THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your Central Securities Depositary Participant ("CSDP"), stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended (the "FSMA") if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This document (the "**document**" or "**Prospectus**") comprises a prospectus for the purposes of Article 6 of Regulation (EU) 2017/1129 which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended ("**EUWA**") (the "**UK Prospectus Regulation**") relating to Capital & Counties Properties PLC ("**Capco**" or the "**Company**", and together with its subsidiary and group undertakings, the "**Capco Group**") prepared in accordance with section 87A of FSMA, and prepared and made available to the public in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of the FSMA (the "**Prospectus Regulation Rules**").

This document has been approved as a prospectus by the Financial Conduct Authority (the "**FCA**"), as competent authority under the UK Prospectus Regulation. The FCA only approves this document as a prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation; such approval should not be considered as an endorsement of the Company that is, or of the quality of the New Capco Shares that are, the subject of this document. Investors should make their own assessment as to the suitability of investing in the securities. The Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of the UK Prospectus Regulation.

The Company, the directors of the Company (the "**Directors**") and the proposed directors of the Company (the "**Proposed Directors**"), whose names appear in Part IV entitled "Directors, Proposed Directors, Company Secretary, Registered Office and Advisers" of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

Prospective investors should read this entire document and the information incorporated by reference into this document in full. In particular, prospective investors should read Part II of this document entitled "Risk Factors" for a discussion of certain risks and other factors that should be considered in connection with any investment in the Capco Shares. Investors should not rely solely on the information summarised in Part I of this document entitled "Summary".

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capco

Capital & Counties Properties PLC

(Incorporated and registered in England and Wales with registered number 07145051 and registered as an external company with registration number 2010/003387/10 in South Africa.)

(Subject to the approval of the Merger, to be renamed as Shaftesbury Capital PLC)

ISIN: GB00B62G9D36 LEI: 549300TTXXZ1SHUI0D54

Proposed issue and application for admission to the premium listing segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange of up to 1,095,507,008 new ordinary shares in connection with the recommended all-share merger of Capco and Shaftesbury

UK Sponsor and Lead Financial Adviser

Rothschild & Co.

JSE Sponsor

Java Capital

Joint Financial Advisers and Joint Corporate Brokers

Jefferies

UBS

Joint Corporate Broker

Peel Hunt

The Existing Capco Shares have been admitted to the premium listing segment of the Official List of the FCA (the "**Official List**") and to trading on the London Stock Exchange's (the "**LSE**") main market for listed securities (the "**Main Market**"). The Existing Capco Shares have a secondary listing, and are traded, on the Main Board of the JSE Limited (the "**JSE**").

Applications will be made to (i) the FCA for the New Capco Shares to be admitted to the premium listing segment of the Official List and the London Stock Exchange for the New Capco Shares to be admitted to trading on the Main Market and (ii) the JSE for the New Capco Shares to be admitted to listing and trading on the Main Board of the JSE (collectively, "**Admission**"). It is expected that Admission will become effective and that dealings in the New Capco Shares on the LSE and the JSE will commence, on or shortly following the Effective Date which, subject to satisfaction of the Conditions, is expected to occur by the end of 2022.

The New Capco Shares will, when issued, rank *pari passu* in all respects with each other and with all Existing Capco Shares, including the right to receive and retain all dividends and other distributions (other than, if applicable, any Permitted Capco Dividends) declared, made or paid in respect of the Existing Capco Shares by reference to a record date falling after the Scheme Record Time.

No Capco Shares or any other securities in the Company have been marketed to, nor are available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with the admission of the New Capco Shares to the Official List and to trading on the London Stock Exchange and on the Main Board of the JSE. **This Prospectus does not constitute or form part of an offer or any invitation to purchase, subscribe for, sell or issue, or any solicitation of any offer to purchase, subscribe for, sell or issue Capco Shares. None of the Capco Shares referred to in this document shall be sold, issued or transferred in any jurisdiction in contravention of applicable law.** This document is not a prospectus for the purposes of the South African Companies Act 71 of 2008 and, as such, no prospectus is required to be filed with the South African Companies and Intellectual Property Commission in respect of the Scheme. As a result, this document does not comply with the substance and form requirements for a prospectus or advertisements set out in the South African Companies Act 71 of 2008 and the South African Companies Regulations 2011, and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission.

