PERFORMANCE MEASURES

The Group has applied the European Securities and Markets Authority guidelines on alternative performance measures ("APMs") in these annual results. An APM is a financial measure of historical or future financial performance, position or cash flow of the Group which is not a measure defined or specified in IFRS. Details of all APMs used by the Group are set out in the APM section on page 58.

As is usual practice in the sector, the Group presents APMs for certain indicators, including earnings, earnings per share and net tangible assets, making adjustments as set out by EPRA in its Best Practice Recommendations. These recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency, comparability and coherence of the sector.

One of the key performance measures which the Group uses is underlying earnings. The underlying earnings measure reflects the underlying financial performance of the Group's core West End property rental business and is used for the calculation of dividends. The measure aligns with the main principles of EPRA earnings which excludes valuation movements on the wholly-owned, joint venture and associate properties, fair value changes of financial instruments and listed investments, cost of early close out of debt, gain on bargain purchase and IFRS 3 merger-related transaction costs.

In calculating underlying earnings, additional adjustments are made to exclude items considered to be non-recurring or significant by virtue of size and nature. Consistent in the calculation for both years is the removal of the financial performance of the Lillie Square joint venture, associated tax adjustments and the interest receivable on the loan issued to the joint venture by the Group. Lillie Square is not a core part of the operations of the Group and therefore its results are not included in underlying earnings. The fair value movement of the option component of the exchangeable bond is also adjusted from underlying earnings as such fair value movements do not reflect the true nature of the performance of the Group.

Following the completion of the all-share merger on 6 March 2023, the following new adjustments have been made to underlying earnings:

- A fair value exercise was performed on the Shaftesbury balance sheet, with the debt (including an adjustment to the investment in Longmartin arising from the fair value adjustment of the underlying debt in the associate) adjusted to be held at a fair value of £945.6 million compared to the nominal value of £1,019.8 million. The fair value adjustments will be amortised to other finance costs over the remaining term of the debt facilities. In the current year, EPRA earnings has been adjusted by £24.6 million, to reflect the accelerated unwind of the fair value adjustment following the early redemption of the Chinatown and Carnaby Bonds in April 2023. The current year amortisation of the fair value adjustment for the other debt facilities of £5.2 million has been adjusted from underlying earnings within other finance costs.
- £8.7 million of merger-related integration and other non-underlying administrative expenses have been incurred. These costs are non-recurring as they relate to significant transactions outside the core operations of the Group.
- A £5.1 million reduction to gross profit has been reported as a result of the alignment of accounting policies following the merger. Details are set out in note 1 'Principal accounting policies' under 'Changes in Accounting Policies'. The alignment was considered immaterial and therefore no retrospective adjustment has been made and the cumulative impact as at 1 January 2023 was adjusted against gross profit in the current year. This impact has been adjusted from underlying earnings to reflect the true performance of the business for the current year.

A summary of the number of shares, on a basic and diluted basis, in issue at the year end, and on a weighted average basis for the year, is set out in the table below:

Number of shares

	2023 Weighted average million	**2023 In issue million[1]**	2022 Weighted average million	2022 In issue million
Ordinary shares	**1,757.0**	**1,953.2**	851.3	851.5
Own shares – employee benefit trust	**(2.6)**	**(3.1)**	–	–
Own shares – collateral for exchangeable bond	**(105.5)**	**(128.4)**	–	–
Number of shares – basic[2]	**1,648.9**	**1,821.7**	851.3	851.5
Dilutive effect of contingently issuable share option awards	**6.5**	**6.5**	0.8	0.8
Dilutive effect of contingently issuable deferred share awards	**0.6**	**0.6**	**–**	–
Number of shares – diluted[3]	**1,656.0**	**1,828.8**	852.1	852.3

1. The settlement of share options under the employee benefit scheme prior to the merger, and the all-share merger completing on 6 March 2023, resulted in, 1,101.7 million shares issued in the year.
2. Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.
3. Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings and net assets per share.

2 PERFORMANCE MEASURES CONTINUED

Earnings per share – IFRS

	2023 £m	2022 £m
Basic earnings/(loss)	**750.4**	(211.8)
Basic earnings/(loss) per share (pence)	**45.5p**	(24.9)p
Diluted earnings/(loss) per share (pence)	**45.3p**	(24.9)p

Earnings per share – EPRA and Underlying earnings

	Note	2023 £m	2022 £m
Basic earnings/(loss)		**750.4**	(211.8)
EPRA Group adjustments:			
Loss on revaluation and profit on sale of investment property	10	**65.0**	0.8
Change in value of investments and other receivables		**12.5**	7.9
Change in fair value of financial assets at fair value through profit or loss	15	**(52.0)**	239.5
Change in fair value of financial instruments – interest rate derivatives	15	**7.4**	(11.0)
Gain on bargain purchase	9	**(805.5)**	–
Accelerated unwind of unamortised finance costs and interest on early close out of debt[1]	6	**26.8**	6.0
Merger-related transaction costs	4	**35.8**	14.6
Deferred tax adjustments		**(0.1)**	(0.1)
EPRA joint venture and associate adjustments:			
Profit on sale and transfer of trading property		**(5.1)**	–
Loss on revaluation of investment property		**3.3**	(0.9)
Write down of trading property		**6.6**	12.3
Deferred tax adjustment		**(0.1)**	–
EPRA earnings		**45.0**	57.3
EPRA earnings per share (pence)		**2.7**	6.7
Underlying earnings adjustments:			
Impact of change in accounting policy on gross profit		**5.1**	–
Other finance costs[2]		**5.2**	0.5
Merger-related integration and other non-underlying administration costs	4	**8.7**	–
Change in fair value financial instruments – exchangeable bond option	15	**3.9**	(28.8)
Taxation		**–**	4.7
Joint venture adjustment – Lillie Square[3]		**(7.5)**	(14.9)
Other		**–**	(0.2)
Underlying earnings		**60.4**	18.6
Underlying earnings per share (pence)		**3.7**	2.2

1. On early redemption of the Carnaby and Chinatown bonds in April 2023 the unamortised fair value adjustment of £24.6 million that arose on completion of the merger was accelerated. In addition, the unamortised costs on the loan facility of £2.2 million was accelerated on early repayment during the year. The prior year adjustment relates to the non-recurring costs in connection with the early repayment of £75 million of private placement notes and the repayment of the £125 million secured loan.
2. Includes the unwind of the fair value adjustments on the remaining debt facilities acquired on merger (including the fair value unwind of our share of the Longmartin debt of £0.7 million). £4.5 million is recorded through other finance costs and £0.7 million within the profit from Longmartin. The prior year adjustment related to the cost of entering the loan facility during the prior year.
3. The Lillie Square joint venture is not considered part of the core underlying business of the Group and therefore its results are excluded from underlying earnings. The adjustment includes £3.7 million (2022: £3.5 million) interest receivable by the Group on the interest-bearing loans issued to the joint venture and £3.8 million (2022: £11.4 million) of adjustments made to EPRA for profit on sale and transfer of trading property, loss on revaluation of investment property and write down of trading property.

2 PERFORMANCE MEASURES CONTINUED

Net assets per share

	2023			2022		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS total equity[1]	**3,480.2**	**3,480.2**	**3,480.2**	1,561.6	1,561.6	1,561.6
Unrecognised surplus on trading property – joint venture	**1.7**	**1.7**	**1.7**	7.1	7.1	7.1
Fair value of financial instruments – interest rate derivatives[2]	**(9.7)**	**(9.7)**	**–**	(12.1)	(12.1)	–
Fair value adjustment of exchangeable bond[3]	**2.0**	**2.0**	**–**	(4.8)	(4.8)	–
Real Estate Transfer Tax	**332.2**	**–**	**–**	116.0	–	–
Excess fair value of debt over carrying value[4]	**–**	**–**	**29.8**	–	–	121.4
Deferred tax adjustments	**5.2**	**5.2**	**–**	0.4	0.4	–
NAV	**3,811.6**	**3,479.4**	**3,511.7**	1,668.2	1,552.2	1,690.1
NAV per share (pence)	**208.4**	**190.3**	**192.0**	195.7p	182.1p	198.3p

1. IFRS total equity of 190.3 pence per share (2022: 183.2 pence per share).
2. This relates to the fair value of interest rate derivatives.
3. Adjustment to remove the exchangeable bond option fair value and include the exchangeable bond liability at nominal value of £275 million.
4. Excludes fair value of exchangeable bond option component included under derivative liabilities as disclosed in note 15 'Classification of financial assets and liabilities'.

Headline earnings per share

Headline earnings per share is calculated in accordance with Circular 1/2023 issued by the South African Institute of Chartered Accountants, a requirement of the Group's Johannesburg Stock Exchange secondary listing. This measure is not a requirement of IFRS.

	2023 £m	2022 £m
Basic earnings/(loss)	**750.4**	(211.8)
Group adjustments:		
Gain on bargain purchase	**(805.5)**	–
Loss on revaluation and profit on sale of investment property	**65.0**	0.8
Headline earnings/(loss)	**9.9**	(211.0)
Basic headline earnings/(loss) per share (pence)	**0.6p**	(24.8)p
Diluted headline earnings/(loss) per share (pence)	**0.5p**	(24.8)p

3 GROSS PROFIT

All revenue has been generated from operations within the United Kingdom.

	2023 £m	2022 £m
Rental receivable	**171.9**	61.5
Straight-lining of tenant lease incentives[1]	**3.9**	6.3
Service charge income	**19.3**	6.3
Revenue	**195.1**	74.1
(Provision for)/reversal of expected credit loss	**(2.0)**	1.6
Property expenses[1]	**(31.1)**	(10.2)
Service charge expenses	**(19.3)**	(6.3)
Impairment of tenant lease incentives	**(0.8)**	(1.9)
Costs	**(53.2)**	(16.8)
Gross profit	**141.9**	57.3

1. Included in the current period charge is £5.1 million relating to the alignment of accounting policies on completion of the merger. £4.1 million of the adjustment is recognised through the straight lining of tenant lease incentives and £1.0 million in property expenses. Details of the change in accounting policy is set out in note 1 'Changes in accounting policies'.

4 ADMINISTRATION EXPENSES

	2023 £m	2022 £m
Depreciation	**0.4**	0.2
Employee costs	**25.1**	17.7
Head office administration expenses	**13.8**	8.1
Merger-related transaction costs[1]	**35.8**	14.6
Merger-related integration costs[1]	**7.9**	–
Non-underlying administration expenses	**0.8**	–
Administration expenses	**83.8**	40.6

1. Costs relate to transaction fees and expenses in respect of the merger and subsequent costs of integrating the combined business. Details of transaction costs are set out in note 9 'Gain on bargain purchase'.