Investors should only rely on the information contained in this document and any documents incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this document and any document incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorised. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary prospectus pursuant to Article 23 of the UK Prospectus Regulation, neither the delivery of this Prospectus nor Admission shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company, the Capco Group, Shaftesbury, the Shaftesbury Group and/or the Combined Group, each taken as a whole since the date of this Prospectus or that the information in it is correct as at any time after the date of this Prospectus. The Company will comply with its obligation to publish supplementary prospectuses and other information containing further updated information as required by law or by a regulatory authority and, in particular, its obligations under the Prospectus Regulation Rules, the Listing Rules and the Disclosure Guidance and Transparency Rules (as appropriate) but assumes no further obligation to publish additional information.

N.M. Rothschild & Sons Limited ("**Rothschild & Co**") is authorised and regulated in the United Kingdom by the FCA. Rothschild & Co is acting exclusively for the Company as UK Sponsor and lead financial adviser and no one else in connection with the contents of this document, the Merger, Admission or any other matter or arrangement referred to in this document, and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Merger, Admission or any other matter or arrangement referred to in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild & Co, nor for providing advice in relation to the contents of this document, the Merger, Admission or any other matter or arrangement referred to in this document.

Jefferies International Limited ("**Jefferies**") is authorised and regulated in the United Kingdom by the FCA. Jefferies is acting exclusively for the Company as joint financial adviser and corporate broker and no one else in connection with the contents of this document, the Merger, Admission or any other

matter or arrangement referred to in this document, and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Merger, Admission or any other matter or arrangement referred to in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Jefferies, nor for providing advice in relation to the contents of this document, the Merger, Admission or any other matter or arrangement referred to in this document.

UBS AG London Branch ("**UBS**") is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. UBS is acting exclusively for the Company as joint financial adviser and corporate broker and no one else in connection with the contents of this document, the Merger, Admission or any other matter or arrangement referred to in this document, and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Merger, Admission or any other matter or arrangement referred to in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of UBS, nor for providing advice in relation to the contents of this document, the Merger, Admission or any other matter or arrangement referred to in this document.

Peel Hunt LLP ("**Peel Hunt**") is authorised and regulated in the United Kingdom by the FCA. Peel Hunt is acting exclusively for the Company as joint corporate broker and no one else in connection with the contents of this document, the Merger, Admission or any other matter or arrangement referred to in this document, and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Merger, Admission or any other matter or arrangement referred to in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Peel Hunt, nor for providing advice in relation to the contents of this document, the Merger, Admission or any other matter or arrangement referred to in this document.

Barclays Bank PLC, acting through its Investment Bank ("**Barclays**"), which is authorised by the PRA and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for Capco as joint financial adviser and no one else in connection with the Merger and will not be responsible to anyone other than Capco for providing the protections afforded to clients of Barclays nor for providing advice in relation to the Merger or any other matter referred to in this document. In accordance with the Code, normal United Kingdom market practice and Rule 14e-5(b) of the US Securities Exchange Act of 1934, Barclays and its affiliates will continue to act as exempt principal trader in Shaftesbury and Capco securities on the London Stock Exchange. These purchases and activities by exempt principal traders which are required to be made public in the United Kingdom pursuant to the Code will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at www.londonstockexchange.com. This information will also be publicly disclosed in the United States to the extent that such information is made public in the United Kingdom.

BNP Paribas SA is authorised and regulated by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution. In the UK, BNP Paribas London Branch ("**BNP Paribas**" or "**BNP Paribas London Branch**") is deemed authorised by the PRA with deemed variation of permission, and is subject to regulation by the FCA and limited regulation by the PRA. Details of the Temporary Permissions Regime, which allows EEA based firms to operate in the UK for a limited period while seeking full authorisation, are available on the FCA's website. BNP Paribas London Branch is registered in the UK under number FC13447 and UK establishment number BR000170, and its UK establishment office address is 10 Harewood Avenue, London NW1 6AA. BNP Paribas is acting exclusively as joint financial adviser for Capco and no one else in connection with the matters described in this document and will not be responsible to anyone other than Capco for providing the protections afforded to clients of BNP Paribas or for providing advice in relation to the matters described in this document or any transaction or arrangement referred to herein.