5 FINANCE INCOME

	2023 £m	2022 £m
Finance income:		
On deposits and current accounts	**6.3**	1.4
On interest rate derivatives	**9.3**	1.2
Finance income	**15.6**	2.6
Other finance income:		
On loans to joint ventures and associates	**4.1**	3.5
Other finance income	**4.1**	3.5

6 FINANCE COSTS

	2023 £m	2022 £m
On bank facilities and loan notes	**40.3**	18.2
On exchangeable bonds[1]	**8.4**	8.3
On mortgage bonds[2]	**1.8**	–
On secured loans	**16.5**	–
On obligations under lease liabilities	**0.5**	0.7
Finance costs	**67.5**	27.2
Other finance costs:		
Non-underlying finance charges[3]	**31.3**	6.5
Other finance costs	**31.3**	6.5

1. On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The notes were originally exchangeable into cash or ordinary shares of Shaftesbury, but following the all-share merger are convertible into Shaftesbury Capital shares. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component. The debt component is accounted for at amortised cost and, after taking into account transaction costs, accrues interest at an effective interest rate of 3.1 per cent, of which 2 per cent (£5.5 million) represents the cash coupon on the bond.
2. Interest incurred on the £575 million Chinatown and Carnaby bonds from 6 March 2023 up to their redemption in April 2023.
3. Non-underlying finance charges have been excluded from the calculation of underlying earnings as these are non-recurring costs and do not represent the underlying performance of the business. The current year charge relates to the unwind of the fair value adjustment of the debt on completion of the merger as discussed in note 9 'Gain on bargain purchase'. It is comprised of £24.6 million for the unwind on the early redemption of the Chinatown and Carnaby bonds and £4.5 million on the remaining facilities. The current year amount further includes £2.2 million accelerated amortisation on the early settlement of the loan facility during the year. In the prior year the costs were in connection with the early repayment of £75.0 million of private placement notes, the repayment of the £125.0 million secured loan and the cost of entering the loan facility.

7 TAXATION

	2023 £m	2022 £m
Current income tax:		
Current income tax charge	**0.2**	–
Current tax on profits	**0.2**	–
Deferred income tax:		
On accelerated capital allowances	**0.1**	0.1
On Group losses	**(1.4)**	4.7
On other temporary differences	**1.3**	1.2
Deferred tax on profits	**–**	6.0
Total taxation charge in the consolidated income statement	**0.2**	6.0

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. Non-qualifying activities are subject to UK corporation tax.

The main corporation tax rate increased from 19 to 25 per cent with effect from 1 April 2023. As a result of this change in tax rate, a blended rate of 23.5 per cent will be applicable to the Group for the year ending 31 December 2023.

8 DIVIDENDS

	Pence per share			2023 £m	2022 £m
	PID	Non-PID	Date paid		
Ordinary shares					
For the year ended 31 December 2021:					
Final dividend of 1.0 pence per share	**0.5**	**0.5**	8 July 2022	**–**	8.5
For the year ended 31 December 2022:					
First interim dividend of 0.8 pence per share	**0.8**	**–**	19 Sept 2022 (SA) and 20 Sept 2022 (UK)	**–**	6.8
Second interim dividend of 1.7 pence per share	**0.7**	**1.0**	20 March 2023	**14.5**	–
For the year ended 31 December 2023:					
Interim cash dividend of 1.5 pence per share	**–**	**1.5**	18 September 2023	**29.3**	-
Dividend expense[1]				**43.8**	15.3

1. Includes £1.9 million paid to a controlled entity, Capco Investment London (No.7) Scottish Limited Partnership, in respect of 128,350,793 shares held as collateral for the exchangeable bonds. The entity has provided an undertaking not to exercise its voting rights in respect of such ordinary shares but will receive the declared dividend, all of which was retained by the Group following calculation of the dividend threshold test as set out in the exchangeable bond conditions. The Groups dividend expense recorded in the consolidated statement of cash flows is £41.9 million.

As a UK REIT, Shaftesbury Capital must distribute at least 90 per cent of the Group's income profits from its tax-exempt property rental business, and 100 per cent of the Group's UK REIT investment profits, by way of a PID.

These distributions can be subject to withholding tax at 20 per cent. Dividends from profits of the Group's taxable residual business are ordinary dividends and will be taxed as an ordinary dividend.

On 28 February 2024, the Directors proposed a final cash dividend of 1.65 pence per ordinary share (of which 0.65 pence per ordinary share will be paid as a PID and 1.0 pence per ordinary share as a non-PID), bringing the total dividend for 2023 to 3.15 pence per ordinary share. The proposed 2023 final cash dividend is subject to approval at Shaftesbury Capital's Annual General Meeting, to be held on 23 May 2024. If approved, the final cash dividend will be paid on 31 May 2024 to all shareholders on the register on 26 April 2024.

9 GAIN ON BARGAIN PURCHASE

The all-share merger between Capco and Shaftesbury completed on 6 March 2023, with the Company being renamed to Shaftesbury Capital PLC on this date. The merger brought together two real estate companies, with properties mainly located in the West End, to create the leading central London mixed-use REIT.

Prior to the all-share merger, Capco held a 25.2 per cent shareholding in Shaftesbury which was accounted for at fair value through profit and loss. On the completion date, the fair value of Shaftesbury shares was 421.6 pence per share and Capco's 25.2 per cent interest, consisting of 96,971,003 Shaftesbury shares, was valued at £408.8 million. Of this shareholding, 38,245,171 shares were held as collateral in respect of the £275 million exchangeable bonds, issued in 2020.

Upon the merger becoming effective, Shaftesbury Shareholders received 3.356 Shaftesbury Capital shares for each Shaftesbury share held, totalling 1,095,549,228 shares (including 128,350,793 shares issued to a Capco controlled entity in respect of secured shares previously held as collateral for the exchangeable bonds).

The table below sets out the fair values of the identifiable net assets acquired, and consideration transferred on the completion date. As the fair value of the identifiable net assets acquired was greater than the total consideration paid, due to the Shaftesbury Capital share price trading at a 32 per cent discount to the last reported net asset value, and as a result of the exchange ratio referred to above, a gain on bargain purchase has been recognised in the consolidated income statement for the year.

	Book value as at 6 March 2023 £m	Fair value adjustments[1] £m	Fair value as at 6 March 2023 £m
Assets			
Investment property[2]	3,099.0	42.0	3,141.0
Investment in associate[2]	82.3	2.4	84.7
Property, plant and equipment	0.2	–	0.2
Trade and other receivables	72.0	(42.0)	30.0
Cash and cash equivalents[3]	118.1	–	118.1
Total assets	3,371.6	2.4	3,374.0
Liabilities			
Borrowings	(954.0)	65.0	(889.0)
Trade and other payables	(66.6)	–	(66.6)
Total liabilities	(1,020.6)	65.0	(955.6)
Net assets acquired	2,351.0		
Fair value of net assets acquired			2,418.4
Consideration transferred:			
Issue of 1,095,549,228 ordinary share of 25 pence per share[4]			1,363.9
Shares previously held by Capco			(159.8)
Consideration: fair value of shares issued			1,204.1
Fair value of shares previously held			408.8
Fair value of consideration and shares previously held			1,612.9
Gain on bargain purchase			805.5
Merger-related transaction costs[5]			(35.8)
Total gain on business combination recognised in the consolidated income statement			769.7

1. Details of completion date fair value adjustments required under IFRS 3 are set out in the paragraphs below.
2. Investment property, including the Group's share of investment property held within the Longmartin investment in associate, was externally valued and reported at market value on the merger date.
3. No cash consideration was paid on completion of the transaction. The cash acquired on completion of the merger, as included within the consolidated statement of cash flows, represents the cash held by Shaftesbury on 6 March 2023.
4. The calculation of consideration transferred is based on the Capco closing share price of 124.5 pence per share on 3 March 2023. Shaftesbury shares, excluding the 25.2 per cent shareholding previously held by Capco, were exchanged for Capco shares at a ratio of 3.356 shares per Shaftesbury share.
5. Merger-related transaction costs of £35.8 million (2022: £14.6 million) incurred in connection with the all-share merger have been recorded within administration expenses in the consolidated income statement.

9 GAIN ON BARGAIN PURCHASE CONTINUED

Details of completion date fair value adjustments required under IFRS 3:

- Investment properties and trade and other receivables - The carrying value of investment properties and trade and other receivables has been adjusted to derecognise £42.0 million of tenant lease incentives and deferred letting fees held prior to completion of the merger.
- Investment in associate – The fair value of the investment in associate includes investment property and borrowings at fair value. The Group's £60.0 million (our share) fixed rate debt held in the associate, was fair valued at £56.6 million, resulting in a £3.4 million fair value adjustment of the debt due to the current interest rate environment. An offsetting tax adjustment of £0.8 million was recognised on this fair value adjustment. Capitalised issue costs associated with the debt of £0.2 million (our share) were derecognised on completion and the fair value of the debt and corresponding deferred tax adjustment will be amortised over the remaining term of the debt facility.
- Borrowings – Fixed rate debt with a nominal value of £959.8 million was fair valued at £889.0 million, a £70.8 million difference due to the current interest rate environment. The fair value adjustment is offset by £5.8 million of capitalised issue costs associated with the debt which were derecognised on completion. The fair value adjustment will be amortised to other finance costs over the remaining term of the debt facilities. Following completion of the merger and the redemption of the Carnaby and Chinatown bonds in April 2023, £24.6 million of the amortisation of the fair value adjustment relating to the bonds was accelerated and recognised in other finance costs in the period. £41.7 million of the £70.8 million (wholly owned) adjustment remains at 31 December 2023, which will be amortised over the remaining term of the debt facilities.

The revenue and loss before tax of the Shaftesbury Group are set out in the table below.

	1 January 2023 to 5 March 2023 £m[1]	6 March 2023 to 31 December 2023 £m[2]	Pro-forma Shaftesbury Group £m
Revenue (including service charge income)	24.9	121.9	146.8
Loss before tax[3]	(1.7)	(64.3)	(66.0)

1. Shaftesbury Group revenue and loss before tax for the period 1 January 2023 – 5 March 2023 (pre-merger) was obtained from internal management accounts and have not been adjusted for accounting policy alignments or fair value adjustments.
2. Shaftesbury Group revenue and loss before tax for the period 6 March 2023 – 31 December 2023 (post-merger) are included in the Group consolidated income statement and take into account adjustments relating to accounting policy alignments and the unwind of the fair value adjustments on the borrowings and related deferred tax in Longmartin.
3. Loss before tax for the periods 1 January 2023 – 5 March 2023 and 6 March 2023 – 31 December 2023 includes revaluation movements and merger-related transaction and integration costs. Excluding these items, estimated underlying earnings before tax for the period 1 January 2023 – 5 March 2023 were £5 million.

The pro forma information is provided for illustrative purposes only and is not necessarily indicative of the results that the combined Group would have reported had the merger completed at the beginning of the financial year, or indicative of future results of the combined Group.