HSBC Bank plc ("HSBC"), which is authorised by the PRA and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively as joint financial adviser to Capco and no one else in connection with the matters described in this document and will not be responsible to anyone other than Capco for providing the protections afforded to clients of HSBC, or for providing advice in connection with the matters referred to herein. Neither HSBC nor any of its group undertakings or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of HSBC in connection with this document or any matter referred to herein.

Barclays, BNP Paribas and HSBC are original lenders under the Loan Facility Agreement and have provided financial advice to Capco in relation to the Merger.

Apart from the responsibilities and liabilities, if any, which may be imposed on Rothschild & Co, Jefferies, Peel Hunt, UBS, Barclays, BNP Paribas and HSBC (together, the "**Banks**") under FSMA or the regulatory regime established thereunder, none of the Banks nor any of their respective subsidiaries, branches or affiliates, shall assume any duty, liability or responsibility whatsoever (whether direct or indirect) to any person for any acts or omissions of the Company as to the contents of this document, or makes any representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness, verification or sufficiency or for any other statement made or purported to be made by or on Capco's behalf, or by the Banks, or on the Banks' behalf, and nothing in this document will be relied upon as a promise or representation in this respect, whether to the past or future. To the fullest extent permitted by law, the Banks and their respective subsidiaries, branches and affiliates accordingly disclaim all and any duty, liability and responsibility whether arising in tort, contract, statute or otherwise (save as referred to above) in respect of this document or any such statement or otherwise.

Java Capital Trustees and Sponsors Proprietary Limited ("**Java Capital**"), which is regulated by the JSE, which is licensed as a securities exchange and is regulated by the Financial Sector Conduct Authority and the Prudential Authority of South Africa, is acting as JSE Sponsor exclusively for the Company and no one else in connection with the Merger and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to the clients of Java Capital, nor for providing advice in relation to the Merger, Admission or any other matter or arrangement referred to in this document. As the Company's JSE sponsor, Java Capital has a responsibility to the JSE to ensure compliance by the Company with the JSE Listings Requirements and notify the JSE of any deviation from the JSE Listings Requirements. Java Capital is satisfied that there is nothing in this document that is in conflict with the JSE Listings Requirements.

Apart from the responsibilities and liabilities, if any, which may be imposed on Java Capital under the South African Financial Markets Act, 19 of 2012 or the regulatory regime established thereunder, neither Java Capital nor any of its subsidiaries, branches or affiliates, shall assume any duty, liability or responsibility whatsoever (whether direct or indirect) to any person for any acts or omissions of the Company as to the contents of this document, or makes any representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness, verification or sufficiency or for any other statement made or purported to be made by or on Capco's behalf, or by Java Capital, or on Java Capital's behalf, and nothing in this document will be relied upon as a promise or representation in this respect, whether to the past or future. To the fullest extent permitted by law, Java Capital and its subsidiaries, branches and affiliates accordingly disclaim all and any duty, liability and responsibility whether arising in tort, contract, statute or otherwise (save as referred to above) in respect of this document or any such statement or otherwise.

NOTICE TO OVERSEAS SHAREHOLDERS

The release, publication or distribution of this Prospectus, and the issue and sale of the New Capco Shares, in certain jurisdictions other than the United Kingdom may be restricted by law. This Prospectus has been prepared to comply with requirements of English law, the Listing Rules, the Prospectus Regulation Rules and the rules of the LSE and the JSE and information disclosed may not be the same as that which would have been disclosed if this Prospectus had been prepared in accordance with the laws of jurisdictions outside of the United Kingdom. Unless otherwise determined by the Company, and permitted by applicable law and regulation, New Capco Shares will not be offered, directly or indirectly, in, into or from a jurisdiction where to do so would violate the laws in that jurisdiction. Accordingly, copies of this Prospectus and all documents relating to the Merger are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a jurisdiction where to do so would violate the laws in that jurisdiction, and persons who receive, or come into the possession of, this Prospectus and all documents relating to the Merger (including custodians, nominees and trustees) should inform themselves about and observe any such restrictions.

No action has been or will be taken by the Banks, Java Capital or the Company that would permit possession or distribution of this Prospectus or any other material relating to the Capco Shares in any country or jurisdiction where action for that purpose is required, other than in the United Kingdom.

Any failure to comply with these requirements may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Merger disclaim any responsibility or liability for the violation of such requirements by any person.

The availability of the New Capco Shares to Shaftesbury Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

No public offering of the New Capco Shares is being made in the United Kingdom, the United States or elsewhere.

NOTICE TO UNITED STATES INVESTORS

The New Capco Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, pledged, or otherwise transferred, directly or indirectly, in the United States absent registration under the US Securities Act or an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The New Capco Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other governmental or regulatory authority in the United States, nor have any of the foregoing authorities confirmed, passed upon, determined or endorsed the merits of the Merger or the accuracy or adequacy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Merger is intended to be implemented by way of the Scheme. The New Capco Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Shaftesbury Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Capco or Shaftesbury prior to, or of the Company after, the Effective Date will be subject to certain US transfer restrictions relating to the New Capco Shares received pursuant to the Merger (as described in the paragraph below).

The New Capco Shares generally should not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and persons who receive securities under the Merger (other than "affiliates" as described in the paragraph below) may resell them without restriction under the US Securities Act.

Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of the Company or Shaftesbury prior to, or of the Company after, the date of Admission may not resell the New Capco Shares received in connection with the Merger without registration under the US Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. Investors who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any resale of New Capco Shares received in connection with the Merger.

Investors in the United States should note that the Merger relates to the shares of an English company and is proposed to be made by means of a scheme of arrangement provided for under, and governed by, the law of England and Wales. Neither the proxy solicitation nor the tender offer rules under the US Securities Exchange Act of 1934, as amended will apply to the Scheme. Moreover, the Scheme will be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. The financial information included in this Prospectus has been or will have been prepared in accordance with IAS 40, the UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles generally accepted in the US. If the Merger is

implemented by way an Offer, it will be done in compliance with the applicable rules under the US Securities Exchange Act of 1934.

Shaftesbury and Capco are each organised under the laws of England and Wales. All of the officers and directors of Shaftesbury and Capco are residents of countries other than the United States. It may therefore be difficult for US investors to enforce their rights and any claim arising out of US securities law. It may not be possible to sue Shaftesbury and Capco (or their officers and directors) in a non-US court for violations of US securities laws. It may be difficult to compel Capco, Shaftesbury and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

Each US investor is urged to consult his, her or its independent professional adviser immediately regarding the tax consequences of the Merger.

NOTICE TO ALL INVESTORS

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in or incorporated by reference into this document for any purpose other than in considering an investment in the New Capco Shares is prohibited. By accepting delivery of this document, each recipient agrees to the foregoing.

Neither the contents of this document nor any subsequent communication from the Company, the Capco Directors, the Proposed Directors, the Capco Group, the Shaftesbury Group, the Banks, Java Capital or any other person involved in the Merger or any of their respective affiliates, officers, directors, employees or agents are to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

In making an investment decision, investors must rely on their own examination, analysis and enquiry of the Company, the Capco Group, Shaftesbury, the Shaftesbury Group and/or the Combined Group and the terms of the Merger, including the merits and risks involved. The investors also acknowledge that: (i) they have not relied on the Banks, Java Capital or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; (ii) they have relied only on the information contained in this document and the documents (or parts thereof) incorporated herein by reference; and (iii) no person has been authorised to give any information or to make any representation concerning the Company, the Capco Group, Shaftesbury, the Shaftesbury Group and/or the Combined Group or the New Capco Shares or the Merger (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Capco Group, Shaftesbury, the Shaftesbury Group, the Combined Group, the Banks and/or Java Capital. None of the Company, the Capco Group, Shaftesbury, the Shaftesbury Group, the Combined Group, the Banks and/or Java Capital nor any of their respective representatives is making any representation to any acquirer of the New Capco Shares in the Merger regarding the legality of an investment by such acquirer under the laws applicable to such purchaser.