10 PROPERTY PORTFOLIO

	2023 £m	2022 £m
At 1 January	**1,715.1**	1,705.6
Investment property acquired on merger at 6 March 2023 fair value	**3,141.0**	–
Additions from acquisitions	**17.4**	–
Additions from subsequent expenditure	**35.1**	10.3
Disposals	**(81.5)**	–
Transfer to owner-occupied property	**(18.4)**	–
Loss on revaluation	**(68.5)**	(0.8)
Carrying value of investment property	**4,740.2**	1,715.1
Adjustment in respect of fixed head leases	**(3.0)**	(6.1)
Adjustment in respect of tenant lease incentives and deferred letting fees	**37.9**	34.7
Market value of investment property	**4,775.1**	1,743.7

	2023 £m	2022 £m
The investment property valuation comprises:		
Freehold properties	**3,791.3**	971.2
Leasehold properties	**983.8**	772.5
Market value of investment property	**4,775.1**	1,743.7

10 PROPERTY PORTFOLIO CONTINUED

Market value of property portfolio

	2023 £m	2022 £m
Market value of investment property	**4,775.1**	1,743.7
Market value of owner-occupied property[1]	**20.2**	–
Market value of wholly-owned property portfolio	**4,795.3**	1,743.7

1. Owner-occupied property is included in property, plant and equipment at market value.

Revaluation (loss)/gain of property portfolio

	2023 £m	2022 £m
Revaluation loss reported in consolidated income statement	**(68.5)**	(0.8)
Revaluation gain reported in consolidated statement of comprehensive income	**1.8**	–
Total revaluation loss of wholly-owned property portfolio	**(66.7)**	(0.8)

Valuation process

The fair value of the Group's wholly-owned investment property and owner-occupied property at 31 December 2023 was determined by independent, appropriately qualified external valuers, CBRE and Cushman & Wakefield. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

Each year the Company appoints the external valuers. The valuers are selected based on their knowledge, independence and reputation for valuing assets such as those held by the Group.

Valuations are performed bi-annually and are performed consistently across all properties in the Group's portfolio. At each reporting date appropriately qualified employees of the Group verify all significant inputs and review computational outputs. Valuers submit and present summary reports to the Group's Audit Committee, with the Executive Committee reporting to the Board on the outcome of each valuation round.

Net zero carbon and EPC compliance

The Group published its Net Zero Carbon Pathway in November 2023 and has set 2030 as its target date to achieve this, aligning to a 1.5°C pathway and the aim to be carbon neutral for scope 1 & 2 emissions by 2025. A key element in achieving this will come from carbon efficiencies created through developments and refurbishments of the Group's property portfolio. During 2023, the Group's additions from subsequent expenditure were £35.1 million (year ended 31 December 2022: £10.3 million). This included both capital works, which enhanced the environmental performance of assets, and design stage work aimed at delivering environmental enhancements. While new ground-up developments form a limited part of the Group's activity, the design stage work on refitting and refurbishment of units, particularly in heritage buildings, is equally important to deliver Whole Life Carbon Efficiency.

The Net Zero Carbon Pathway also highlights the aim for 75 per cent of commercial units to have a "B" or above EPC compliance rating by 2027 and for all commercial units to have a "B" or above and residential units a "C" or above rating by 2030. Any committed capital expenditure has been included in note 17 'Capital commitments'.

Valuation techniques

Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property-by-property basis, 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 will consider the cost and the likelihood of achieving and implementing this change in use in arriving at its valuation.

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuers use 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 critical key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out within the Analysis of Property Portfolio on page 66. Equivalent yields are based on current market prices, depending on, inter alia, the location, condition and use of the properties.

10 PROPERTY PORTFOLIO CONTINUED

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.

Non-financial assets carried at fair value, as is the case for investment property held by the Group, are required to be analysed by level depending on the valuation method adopted under IFRS 13 'Fair Value Measurement' ("IFRS 13").

The different valuation levels are defined as:

Level 1: valuation based on quoted market prices traded in active markets;

Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly or from market prices or indirectly derived from market prices; and

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models.

When the degree of subjectivity or nature of the measurement inputs changes, consideration is given as to whether a transfer between fair value levels is deemed to have occurred. Unobservable data becoming observable market data would determine a transfer from Level 3 to Level 2. All investment properties held by the Group are classified as Level 3 in the current and prior year.

Sensitivity to changes in key assumptions

As noted in the critical accounting judgements and key sources of estimation and uncertainty section in note 1 'Principal accounting policies', the valuation of the Group's property portfolio is inherently subjective. As a result, 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.

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

	Change in ERV			
	-10%	**-5%**	**+5%**	**+10%**
	£m	**£m**	**£m**	**£m**
(Decrease)/increase in fair value	(406.0)	(204.0)	210.0	421.6
	Change in Yield			
	-50bps	**-25bps**	**+25bps**	**+50bps**
	£m	**£m**	**£m**	**£m**
Increase/(decrease) in fair value	656.0	306.0	(271.2)	(512.1)

The table above shows movements in key assumptions in isolation. These key unobservable inputs are interdependent. All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation, and an increase in estimated rental value would increase the capital value, and vice versa. However, there are interrelationships between the key unobservable inputs which are partially determined by market conditions, which would impact these changes.

At 31 December 2023, the Group was contractually committed to £24.8 million (31 December 2022: £1.7 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Refer to note 17 'Capital commitments' for further information on capital commitments.

11 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates are measured using the equity method. All the Group's joint ventures and associates are held with other investors on a 50:50 basis. At 31 December 2023, investments comprised the Longmartin associate ("Longmartin") and the Lillie Square joint venture ("LSJV"). The Group disposed of its interest in Innova Investment joint venture ("Innova") on 15 May 2023.

11 INVESTMENT IN JOINT VENTURES AND ASSOCIATES CONTINUED

Longmartin

Longmartin is as a joint venture arrangement with The Mercers' Company. This 50:50 investment owns a long leasehold interest in a number 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 square feet of office space and 75 apartments.

Pursuant to the terms of the Longmartin investment (forming 3 per cent of the Group's property portfolio), the merger triggered the right for The Mercers' Company (the "Mercers") to require the Company to offer to sell its shares in the Longmartin investment to them (or to a third-party purchaser identified by them). The Mercers have elected to consider acquiring the Company's shares in the Longmartin investment and discussions are ongoing. As a result, it has been determined joint control is no longer demonstrated, however it remains a 50 per cent investment with significant influence demonstrated, therefore the investment is now reflected as an investment in an associate. There is no certainty that a transaction to sell the Company's shares in the Longmartin investment will be agreed and should the discussions conclude without agreement, the investment would revert to a joint venture.

The summarised income statement and balance sheet of Longmartin are presented below.

Summarised income statement	6 March 2023 to 31 December 2023 £m
Revenue	14.9
Gross profit	10.6
Administration expenses	(0.2)
Loss on revaluation of investment property	(1.9)
Net finance costs	(7.5)
Taxation	(0.6)
Profit for the period after taxation	**0.4**
Dividends paid	**3.0**

Summarised balance sheet	2023 £m
Investment property	327.2
Cash and cash equivalents	3.8
Other non-current assets	2.4
Other current assets	1.6
Non-current borrowings	(114.4)
Amounts payable to partners[1]	(23.1)
Other non-current liabilities	(21.9)
Other current liabilities	(8.8)
Net assets	**166.8**
Capital commitments	**0.1**

1. During the period, Longmartin repaid £5.3 million to its partners following the return of £5.3 million cash previously held on deposit as a waiver guarantee with its external lender.

Investment properties owned by Longmartin have been valued at 31 December 2023 by professionally qualified external valuers, Knight Frank LLP, who are members of the Royal Institution of Chartered Surveyors. Adjustments are made to the fair value of Longmartin's investment properties to arrive at the book value at 31 December 2023, as set out below:

Fair value of properties as valued by Knight Frank LLP	317.4
Finance lease asset	11.2
Lease incentives and costs included in receivables	(1.4)
Carrying value of investment property	**327.2**

11 INVESTMENT IN JOINT VENTURES AND ASSOCIATES CONTINUED

LSJV

LSJV was established as a joint venture arrangement with the Kwok Family Interests ("KFI") in August 2012. The joint venture was established to own, manage and develop land interests at Lillie Square. LSJV comprises Lillie Square LP, Lillie Square GP Limited, acting as general partner to the partnership, and its subsidiaries. All major decisions regarding LSJV are taken by the Board of Lillie Square GP Limited, through which the Group shares strategic control.

The summarised income statement and balance sheet of LSJV are presented below.

Summarised income statement	2023 £m	2022 £m
Revenue	**7.3**	6.8
Gross loss	**(0.5)**	(0.3)
Loss on revaluation of investment property	**(4.8)**	–
Proceeds from the sale of trading property	**7.0**	6.6
Profit on transfer of trading property to investment property	**9.0**	0.6
Cost of sale of trading property	**(5.6)**	(5.3)
Agent, selling and marketing fees	**(0.2)**	(0.1)
Write down of trading property	**(12.9)**	(24.7)
Administration expenses	**(0.4)**	(0.2)
Net finance costs[1]	**(6.8)**	(7.0)
Loss for the year after taxation	**(15.2)**	(30.4)

1. Net finance costs include £7.4 million (2022: £7.0 million) interest payable on the interest bearing loans issued to the joint venture by the Group and KFI. Finance income receivable by the Group from LSJV of £3.7 million (2022: £3.5 million) is recognised in the consolidated income statement within other finance income.

Summarised balance sheet	2023 £m	2022 £m
Investment property	**46.8**	8.8
Trading property	**80.3**	131.0
Cash and cash equivalents	**15.9**	11.8
Other non-current assets	**5.6**	5.5
Other current assets	**1.5**	1.9
Amounts payable to joint venture partners[1]	**(224.9)**	(217.5)
Other current liabilities	**(1.7)**	(3.1)
Net liabilities	**(76.5)**	(61.6)
Capital commitments	**–**	1.6
Carrying value of investment and trading property	**127.1**	139.8
Unrecognised surplus on trading property[2]	**3.3**	14.2
Market value of investment and trading property[2]	**130.4**	154.0

1. Amounts payable to joint venture partners include working capital facilities advanced by the Group and KFI of £29.0 million (2022: £28.2 million) and an interest bearing loan of £163.0 million (nominal value) advanced by the Group and KFI to the joint venture. The carrying value of the loan before impairment, including accrued interest was £180.2 million (2022: £172.9 million). Recoverable amounts receivable by the Group, net of impairments, are recognised on the consolidated balance sheet within non-current trade and other receivables.
2. The unrecognised surplus on trading property and the market value of LSJV's property portfolio are shown for informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

11 INVESTMENT IN JOINT VENTURES AND ASSOCIATES CONTINUED

Reconciliation of investments in joint ventures and associates

The table below reconciles the opening to closing carrying value of investments in joint ventures and associates as presented on the consolidated balance sheet.