Without limitation, unless expressly stated herein, the contents of the Company, the Capco Group, Shaftesbury, the Shaftesbury Group and/or the Combined Group's websites, and any links accessible through such websites do not form part of this document.

Capitalised terms have the meanings ascribed to them in Part XVIII (*Definitions*).

This document is dated 7 July 2022.

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PART I

SUMMARY

A. Introduction and warnings

A.1.1 ***Name and international securities identifier number (ISIN) of the securities****:* Ordinary shares of Capital & Counties Properties PLC (the "**Capco Shares**"). ISIN code GB00B62G9D36.

A.1.2 ***Identity and contact details of the issuer, including its Legal Entity Identifier (LEI)****:* Capital & Counties Properties PLC (the "**Company**" or "**Capco**" and, together with its subsidiary and group undertakings, the "**Capco Group**") is a public company limited by shares, incorporated in England and Wales, with registered number 07145051 and registered office at Regal House, 14 James Street, London, WC2E 8BU, United Kingdom. The Company operates under the Companies Act 2006. The Company's telephone number is +44 20 3214 9150 and its Legal Entity Identifier is 549300TTXXZ1SHUI0D54. The Company is also registered as an external company in South Africa with registration number 2010/003387/10.

A.1.3 ***Identity and contact details of the competent authority approving the prospectus****:* This document (the "**Prospectus**") has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority, with its head office at 12 Endeavour Square, London E20 1JN, United Kingdom and telephone number: +44 20 7066 1000.

A.1.4 ***Date of approval of the prospectus****:* This document was approved by the FCA on 7 July 2022.

A.1.5 ***Warnings****:* This summary should be read as an introduction to the Prospectus. Any decision to invest in the Capco Shares to be issued as consideration for the ordinary shares of 25 pence in Shaftesbury (the "**Shaftesbury Shares**") pursuant to the proposed merger of Capco and Shaftesbury should be based on consideration of the Prospectus as a whole by the investor. Any investor could lose all or part of their invested capital. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the New Capco Shares.

B. Key information on the issuer

B.1 *Who is the issuer of the securities?*

B.1.1 ***Domicile, legal form, LEI, jurisdiction of incorporation and country of operation****:* The Company is incorporated in England and Wales with its registered office in England and its Legal Entity Identifier is 549300TTXXZ1SHUI0D54. The Company was incorporated and registered in England and Wales on 3 February 2010 as a public limited company limited by shares with the name Capital & Counties Properties PLC and the registered number 07145051. The principal legislation under which the Company operates are the laws of England and Wales, including the Companies Act 2006 and the regulations made thereunder.

B.1.2 ***Principal activities of the Capco Group****:* Capco is one of the largest listed property investment companies in central London and is a constituent of the FTSE-250 Index.

Capco's landmark Covent Garden estate, which comprises over 1.0 million square feet of lettable space, across 380 lettable units, is a leading retail and dining destination in the heart of central London. The Covent Garden area is home to a wide variety of British, global and independent brands including Apple, Chanel, Tom Ford, Strathberry, Ave Mario, Balthazar and SUSHISAMBA, with upcoming openings from Peloton and Tudor. As at the Latest Practicable Date, Capco owns 25.2% of the existing share capital of Shaftesbury. Capco is a real estate investment trust and its shares are listed on the London Stock Exchange with a secondary listing on the JSE.

As at 31 March 2022, Capco's investment and development property was valued at approximately £1.8 billion (excluding the Lillie Square Joint Venture). Capco's 50% share of investment, development and trading property held in the Lillie Square Joint Venture and related assets was valued at approximately £85 million. On an adjusted basis, updating the 31 December 2021 audited net assets for (i) the 31 March 2022 external valuations and (ii) the market value of the Existing Capco Shareholding in Shaftesbury as at 31 March 2022, Capco's unaudited net assets were approximately £1.8 billion and its unaudited EPRA NTA per Capco Share was approximately 217 pence.