	Longmartin £m	LSJV £m	Innova £m	Total £m
At 1 January 2022	–	–	0.2	**0.2**
At 31 December 2022	–	–	0.2	**0.2**
Investments in associate acquired at fair value on completion of merger	84.7	–	–	**84.7**
Share of profit/(loss) for the year[1]	0.2	(7.6)	–	**(7.4)**
Losses restricted[1]	–	7.6	–	**7.6**
Dividend received	(1.5)	–	–	**(1.5)**
Disposal of joint venture	–	–	(0.2)	**(0.2)**
At 31 December 2023	**83.4**	**–**	**–**	**83.4**

1. The loss from the Lillie Square joint venture for the year of £7.6 million has been restricted in accordance with the requirements of IAS 28. Restricted losses represent the Group's share of loss in LSJV in the year of £7.6 million (31 December 2022: £15.2 million) allocated to the cumulative losses which exceed the Group's investment in the joint venture. Cumulative losses of £38.4 million have been restricted to date (31 December 2022: £30.8 million) and as a result the carrying value of the investment in LSJV is nil (31 December 2022: nil). The Group holds £76.0 million (2022: £84.0 million) of recoverable loans from LSJV within note 12 'Trade and other receivables'.

12 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Non-current		
Prepayments and accrued income[1]	**28.5**	31.6
Amounts receivable from joint ventures[2]	**76.0**	84.0
Amounts receivable from associates[3]	**11.6**	-
Trade and other receivables	**116.1**	115.6
Current		
Rent receivable[4]	**13.6**	8.0
Other receivables[5]	**12.0**	2.6
Prepayments and accrued income[1]	**17.1**	10.2
Trade and other receivables	**42.7**	20.8

1. Includes tenant lease incentives and deferred letting fees of £37.9 million (2022: £34.7 million).
2. Amounts receivable from joint ventures represents an interest-bearing loan of £90.1 million (31 December 2022: £86.4 million) provided to LSJV. The loan bears interest at 4.25 per cent per annum and is repayable on demand. As it is not the intention of the Group to call on the loan in the next 12 months it has been presented as non-current. The loan has been impaired by £14.1 million (31 December 2022: £2.4 million) to date. Included within current trade and other receivables is working capital funding of £29.0 million due from LSJV (31 December 2022: £28.2 million) that has been fully impaired.
3. Amounts receivable from associates represents a loan of £11.6 million (31 December 2022: nil) provided to Longmartin. As it is not the intention of the Group to call on the loan in the next 12 months it has been presented as non-current.
4. Rent receivable is shown net of an expected credit loss provision of £4.8 million (31 December 2022: £4.0 million).
5. Other receivables include £7.0 million of restricted cash held on deposit as security for the secured term loans and bank facilities with certain conditions restricting the use.

13 CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash at hand	**10.4**	2.1
Cash on short-term deposits	**175.3**	114.4
Cash	**185.7**	116.5
Tenant deposits[1]	**14.5**	13.4
Cash and cash equivalents	**200.2**	129.9

1. Tenant deposits included above relate to cash held on deposit as security against tenant rent payments which are subject to certain restrictions and therefore not available for general use by the Group. The deposits are held in bank accounts administered by Group Treasury and therefore included within cash and cash equivalents in the consolidated balance sheet. Cash deposits against tenants' rent payment obligations totalling £18.9 million (31 December 2022: nil) are held in bank accounts administered by the Group's managing agents which are not included within the consolidated balance sheet.

14 BORROWINGS

	2023						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Loan notes (USPPs)	**94.9**	**–**	**94.9**	**94.9**	**–**	**93.0**	**95.0**
	94.9	**–**	**94.9**	**94.9**	**–**	**93.0**	**95.0**
Non current							
Bank loans	**345.9**	**–**	**345.9**	**–**	**345.9**	**350.0**	**350.0**
Loan notes (USPPs)	**379.2**	**–**	**379.2**	**379.2**	**–**	**340.7**	**380.0**
Secured loans	**539.9**	**539.9**	**–**	**539.9**	**–**	**569.5**	**584.8**
Exchangeable bonds[1]	**269.8**	**269.8**	**–**	**269.8**	**–**	**256.9**	**275.0**
	1,534.8	**809.7**	**725.1**	**1,188.9**	**345.9**	**1,517.1**	**1,589.8**
Total borrowings	**1,629.7**						**1,684.8**
Cash, excluding tenant deposits							**(185.7)**
Net debt							**1,499.1**

	2022						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Non current							
Bank loans	(2.5)	–	(2.5)	–	(2.5)	–	–
Loan notes (USPPs)	473.9	–	473.9	473.9	–	393.4	475.0
Exchangeable bonds[1]	266.9	266.9	–	266.9	–	228.9	275.0
Total borrowings	738.3	266.9	471.4	740.8	(2.5)	622.3	750.0
Cash, excluding tenant deposits							(116.5)
Net debt							633.5

1. Fair value of the exchangeable bonds includes the fair value of the option component of £7.2 million (2022: £3.3 million).

£584.8 million (nominal value) of the Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a market value of £1,624.2 million (31 December 2022: nil), and by floating charges over the assets of certain subsidiaries.

There are currently no restrictions on the remittance of income from investment properties. The Group has complied with the financial covenants of all its borrowings during both periods presented.

The Group has a £300 million revolving credit facility, which is undrawn at 31 December 2023.

Undrawn facilities and cash attributable to the Group, excluding tenant deposits, at 31 December 2023 were £485.7 million (31 December 2022: £416.5 million).

The fair value of the Group's borrowings has been estimated using the market value for floating rate borrowings, which approximates nominal value, and are classified as Level 2 fair values as defined by IFRS 13. The fair values of fixed rate borrowings have been determined by using a discounted cash flow approach, using a current borrowing rate. The loans are classified as Level 3 fair value measurements as defined by IFRS 13 due to the use of unobservable inputs, including own credit risk. The different valuation levels are defined in note 10 'Property Portfolio'.

15 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out each class of financial asset and financial liability at 31 December 2023 and 31 December 2022:

	Note	2023 Carrying value £m	2023 Gain/(loss) to income statement £m	2022 Carrying value £m	2022 Gain/(loss) to income statement £m
Derivative financial assets[1]		**9.7**	**(7.4)**	12.1	11.0
Total held for trading assets		**9.7**	**(7.4)**	12.1	11.0
Cash and cash equivalents	13	**200.2**	**–**	129.9	–
Other financial assets[2]	12	**113.2**	**–**	94.6	–
Total cash and other financial assets		**313.4**	**–**	224.5	–
Investment held at fair value through profit or loss[3]		**–**	**52.0**	356.9	(239.5)
Total investment held at fair value through profit or loss		**–**	**52.0**	356.9	(239.5)
Derivative financial liabilities[4]		**(7.2)**	**(3.9)**	(3.3)	28.8
Total held for trading liabilities		**(7.2)**	**(3.9)**	(3.3)	28.8
Borrowings	14	**(1,629.7)**	**–**	(738.3)	–
Lease liabilities		**(3.0)**	**–**	(6.1)	–
Other financial liabilities[5]		**(78.5)**	**–**	(26.5)	–
Total borrowings and other financial liabilities		**(1,711.2)**	**–**	(770.9)	–

1. Represents non-traded derivative instruments held by the Group to manage its exposure to interest rate risk. Interest rate derivatives are currently in place for £350 million of notional value for 2024 and £250 million for 2025 (31 December 2022: £200 million).
2. Includes rent receivable, amounts due from joint ventures and associates, tax assets and other receivables.
3. Financial assets at fair value through profit or loss previously comprised the 97.0 million shares held in Shaftesbury. Following the completion of the all-share merger on 6 March 2023 the investment was derecognised. A fair value gain of £52.0 million (31 December 2022: loss of £239.5 million) has been recognised in the period reflecting the movement in the share price from 368 pence at 31 December 2022 to 421.6 pence on 3 March 2023.
4. Represents the fair value of the option component of the exchangeable bond.
5. Includes trade and other payables (excluding rents in advance) and tax liabilities.

Fair value estimation

Financial instruments carried at fair value are required to be analysed by level depending on the valuation method adopted under IFRS 13. The different valuation levels are defined in note 10 'Property portfolio'.

The table below present the Group's financial assets and liabilities recognised at fair value at 31 December 2023 and 31 December 2022. There were no transfers between levels during the year.

	2023 Level 1 £m	2023 Level 2 £m	2023 Level 3 £m	2023 Total £m	2022 Level 1 £m	2022 Level 2 £m	2022 Level 3 £m	2022 Total £m
Financial assets at fair value through profit or loss								
Listed equity investment	–	–	–	–	356.9	–	–	356.9
Held for trading assets								
Derivative financial assets	–	**9.7**	–	**9.7**	–	12.1	–	12.1
Total assets	–	**9.7**	–	**9.7**	356.9	12.1	–	369.0
Held for trading liabilities								
Derivative financial liabilities	–	**(7.2)**	–	**(7.2)**	–	(3.3)	–	(3.3)
Total liabilities	–	**(7.2)**	–	**(7.2)**	–	(3.3)	–	(3.3)

The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values. Listed equity investments as at 31 December 2022 are carried at fair value on the consolidated balance sheet and representing Level 1 fair value measurement. The fair value of listed equity investments are based on quoted market prices traded in active markets.

The fair values of the Group's cash and cash equivalents, other financial assets carried at amortised cost and other financial liabilities are not materially different from those at which they are carried in the consolidated financial statements.

16 SHARE CAPITAL AND SHARE PREMIUM

	Transaction date	Issue price (pence)	Number of shares	Share capital £m[1]	Share premium £m
At 1 January 2023			851,450,638	212.8	232.5
Issued to satisfy employee share scheme awards[2]	March	25	6,170,629	1.5	–
Issued on completion of all-share merger[3]	March	25	1,095,549,228	273.9	–
At 31 December 2023			**1,953,170,495**	**488.2**	**232.5**

1. Nominal value of share capital of 25 pence per share.
2. On 2 March 2023, 6,170,629 (2022: 177,966) new shares were issued to satisfy employee share scheme awards.
3. On completion of the all-share merger on 6 March 2023, 1,095,549,228 new shares were issued (including 128,350,793 shares issued to a Shaftesbury Capital controlled entity in respect of secured shares previously held as collateral for the exchangeable bonds). See note 9 'Gain on bargain purchase' for further details.

17 CAPITAL COMMITMENTS

At 31 December 2023, the Group was contractually committed to £24.8 million (31 December 2022: £1.7 million) of future expenditure for the purchase, construction, development and enhancement of investment property.

The Group's share of joint ventures and associates capital commitments arising on LSJV amounts to nil (2022: £0.8 million) and Longmartin amount to £0.1 million.

18 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legislation, sustainability targets, legal claims, guarantees and warranties arising from the ordinary course of business. There are no contingent liabilities that require disclosure or recognition in the consolidated financial statements.

19 CASH FLOW FROM OPERATING ACTIVITIES

	Note	2023 £m	2022 £m
Profit/(loss) before tax		**750.6**	(205.8)
Adjustments:			
Loss on revaluation and profit on sale of investment property		**65.0**	0.8
Gain on bargain purchase	9	**(805.5)**	-
Change in value of investments and other receivables		**12.5**	7.9
Change in fair value of financial assets at fair value through profit or loss	15	**(52.0)**	239.5
Depreciation	4	**0.4**	0.2
Amortisation of tenant lease incentives and other direct costs		**0.1**	(2.6)
Provision for/(reversal of) for expected credit loss	3	**2.0**	(1.6)
Profit from joint ventures and associates	11	**(0.2)**	-
Share-based payment		**7.9**	2.4
Finance income	5	**(15.6)**	(2.6)
Other finance income	5	**(4.1)**	(3.5)
Finance costs	6	**67.5**	27.2
Other finance costs	6	**31.3**	6.5
Change in fair value of derivative financial instruments		**11.3**	(39.8)
Change in working capital:			
Change in trade and other receivables		**(27.1)**	2.0
Change in trade and other payables		**(14.3)**	2.9
Cash generated from operations		**29.8**	33.5

20 RELATED PARTY TRANSACTIONS

Transactions between the Group and its joint ventures and associates

Transactions during the year between the Group and its joint ventures and associates, which are related parties, are disclosed in notes 11 'Investment in joint ventures and associates', 12 'Trade and other receivables' and 17 'Capital commitments'. During the year the Group received management fees of £0.1 million (2022: nil) that were charged on an arm's length basis.

Property purchased by Directors of the Company

A related party of the Group, Lillie Square GP Limited, entered into the following related party transactions as defined by IAS 24 'Related Party Disclosures':

Each of Henry Staunton, Chairman of Capco up to 6 March 2023, and Situl Jobanputra, Chief Financial Officer of Shaftesbury Capital, either solely or together with family members, own apartments (and, where applicable, car park space) in the Lillie Square development. The disclosures in respect of these purchases were included in previous financial statements.

As owners of apartments and car park space in the Lillie Square development, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. During 2023, £13,922.28 had been paid to a related party of the Shaftesbury Capital Group, Lillie Square GP Limited, in relation to these charges. Certain payments in relation to these charges were made in advance, equating to £54.35. A further £1,289 had been invoiced as at the date the Director retired from the Company, but was not yet due for payment.

The above transactions with Directors were conducted at fair and reasonable market price based upon similar comparable transactions at that time. Where applicable, appropriate approval has been provided. Lillie Square GP Limited acts in the capacity of general partner to Lillie Square LP, a joint venture between the Group and KFI.

21 EVENTS AFTER THE REPORTING DATE

In January 2024 the Group disposed of an investment property for gross proceeds of £56.5 million. The proceeds, together with Group cash, were used to paydown the revolving credit element (£150 million) of the £350 million unsecured loan.

ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

The Group has applied the European Securities and Markets Authority guidelines on alternative performance measures ("APMs") in these results. An APM is a financial measure of historical or future finance performance, position or cash flow of the Group which is not a measure defined or specified in IFRS. Set out below is a summary of the APMs.

Many of the APMs included are based on the EPRA Best Practice Recommendations reporting framework, a set of standard disclosures for the property industry, which aims to improve the transparency, comparability and relevance of published results of public real estate companies in Europe.

The Group also uses underlying earnings, property portfolio and financial debt ratio APMs. Financial debt ratios are supplementary ratios which we believe are useful in monitoring the capital structure of the Group. Additionally, loan-to-value and interest cover are covenants within many of the Group's borrowing facilities.

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	2023	2022[1]
Underlying earnings	Profit/(loss) for the year excluding items deemed non-recurring or significant by virtue of size or nature	Profit/(loss) for the year	Note 2	**£60.4m**	£18.6m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	Basic earnings/(loss) per share	Note 2	**3.7p**	2.2p
EPRA earnings	Recurring earnings from core operational activity	Profit/(loss) for the year	Note 2	**£45.0m**	£57.3m
EPRA earnings per share	EPRA earnings/(loss) per weighted number of ordinary shares	Basic earnings/(loss) per share	Note 2	**2.7p**	6.7p
EPRA NTA	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Net assets attributable to shareholders	Note 2	**£3,479.4m**	£1,552.2m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 2	**190.3p**	182.1p
Market value of property portfolio	Market value of wholly-owned property portfolio	Investment properties	Note 10	**£4,795.3m**	£1,743.7m
Interest cover	Underlying operating profit divided by net underlying finance costs	N/A	N/A	**212.7%**	182.1%
Loan-to-value[2]	Net debt, at nominal value and excluding tenant deposits, divided by market value of property portfolio	N/A	N/A	**30.9%**	36.3%
Gross debt with interest rate protection	Proportion of gross debt with interest rate protection	N/A	N/A	**100%**	100%
Weighted average cost of debt[3]	Cost of debt weighted by the drawn balance of external borrowings	N/A	N/A	**4.2%**	2.7%
Cash and undrawn committed facilities	Cash and cash equivalents, excluding tenant deposits, plus undrawn committed facilities	N/A	Financial Review	**£485.7m**	£416.5m

1. Prior period comparatives have been restated based on changes to the definition following the all-share merger with Shaftesbury and the Board focus on the wholly-owned portfolio. Due to the fair value exercise performed on merger, and the Shaftesbury debt accounted for at fair value, net debt metrics have been adjusted to be based on nominal value rather than carrying value.
2. The 31 December 2022 loan-to-value represents the Capco only calculation which excludes the £356.9 million, 25.2 per cent shareholding held in Shaftesbury but includes the exchangeable bond which was secured by collateral on the shareholding. The net debt to gross assets ratio was 27.9 per cent.
3. As at 31 December 2023 the weighted average cost of debt reduces to an effective running cash cost of 3.4 per cent taking account of interest on cash deposits and interest rate caps and collars.

PRO FORMA INFORMATION (UNAUDITED)

The all-share merger of Capco and Shaftesbury to create Shaftesbury Capital completed on 6 March 2023. Pro forma information has been included for the balance sheet to provide relevant comparative information. The table below details the summary pro forma information and reconciliation on how the information has been calculated.

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	Pro forma 31 December 2022
EPRA NTA	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Net assets attributable to shareholders	Table 1	£3,526.4m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Table 1	192.8p
Market value of investment property	Market value of wholly-owned investment property portfolio	Investment properties	Table 2	£4,857.8m
Net debt	Total borrowings, at nominal value, less cash and cash equivalents, excluding tenant deposits	N/A	Table 3	£1,488.2m
Loan-to-value	Net debt divided by market value of investment property	N/A	Table 4	30.6%
Cash and undrawn committed facilities	Cash and cash equivalents, excluding tenant deposits, plus undrawn committed facilities	N/A	Table 5	£521.6m
Commitments	Capital commitments of the Group as at the reporting date	N/A	Table 6	£35.6m

The table below details the summary pro forma information and reconciliation for rental income for the year ended 31 December 2022 and 2023. This information has been provided to calculate EPRA like-for-like rental growth.

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	Pro forma 31 December 2023	Pro forma 31 December 2022
Rental income	Rental income generated by the combined Group	Revenue, excluding service charge income	Table 7 and 8	**£196.5m**	£178.2m

Table 1 – Pro forma balance sheet and EPRA NTA

A pro forma balance sheet and EPRA NTA have been provided to reflect the combined position of both companies as at 31 December 2022 property valuation and assumed all merger-related transaction costs have been incurred.

Capco and Shaftesbury had different reporting year ends being December and September respectively. In providing pro forma information the latest reported results of each Company were used, adjusted for property valuations as at 31 December 2022 and all merger-related transaction costs paid or accrued.

	Capco 31 December 2022[1] £m	Capco adjustments[2] £m	Shaftesbury 30 September 2022[3] £m	Shaftesbury adjustments[4] £m	Pro forma 2022 £m
Investment property at carrying value	1,715.1	–	3,144.4	(30.3)	**4,829.2**
Investments in joint ventures and associates	0.2	–	86.6	–	**86.8**
Financial assets at fair value	356.9	(356.9)	–	–	**–**
Net debt	(633.5)	(13.0)	(804.6)	(37.1)	**(1,488.2)**
Other assets and liabilities	122.9	(1.4)	32.1	(55.0)	**98.6**
Net assets	1,561.6	(371.3)	2,458.5	(122.4)	**3,526.4**
Group adjustments:					
Unrealised surplus trading property – joint venture	7.1	–	–	–	**7.1**
Fair value of derivative financial instruments and exchangeable bond	(16.9)	–	–	–	**(16.9)**
Dilutive effect of share options	–	–	0.5	–	**0.5**
Deferred tax adjustment	0.4	–	8.9	–	**9.3**
EPRA net tangible assets	1,552.2	(371.3)	2,467.9	(122.4)	**3,526.4**
EPRA net tangible assets per share (pence)					**192.8p**
Adjusted, diluted number of shares[5]					**1,828.8m**

PRO FORMA INFORMATION CONTINUED (UNAUDITED)

1. Capco 31 December 2022 reflects the summarised IFRS information and EPRA NTA as reported in the Capco 2022 Annual Report.
2. The following adjustments have been made to the Capco 31 December 2022 reported numbers on a pro forma basis:
   - Financial assets at fair value as at 31 December 2022 represents the 25.2 per cent investment in Shaftesbury held by Capco. On completion of the merger no separate investment is held.
   - Net debt has been increased by £13.0 million to reflect merger-related transaction costs paid between 31 December 2022 and completion of the merger.
   - Other assets and liabilities have been adjusted by £1.4 million to reflect merger-related transaction costs accrued at merger date.
3. Shaftesbury 30 September 2022 reflects the summarised IFRS information and EPRA NTA as reported in the Shaftesbury 30 September 2022 Annual Report.
4. The following adjustments have been made to the Shaftesbury 30 September 2022 reported numbers on a pro forma basis:
   - Investment property has been adjusted to reflect the 31 December 2022 valuation, as determined by external valuers and included in the Shaftesbury trading update announced on 30 January 2023. Due to the fair value exercise performed on completion, the tenant lease incentives and deferred letting fees were derecognised. An offsetting adjustment is included in other assets and liabilities and the impact of the adjustment on net assets is therefore neutral.
   - Net debt has been increased by £37.1 million for working capital and merger-related transaction costs paid between 30 September 2022 and completion of the merger.
   - Other assets and liabilities have been adjusted by £11.3 million to reflect merger-related transaction costs accrued on merger date and £43.7 million tenant lease incentives and deferred letting fees derecognised on completion.
5. Adjusted, dilutive number of shares is based on 31 December 2023 issued share capital, which excludes 128.4 million shares held as collateral for the exchangeable bond and 3.1 million held within an approved Employee Benefit Trust, adjusted for dilutive effect of contingently issuable share option and deferred share awards. Total share capital in issuance, including these components, is 1,953.2 million shares as at 31 December 2023. 1,095.5 million shares were issued on 6 March 2023 in relation to the merger.