As at 30 June 2022, the external property valuation of Capco's Covent Garden estate was approximately £1,817 million, representing a like-for-like increase of 5% in the first half of the year. The movement over the first half of the year was driven by an increase of 4% in ERV to approximately £79 million as well as a reduction in the equivalent yield of 6 basis points to 3.82% reflecting asset management and leasing activity and high occupancy levels across all uses.

Operational metrics continue to be positive with strong leasing demand ahead of ERV across all uses and high occupancy levels with EPRA vacancy of approximately 2.5% at 30 June 2022. 11 new brands opened during the period, adding to the vibrant mix on the estate, while footfall continues to trend towards pre-pandemic levels and customer sales in aggregate are ahead of 2019, reflecting the appeal of Covent Garden and London's West End.

As at 30 June 2022, Capco had liquidity of approximately £439 million, which included cash of approximately £139 million and £300 million undrawn facilities. During the first half, Capco repaid £200 million of drawn debt comprising £75 million private placement loan notes and the £125 million loan secured against shares in Shaftesbury. As at 30 June 2022, the Covent Garden loan to value ratio was approximately 20%.

Principal activities of the Shaftesbury Group

Shaftesbury is a real estate investment trust which invests exclusively in the heart of London's West End and is also a constituent of the FTSE-250 Index. Focused on hospitality, retail and leisure, its portfolio is mainly in Carnaby, Seven Dials and Chinatown, but also includes substantial ownerships in Opera Quarter and Coliseum, Soho and Fitzrovia.

Extending to approximately 16.5 acres, following the purchase of a property at 92-104 Berwick Street which completed after 31 March 2022, and comprising approximately 1.9 million square feet of space, across 1,556 units,

the portfolio comprises over 600 restaurants, cafés, pubs and shops (across approximately 1.1 million square feet), approximately 0.4 million square feet of offices and 631 apartments. All of Shaftesbury's properties are close to the main West End Underground stations, and within ten minutes' walk of the two West End transport hubs for the Elizabeth Line, at Tottenham Court Road and Bond Street. As at 31 March 2022, the Annualised Gross Income and ERV of the Shaftesbury Group portfolio were £107.2 million and £140.9 million respectively.

In addition, Shaftesbury has a 50% interest in the Longmartin Joint Venture, which has a long leasehold interest, extending to approximately 1.9 acres, at the junction of Long Acre and Upper St Martin's Lane near Seven Dials. As at 31 March 2022, Shaftesbury's investment property was valued at £3.3 billion, and its 50% share of investment property held in the Longmartin Joint Venture was valued at £172.8 million. Shaftesbury's unaudited net assets were £2.6 billion and its unaudited EPRA NTA per Shaftesbury Share was 679 pence.

B.1.3 ***Major shareholders****:* In so far as it is known to the Company as at 5 July 2022 (being the latest practicable date prior to the publication of this document) (the "**Latest Practicable Date**"), the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules that the following persons were directly or indirectly interested (within the meaning of the Companies Act 2006) in 3% or more of the Company's issued share capital:

	As at the Latest Practicable Date		Immediately following Admission[1]	
Shareholder	**No. of Capco Shares**	**Approximate percentage of voting shares**	**No. of Capco Shares**	**Approximate percentage of voting shares**
Norges Bank	127,656,465	15.0%	459,649,805	25.2%
Blackrock, Inc	62,556,255	7.3%	140,705,188	7.7%
Legal & General Investment Management (Holdings) Limited	43,488,953	5.1%	73,593,363	4.0%
Public Investment Corporation SOC Limited	42,370,771	5.0%	42,370,771	2.3%
Madison International Realty	36,658,505	4.3%	36,658,505	2.0%
Foord Asset Management (Pty) Ltd	33,956,458	4.0%	33,956,458	1.9%