Table 2 – Market value investment property

To provide a consistent metric on the performance of the portfolio, like-for-like valuation movements are included in the annual results. The movement is based on the market value of investment property, with the opening position based on the 31 December 2022 external valuations. A reconciliation between reported carrying value and market value has been provided below.

	Capco 31 December 2022[1] £m	Capco adjustments £m	Shaftesbury 30 September 2022[2] £m	Shaftesbury adjustments[3] £m	Pro forma 2022 £m
Carrying value investment property	1,715.1	–	3,144.4	(30.3)	**4,829.2**
Adjustment in respect of head leases, tenant lease incentives and deferred letting fees	28.6	–	43.7	(43.7)	**28.6**
Market value of investment property as at 31 December 2022	1,743.7	–	3,188.1	(74.0)	**4,857.8**

1. As reported in the Capco 31 December 2022 Annual Report.
2. As reported in the Shaftesbury 30 September 2022 Annual Report.
3. Reflects the 31 December 2022 valuation, as determined by external valuers included in the Shaftesbury trading update announced on 30 January 2023. Due to the fair value exercise performed on completion, the tenant lease incentives and deferred letting fees are derecognised.

Estimated rental value as at 31 December 2022 for both companies has been obtained from the external valuation reports prepared by CBRE and Cushman & Wakefield. ERV is a key assumption determined by the external valuers and included the Capco 2022 Annual Report and in the Shaftesbury trading update announced on 30 January 2023.

Annualised gross income is the sum of the last reported number of both companies.

2019 ERV and annualised gross income amounts are stated as the sum of 30 September 2019 Shaftesbury and 31 December 2019 Capco balances as previously reported, adjusted for disposals.

Table 3 – Net debt

	Capco 31 December 2022[1] £m	Capco adjustments[3] £m	Shaftesbury 30 September 2022[2] £m	Shaftesbury adjustments[3] £m	Pro forma 2022 £m
Cash	116.5	(13.0)	155.2	(37.1)	**221.6**
Debt at nominal value	(750.0)	–	(959.8)	–	**(1,709.8)**
Net debt	(633.5)	(13.0)	(804.6)	(37.1)	**(1,488.2)**

1. As reported in the Capco 31 December 2022 Annual Report. Numbers reported on IFRS basis and not Group share.
2. As reported in the Shaftesbury 30 September 2022 Annual Report.
3. Reflects working capital and merger-related transaction costs paid prior to completion of the merger. The adjusted cash for Shaftesbury of £118.1 million is consistent with the cash acquired within the Consolidated Statement of Cash Flows.

PRO FORMA INFORMATION CONTINUED (UNAUDITED)

Table 4 – Loan-to-value

		Pro forma 2022 £m
Net debt at nominal value	Table 3	**(1,488.2)**
Market value of investment property as at 31 December 2022	Table 2	**4,857.8**
Loan-to-value		**30.6%**

Table 5 – Cash and undrawn facilities

	Capco 31 December 2022[1] £m	Capco adjustments[3] £m	Shaftesbury 30 September 2022[2] £m	Shaftesbury adjustments[3] £m	Pro forma 2022 £m
Cash	116.5	(13.0)	155.2	(37.1)	**221.6**
Undrawn committed facilities[4]	300.0	–	–	–	**300.0**
Cash and undrawn committed facilities	416.5	(13.0)	155.2	(37.1)	**521.6**

1. As reported in the Capco 31 December 2022 Annual Report. Numbers reported on IFRS basis and not Group share.
2. As reported in the Shaftesbury 30 September 2022 Annual Report.
3. Reflects working capital and merger-related transaction costs paid prior to completion of the merger. The cash for Shaftesbury of £118.1 million agrees to the cash acquired within the Consolidated Statement of Cash Flows.
4. The Group has a £300 million RCF, which was undrawn at 31 December 2022 and remains undrawn at 31 December 2023.

Table 6 – Commitments

	Capco 31 December 2022[1] £m	Shaftesbury 30 September 2022[2] £m	Pro forma 2022 £m
Commitments	1.7	33.9	**35.6**

1. As reported in the Capco 31 December 2022 Annual Report.
2. As reported in the Shaftesbury 30 September 2022 Annual Report.

Table 7 – 2023 rental income

	Shaftesbury Capital 31 December 2023[1] £m	Shaftesbury 1 January to 5 March 2023[2] £m	Pro forma 2023 £m
Rent receivable	171.9	21.2	**193.1**
Straight-lining of tenant lease incentives	3.9	(0.5)	**3.4**
Rental income	**175.8**	**20.7**	**196.5**

1. As reported in note 3 ‘Gross profit’. Represents the standalone results of Capco for the 1 January to 6 March 2023 and that of the combined Group from 6 March to 31 December 2023.
2. Reflects the rental income for Shaftesbury for the period 1 January to 5 March 2023 obtained from internal management accounts of Shaftesbury. The amounts have not been adjusted for accounting policy alignments or fair value adjustments.

Table 8 – 2022 rental income

	Capco 31 December 2022[1] £m	Shaftesbury 30 September 2022[2] £m	Pro forma 2022 £m
Rent receivable	61.5	113.3	**174.8**
Straight-lining of tenant lease incentives	6.3	(2.9)	**3.4**
Rental income	**67.8**	**110.4**	**178.2**

1. As reported for the 12 months ended 31 December 2022 in the Capco 31 December 2022 Annual Report.
2. As reported for the 12 months ended 30 September 2022 in the Shaftesbury 30 September 2022 Annual Report.

EPRA MEASURES (UNAUDITED)

EPRA Net Reinstatement Value ("EPRA NRV"), EPRA Net Tangible Assets ("EPRA NTA") and EPRA Net Disposal Value ("EPRA NDV") are alternative performance measures that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA) to provide a transparent and consistent basis to enable comparison between European property companies. EPRA NTA is considered to be the most relevant measure for the Group's operating activity and is the primary measure of net asset value.

The following is a summary of EPRA performance measures and key Group measures. The measures are defined in the Glossary.

EPRA measure	Definition of measure	Table	2023	2022
EPRA earnings	Recurring earnings from core operational activity	Note 2	**£45.0m**	£57.3m
EPRA earnings per share	EPRA earnings per share based on the weighted number of ordinary shares	Note 2	**2.7p**	6.7p
EPRA NTA	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Note 2	**£3,479.4m**	£1,552.2m
EPRA NTA per share	EPRA NTA per diluted number of ordinary shares	Note 2	**190.3p**	182.1p
EPRA NDV	EPRA NTA amended to include the fair value of financial instruments and debt	Note 2	**£3,511.7m**	£1,690.1m
EPRA NDV per share	EPRA NDV per diluted number of ordinary shares	Note 2	**192.0p**	198.3p
EPRA NRV	EPRA NTA amended to include real estate transfer tax	Note 2	**£3,811.6m**	£1,668.2m
EPRA NRV per share	EPRA NRV per diluted number of ordinary shares	Note 2	**208.4p**	195.7p
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	1	**3.8%**	3.5%
EPRA topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	1	**4.2%**	4.0%
EPRA vacancy	ERV of un-let units (including those under offer) expressed as a percentage of the ERV of the wholly-owned property portfolio excluding units under development	2	**4.9%**	2.5%
Capital expenditure	Capital expenditure on acquisition and development of investment property portfolio	3	**£53.8m**	£12.0m
EPRA cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)	4	**65.6%**	75.7%
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)	4	**60.8%**	71.0%
Adjusted Company cost ratio	Total adjusted costs as a percentage of adjusted gross rental income (including direct vacancy costs)	4	**39.9%**	53.9%
	Total adjusted costs as a percentage of adjusted gross rental income (excluding direct vacancy costs)	4	**35.2%**	49.3%
EPRA LTV (Loan-to-Value)	Ratio of adjusted net debt, including net payables, to the sum of the net assets, including net receivables, of the Group, its subsidiaries, joint ventures and associates, all on a proportionate basis, expressed as a percentage	5	**30.9%**	28.0%
Like-for-like rental growth[1]	Rental income for properties which have been owned throughout both years without significant capital expenditure in either year, so income can be compared on a like-for-like basis	6	**13.2%**	22.3%

EPRA MEASURES CONTINUED (UNAUDITED)

1. EPRA Net initial yield and EPRA 'topped-up' net initial yield

	2023 £m	2022 £m
Investment property – wholly-owned	**4,795.3**	1,743.7
Investment property – share of joint ventures and associates	**182.2**	4.4
Trading property (including share of joint venture)	**41.8**	72.6
Less: developments	**(284.1)**	(245.8)
Completed property portfolio	**4,735.2**	1,574.9
Allowance for estimated purchasers' costs	**316.8**	105.3
Gross up completed property portfolio valuation (A)	**5,052.0**	1,680.2
Annualised cash passing rental income	**202.7**	62.1
Property outgoings	**(10.6)**	(3.5)
Annualised net rents (B)	**192.1**	58.6
Add: notional rent expiration of rent periods or other lease incentives	**18.2**	8.8
Topped-up net annualised rent (C)	**210.3**	67.4
EPRA Net Initial Yield (B/A)	**3.8%**	3.5%
EPRA 'topped-up' Net Initial Yield (C/A)	**4.2%**	4.0%

The EPRA Net Initial Yield and EPRA 'topped-up' Net Initial Yield are calculated based on EPRA guidelines and includes the wholly-owned property portfolio and the Group's share of Lillie Square and Longmartin.

2. EPRA VACANCY RATE

	2023 £m	2022 £m
Estimated rental value of vacant space	**10.9**	1.9
Estimated rental value of the portfolio less development and refurbishment estimated rental value	**223.0**	76.0
EPRA vacancy rate	**4.9%**	2.5%

EPRA vacancy rate is disclosed only for the wholly-owned property portfolio. This includes units under offer, net of which vacancy relating to units available to let is 2.1 per cent. Investment properties held within the joint venture at Lillie Square and the Longmartin associate totalling £182.2 million (our share) (2022: £4.4 million (our share)) is not included in the vacancy rate above.

3. PROPERTY RELATED CAPEX

	2023[1]			2022		
	Group (excluding joint ventures and associates) £m	**Joint ventures and associates £m**	**Total Group £m**	Group (excluding joint ventures and associates) £m	Joint ventures and associates £m	Total Group £m
Acquisitions	**17.4**	**–**	**17.4**	–	–	–
Development	**–**	**0.8**	**0.8**	–	0.6	0.6
Investment property				–	–	–
Incremental lettable space	**5.1**	**–**	**5.1**	–	–	–
No incremental lettable space	**28.5**	**0.5**	**29.0**	9.0	–	9.0
Tenant lease incentives	**1.5**	**0.3**	**1.8**	1.3	–	1.3
Total CapEx	**52.5**	**1.6**	**54.1**	10.3	0.6	10.9
Conversion from accrual to cash basis	**(1.3)**	**1.0**	**(0.3)**	0.8	0.3	1.1
Total CapEx on cash basis	**51.2**	**2.6**	**53.8**	11.1	0.9	12.0

1. The property-related capex related to the standalone performance of Capco for the period to 6 March 2023 and that of the combined Group from that date to 31 December 2023.

EPRA MEASURES CONTINUED (UNAUDITED)

4. EPRA COST RATIO

	2023 £m	2022 £m
Administrative expenses	**83.8**	40.6
Total property outgoings	**51.2**	18.4
Provision for/(reversal of) expected credit loss	**2.0**	(1.6)
Less: Service charge expense	**(19.3)**	(6.3)
Management fee	**(0.1)**	–
Share of joint ventures and associates expenses	**3.5**	0.6
Exclude:		
Ground rent cost	**(0.8)**	(1.0)
EPRA Cost (including direct vacancy costs) (A)	**120.3**	50.7
Direct vacancy costs	**(8.9)**	(3.1)
EPRA Costs (excluding direct vacancy costs) (B)	**111.4**	47.6
Gross Rental Income less ground rent costs	**194.3**	73.1
Less: Service charge income	**(19.3)**	(6.3)
Share of joint ventures and associates property income	**8.3**	0.2
Adjusted gross rental income (C)	**183.3**	67.0
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**65.6%**	75.7%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**60.8%**	71.0%
Company specific adjustments:		
Non-underlying administrative expenses[1]	**(44.5)**	(14.6)
Impact of change in accounting policy on property outgoings[2]	**(1.0)**	–
Company specific adjustments for costs (D)	**(45.5)**	(14.6)
Adjusted Company Cost (including direct vacancy costs) (E = A+D)	**74.8**	36.1
Adjusted Company Cost (excluding direct vacancy costs) (F = B+D)	**65.9**	33.0
Impact of change in accounting policy on rental income[2]	**4.1**	–
Adjusted Company gross rental income (G)	**187.4**	67.0
Adjusted Company Cost ratio (including direct vacancy costs) (E/G)	**39.9%**	53.9%
Adjusted Company Cost ratio (excluding direct vacancy costs) (F/G)	**35.2%**	49.3%

1. Company specific adjustment relates to non-underlying administrative expenses and do not represent the recurring, underlying performance of the Group. Details of non-underlying expenses are set out in note 4 'Administration expenses'.
2. Company specific adjustment relates to the impact on the change in accounting policies as discussed in note 1 'Principal accounting policies'.

£0.3 million (2022: nil) of administrative expenses were capitalised during the year.

EPRA MEASURES CONTINUED (UNAUDITED)

5. EPRA LTV

	2023		
	Group £m	**Share of joint ventures and associates £m**	**Total £m**
Borrowings from financial institutions	**1,409.8**	**60.0**	**1,469.8**
Exchangeable bond	**275.0**	**–**	**275.0**
Net payables	**(62.6)**	**80.4**	**17.8**
Exclude:			
Cash and cash equivalents[1]	**(200.2)**	**(9.9)**	**(210.1)**
Net debt (B)	**1,422.0**	**130.5**	**1,552.5**
Investment properties at fair value	**4,775.1**	**182.2**	**4,957.3**
Owner-occupied property at fair value	**20.2**	**–**	**20.2**
Properties under development	**–**	**41.8**	**41.8**
Total property value (A)	**4,795.3**	**224.0**	**5,019.3**
EPRA LTV (B/A)			**30.9%**

1. Includes tenant deposits of £14.5 million held as security against tenant rent payments which are subject to certain restrictions and therefore not available for general use by the Group.

	2022		
	Group £m	Share of joint ventures and associates £m	Total £m
Borrowings from financial institutions	475.0	–	475.0
Exchangeable bond	275.0	–	275.0
Exclude:			
Cash and cash equivalents[1]	(129.9)	(6.1)	(136.0)
Net debt (B)	620.1	(6.1)	614.0
Investment properties at fair value	1,743.7	4.4	1,748.1
Properties under development	–	72.6	72.6
Net receivables	94.5	(75.8)	18.7
Financial assets	356.9	–	356.9
Total property value (A)	2,195.1	1.2	2,196.3
EPRA LTV (B/A)			28.0%

1. Includes tenant deposits of £13.4 million held as security against tenant rent payments which are subject to certain restrictions and therefore not available for general use by the Group.

6. LIKE-FOR-LIKE RENTAL GROWTH

The like-for-like rental growth is presented for the wholly-owned property portfolio, where all assets are located in the West End of London.

		2023 £m
Rental income in current year	Table 7 pro forma	**196.5**
Adjusted for impact of:		
Change in accounting policy[1]		4.1
Acquisitions		(0.4)
Disposals		(4.1)
Like-for-like rental income in current year (A)		**196.1**
Rental income in previous year	Table 8 pro forma	**178.2**
Adjusted for impact of:		
Acquisitions		(0.1)
Disposals		(4.8)
Like-for-like rental income in prior year (B)		**173.3**
Like-for-like growth in rental income ((A-B)/B)		**13.2%**

1. As set out in note 1 'Changes in accounting policies', there is a £4.1 million reduction to 2023 straight-lining of tenant lease incentives as a result of the alignment of accounting policies following the merger. The alignment was considered immaterial and therefore no retrospective adjustment has been made, and the cumulative impact as at 1 January 2023 was adjusted in the current year.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY VALUATION ANALYSIS

The like-for-like valuation and ERV growth has been prepared on a pro forma basis reflecting the movement from 31 December 2022 to 31 December 2023. The valuation information as at 31 December 2022 reflects the external valuations performed by both companies as announced within the Capco 2022 Annual Report and Shaftesbury 2022 trading update announced on 30 January 2023.

Wholly-owned portfolio valuation by use

31 December 2023	Retail	Hospitality and leisure	Offices	Residential	Wholly-owned portfolio
Fair value (£m)[1]	1,605.0	1,621.7	879.1	687.4	**4,793.2**
% of total fair value	34%	34%	18%	14%	**100%**
L-f-L valuation movement	-0.5%	-0.8%	-0.5%	-1.8%	**-0.8%**
Annualised gross income (£m)	64.8	72.7	31.5	23.8	**192.8**
% of annualised gross income	34%	38%	16%	12%	**100%**
ERV (£m)	78.4	82.0	50.2	26.3	**236.9**
L-f-L ERV movement	+6.7%	+8.4%	+5.1%	+6.1%	**+6.9%**
% of ERV	33%	35%	21%	11%	**100%**
Average ERV (£ psf)	108	82	74	59	**83**
Net initial yield	3.6%	4.2%	3.1%	2.2%	**3.5%**
Topped up net initial yield	4.0%	4.4%	3.6%	n/a	**3.8%**
Equivalent yield	4.4%	4.7%	4.8%	2.8%	**4.3%**
WAULT (years)	3.3	8.3	2.7	1.3	**4.6**
Area (sq. ft. m)[2]	0.7	1.0	0.7	0.5	**2.9**
Units[2]	415	423	418	709	**1,965**

1. Excludes £2.1 million of Group properties primarily held in Lillie Square Holdings (a wholly-owned subsidiary).
2. Excludes long-leasehold residential interests.

Wholly-owned portfolio valuation by location

31 December 2023	Covent Garden	Carnaby | Soho	Chinatown	Fitzrovia	Wholly-owned portfolio
Fair value (£m)[1]	2,521.6	1,482.2	689.5	99.9	**4,793.2**
% of total fair value	53%	31%	14%	2%	**100%**
L-f-L valuation movement	+0.3%	-1.6%	-0.2%	-17.4%	**-0.8%**
Annualised gross income (£m)	97.4	59.0	31.2	5.2	**192.8**
% of annualised gross income	51%	31%	16%	2%	**100%**
ERV (£m)	122.3	76.1	33.0	5.5	**236.9**
L-f-L ERV movement	+8.7%	+4.2%	+7.6%	+0.7%	**+6.9%**
% of ERV	52%	32%	14%	2%	**100%**
Net initial yield	3.4%	3.4%	4.0%	4.5%	**3.5%**
Topped up net initial yield	3.7%	3.9%	4.1%	4.7%	**3.8%**
Equivalent yield	4.3%	4.5%	4.2%	4.7%	**4.3%**
WAULT (years)	4.9	3.9	5.5	4.9	**4.6**
Area (sq. ft. m)[2]	1.5	0.9	0.4	0.1	**2.9**
Units[2]	850	664	350	101	**1,965**

1. Excludes £2.1 million of Group properties primarily held in Lillie Square Holdings (a wholly-owned subsidiary).
2. Excludes long-leasehold residential interests.

DIVIDENDS

The Directors of Shaftesbury Capital have proposed a final cash dividend of 1.65 pence per ordinary share (ISIN GB00B62G9D36) payable on Friday, 31 May 2024.

Dates

The following are the salient dates for payment of the proposed 2023 final cash dividend:

Proposed 2023 final dividend announced	Thursday, 29 February 2024
Sterling/Rand exchange rate struck	Monday, 15 April 2024
Sterling/Rand exchange rate and dividend amount in Rand announced by 11:00am (South African time)	Tuesday, 16 April 2024
Last day to trade cum-dividend*	Tuesday, 23 April 2024
Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange	Wednesday, 24 April 2024
Ordinary shares listed ex-dividend on the London Stock Exchange	Thursday, 25 April 2024
Record date for the 2023 final dividend in UK and South Africa	Friday, 26 April 2024
Deadline for submission of declaration of eligibility to receive gross PID payment to UK registrar (COB)	Friday, 26 April 2024
Annual General Meeting	Thursday, 23 May 2024
Dividend payment date for shareholders	**Friday, 31 May 2024**

The proposed 2023 final cash dividend is subject to approval at the Company's Annual General Meeting, to be held on Thursday, 23 May 2024.

*South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be Tuesday, 23 April 2024. No dematerialisation of shares will be possible from Wednesday, 24 April 2024 to Friday, 26 April 2024 inclusive. No transfers between the UK and South Africa registers may take place from close of business on Tuesday, 16 April 2024 to Friday, 26 April 2024 inclusive.

The above dates are proposed and subject to change.

The Property Income Distribution ("PID") element (being 0.65 pence) will be subject to a deduction of a 20 per cent UK withholding tax unless exemptions apply. The non-PID element (being 1.0 pence) will be treated as an ordinary UK company dividend.

Information for shareholders

The information below is included only as a general guide to taxation for shareholders based on Shaftesbury Capital's understanding of the law and the practice currently in force. Any shareholder who is in any doubt as to their tax position should seek independent professional advice.

UK shareholders - PIDs

Certain categories of shareholders may be eligible for exemption from the 20 per cent UK withholding tax and may register to receive their dividends on a gross basis. Further information, including the required forms, is available from the 'Investor Information' section of the Company's website (https://www.shaftesburycapital.com/en/investors/investor-information.html), or on request from our UK registrars, Link Group. Validly completed forms must be received by Link Group no later than the dividend Record Date, as advised; otherwise the dividend will be paid after deduction of tax.

South African shareholders

The proposed 2023 final cash dividend declared by the Company is a foreign payment and the funds are sourced from the UK.

PIDs: A 20 per cent UK withholding tax is applicable to a PID. South African shareholders may apply to HMRC after payment of the PID element of the proposed 2023 final cash dividend for a refund of the difference between the 20 per cent UK withholding tax and the UK/South African double taxation treaty rate of 15 per cent.

The PID element of the proposed 2023 final cash dividend will be exempt from income tax but will constitute a dividend for Dividends Tax purposes, as it will be declared in respect of a share listed on the exchange operated by the JSE. SA Dividends Tax will therefore be withheld from the PID element of the proposed 2023 final cash dividend at a rate of 20 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption are in place by the requisite date. Certain shareholders may also qualify for a reduction of SA Dividends Tax liability to 5 per cent, (being the difference between the SA dividends tax rate and the effective UK withholding tax rate of 15 per cent) if the prescribed requirements for effecting the reduction are in place by the requisite date.

DIVIDENDS CONTINUED

Non-PID: The non-PID element of the proposed 2023 final cash dividend will be exempt from income tax but will constitute a dividend for SA Dividends Tax purposes, as it will be declared in respect of a share listed on the exchange operated by the JSE. SA Dividends Tax will therefore be withheld from the non-PID element of the proposed 2023 final cash dividend at a rate of 20 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption are in place by the requisite date.

Other overseas shareholders:
Other non-UK shareholders may be able to make claims for a refund of UK withholding tax deducted pursuant to the application of a relevant double taxation convention. UK withholding tax refunds can only be claimed from HMRC, the UK tax authority.

Additional information on PIDs can be found at https://www.shaftesburycapital.com/en/investors/investor-information/reit.html

GLOSSARY

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 gross income

Total annualised actual and "estimated income" from leases at a valuation date. It includes sundry non-leased income and estimated turnover related rents. No rent is attributed to leases which were subject to rent free periods at that date. It does not reflect any head rents 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.

Contracted income

Includes rent frees and contracted rent increases.

Capco

Capco represents Shaftesbury Capital PLC, formerly Capital & Counties Properties PLC, (also referred to as "the Company") and all its subsidiaries and group undertakings, collectively referred to as "the Group".

Cash and undrawn committed facilities

Cash and cash equivalents, excluding tenant deposits, plus undrawn committed facilities.

CDP

Carbon Disclosure Project Worldwide, a global not-for-profit sustainability disclosure system. Shaftesbury Capital participates in the CDP Climate Change Programme, which measures progress on climate change disclosure.

Combined Group

The Capco Group and Shaftesbury Group following merger completion.

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, the publisher of Best Practice Recommendations intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable.

EPRA earnings per share

Profit or loss for the year excluding valuation movements on the wholly-owned, joint venture and associate properties, fair value changes of financial instruments and listed investments, cost of early close out of debt, gain on bargain purchase and IFRS 3 merger-related transaction costs, divided by the weighted average number of shares in issue during the year.

EPRA loan-to-value (LTV)

Ratio of net debt, including net payables, to the sum of the total property value, including net receivables, of the Group, its subsidiaries, joint ventures and associates, all on a proportionate basis, expressed as a percentage. The calculation includes trading properties at fair value and debt at nominal value.

EPRA net disposal value (NDV) per share

The net assets as at the end of the year including the excess of the fair value of trading property over its cost, revaluation of other non-current investments and the fair value of fixed interest rate debt over their carrying value, divided by the diluted number of ordinary shares.

EPRA net tangible assets (NTA) per share

The net assets as at the end of the year including the excess of the fair value of trading property over its cost and revaluation of other non-current investments, excluding the fair value of financial instruments and deferred tax on revaluations, divided by the diluted number of ordinary shares.

GLOSSARY CONTINUED

EPRA net reinstatement value (NRV) per share

The net assets as at the end of the period including the excess of the fair value of trading property over its cost and excluding the fair value of financial instruments, deferred tax on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes plus a gross up adjustment for related costs such as Real Estate Transfer Tax, divided by the diluted number of ordinary shares.

EPRA vacancy

ERV of unlet units (including those under offer) expressed as a percentage of the ERV of the wholly-owned property portfolio excluding units under development.

Estimated rental value (ERV)

The external valuers' estimate of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of the property.

GRESB

The Global Real Estate Sustainability Benchmark, a sustainability index. Shaftesbury Capital participates in the GRESB Real Estate Assessment.

Headline earnings per share

Headline earnings per share is calculated in accordance with Circular 1/2023 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

Innova

Innova Investment Limited Partnership was the former 50 per cent joint venture between the Group and Network Rail Infrastructure Limited. The Group disposed of its interest on 15 May 2023.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

Leasing activity

The rental value secured from lettings, rent reviews and lease renewals during a period.

Like-for-like property

Property which has been owned throughout both years, without significant capital expenditure in either year, so income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous balance sheet date but not necessarily throughout the prior year.

Loan-to-value (LTV)

LTV is calculated on the basis of net debt divided by the market value of the wholly-owned property portfolio.

Longmartin

The Longmartin associate is a 50 per cent investment arrangement between Shaftesbury Capital and The Mercers' Company.

LSJV

The Lillie Square joint venture is a 50 per cent joint venture between the Group and Kwok Family Interests.

MSCI

Producer of an independent benchmark of property returns.

NAV

Net Asset Value.

Net 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.

Net debt

Total borrowings, at nominal value, less cash and cash equivalents, excluding tenant deposits.

GLOSSARY CONTINUED

Net Zero Carbon

When there is a balance between the amount of GHG emissions produced and the amount removed from the atmosphere targeting initially reduction in GHG emissions resulting from our buildings and operations and then offsetting of any unavoidable residual emissions.

Nominal equivalent yield

Effective annual yield to a purchaser on the gross market value, assuming rent is receivable annually in arrears, and that the property becomes fully occupied and that all rents revert to the current market level (ERV) at the next review date or lease expiry.

Pro forma

Pro forma information has been included for selective measures and for the 31 December 2022 Combined Group balance sheet to provide relevant comparative information. Further details on pro forma information, and reconciliation to reported numbers, is included on page 59.

Property income distributions (PIDs)

Distribution under the REIT regime that constitutes at least 90 per cent of the Group's taxable income profits arising from its qualifying property rental business, by way of dividend. PIDs can be subject to withholding tax at 20 per cent. If the Group distributes profits from its non-qualifying business, the distribution will be taxed as an ordinary dividend in the hands of the investors.

Real estate investment trust (REIT)

A REIT is exempt from corporation tax on income and gains of its property rental business (qualifying activities) provided a number of conditions are met. It remains subject to corporation tax on non-exempt income and gains (non-qualifying activities) which would include any trading activity, interest income and development and management fee income.

Real Estate Transfer Tax

Purchasers' cost as included within the independent valuation of investment and trading properties.

Reversionary potential

The amount by which ERV exceeds annualised gross income, measured at a valuation date.

RICS

Royal Institution of Chartered Surveyors.

Shaftesbury PLC

Shaftesbury represents Shaftesbury PLC and all its subsidiaries and Group undertakings, collectively referred to as the Shaftesbury Group.

Shaftesbury Capital PLC

With effect from 6 March 2023, Capital & Counties Properties PLC changed its name to Shaftesbury Capital PLC (also referred to as "the Company" or "Shaftesbury Capital"), and all its subsidiaries and Group undertakings, collectively referred to as "the Group".

Sterling Overnight Interbank Average Rate (SONIA)

The average overnight Sterling risk-free interest rate, set in arrear, paid by banks for unsecured transactions.

Tenant lease incentives

Any incentives offered to tenants to enter into a lease. Typically incentives are in the form of an initial rent-free period and/or a cash contribution to fit-out the premises. Under International Financial Reporting Standards the value of incentives granted to tenants is amortised through the consolidated income statement on a straight-line basis to the earlier of break or lease expiry.

Topped-up net initial yield

Net initial yield adjusted for the expiration of rent-free periods.

Total accounting return (TAR)

The movement in EPRA NTA per share plus dividends per share paid during the year.

GLOSSARY CONTINUED

Total property return (TPR)

Capital growth including gains and losses on disposals plus rent received less associated costs, including ground rent.

Total shareholder return (TSR)

The movement in the price of an ordinary share plus dividends paid during the year assuming re-investment in ordinary shares.

Underlying administrative costs

Administrative expenses excluding merger-related transaction and integration costs and non-underlying administrative expenses. The items are excluded as considered to be non-recurring or significant by virtue of size and nature.

Underlying earnings

Underlying earnings reflects the underlying financial performance of the Group's core West End property rental business. The measure aligns with the main principles of EPRA earnings. Additional adjustments are made to exclude items considered to be non-recurring or significant by virtue of size and nature.

Underlying earnings per share (EPS)

Underlying earnings divided by the weighted average number of shares in issue during the 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 unexpired lease term (WAULT)

The unexpired lease term to the earlier of break or lease expiry weighted by ERV for each lease.

Zone A

A means of analysing and comparing the rental value of retail space by dividing it in to zones parallel with the main frontage. The most valuable zone, Zone A, falls within a 6m depth of the shop frontage. Each successive zone is valued at half the rate of the zone in front of it. The blend is referred to as being 'ITZA' ("In Terms of Zone A").

Important notices

This press release contains "forward-looking statements" regarding the belief or current expectations of Shaftesbury Capital PLC, its Directors and other members of its senior management about Shaftesbury Capital PLC's businesses, financial performance and results of operations. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Shaftesbury Capital PLC and are difficult to predict, that may cause actual results, performance or developments to differ materially from any future results, performance or developments expressed or implied by the forward-looking statements. These forward-looking statements speak only as at the date of this press release. Except as required by applicable law, Shaftesbury Capital PLC makes no representation or warranty in relation to them and expressly disclaims any obligation to update or revise any forward-looking statements contained herein to reflect any change in Shaftesbury Capital PLC's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The information contained in this press release does not purport to be comprehensive and has not been independently verified.

Any information contained in this announcement on the price at which shares or other securities in Shaftesbury Capital PLC have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance. No statement in this press release is intended to be a profit forecast and no statement in this press release should be interpreted to mean that earnings per share of Shaftesbury Capital PLC for the current or future financial years would necessarily match or exceed the historical published earnings per share of Shaftesbury Capital PLC.

Certain industry and market data contained in this press release has come from third party sources. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of accuracy or completeness of such data.