(1) Assuming: (i) that the holdings of such person in Capco at the Latest Practicable Date do not change prior to delivery of New Capco Shares under the Merger; (ii) the maximum number of New Capco Shares are issued in connection with the Merger (including in respect of Shaftesbury Shares issued pursuant to the vesting or exercise of awards and options under the Shaftesbury Share Plans (excluding options under the Shaftesbury Sharesave Scheme)); (iii) that, save in respect of shares issued pursuant to the vesting or exercise of awards and options under the Capco Share Plan (excluding CSOP Options) or the Shaftesbury Share Plans (excluding the Shaftesbury Sharesave Scheme), no other issues of Capco Shares or Shaftesbury Shares occur between the Latest Practicable Date and Admission; and (iv) that such options and awards under the Shaftesbury Share Plans and the Capco Share Plan are exercised to the fullest extent possible (where applicable) and settled prior to Admission (in the case of the Capco Share Plan) or the Scheme Record Time (in the case of the Shaftesbury Share Plans).

B.1.4 ***Key managing directors****:* Ian Hawksworth is the Chief Executive of the Company, Situl Jobanputra is the Chief Financial Officer of the Company and Michelle McGrath is the Executive Director.

B.1.5 ***Identity of the statutory auditors****:* PricewaterhouseCoopers LLP ("**PwC**"), whose registered address is at 1 Embankment Place, London, WC2N 6RH, United Kingdom.

B.2 ***What is the key financial information regarding the issuer?***

The Capco Group

Summary Consolidated Income Statement

	Year ended 31 December 2021
	(audited) (£ million)
Revenue	68.0
Operating profit for the year	66.8
Profit for the year	29.3

Summary Consolidated Balance Sheet

	As at 31 December 2021
	(audited) (£ million)
Total assets	2,798.5
Total liabilities	(1,012.1)
Net assets	1,786.4

Summary Consolidated Statement of Cash Flow

	Year ended 31 December 2021
	(audited) (£ million)
Net cash flows from operating activities	0.5
Net cash flows from investment activities	101.0
Net cash flows from financing activities.	(147.6)

There are no qualifications to PwC's audit report on the consolidated financial information of the Capco Group for the year ended 31 December 2021.

The Shaftesbury Group

Summary Consolidated Income Statements

	Six months ended 31 March		Year ended 30 September		
	2022	2021	2021	2020	2019
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(£ million)		
Revenue	62.2	53.2	112.7	124.5	126.9
Operating profit / (loss) for the period/year	257.4	(314.2)	(153.7)	(638.3)	70.3
Profit / (loss) for the period/year	247.6	(338.5)	(194.9)	(699.5)	26.0

Summary Consolidated Balance Sheets

	As at 31 March		As at 30 September		
	2022	2021	2021	2020	2019
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(£ million)		
Total assets	3,594.6	3,210.6	3,356.6	3,351.3	4,000.8
Total liabilities	(989.8)	(973.4)	(983.9)	(1,070.7)	(993.6)
Net assets	2,604.8	2,237.2	2,372.7	2,280.6	3,007.2

Summary Consolidated Statements of Cash Flow

	Six months ended 31 March		Year ended 30 September		
	2022	2021	2021	2020	2019
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
			(£ million)		
Net cash flows from operating activities	22.0	(3.2)	8.9	2.5	50.6
Net cash flows from investment activities...	(14.0)	(26.8)	(55.5)	(55.9)	(62.4)
Net cash flows from financing activities	(15.4)	194.4	185.1	72.2	(52.7)

There are no qualifications to Ernst & Young LLP's audit report on the consolidated financial information of the Shaftesbury Group for the year ended 30 September 2021, 30 September 2020 and 30 September 2019.

Unaudited Pro Forma Financial Information*:* The unaudited pro forma income statement of the Combined Group (the "**Unaudited Pro Forma Income Statement**") has been prepared on the basis of the audited consolidated income statement of the Capco Group for the year ended 31 December 2021 and the audited consolidated income statement of Shaftesbury, together with its subsidiary and group undertakings, (the "**Shaftesbury Group**") for the year ended 30 September 2021.

The unaudited pro forma statement of net assets of the Capco Group and the Shaftesbury Group after the Merger has taken effect (the "**Combined Group**") (the "**Unaudited Pro Forma Statement of Net Assets**") has been prepared on the basis of the audited consolidated balance sheet of the Capco Group as at 31 December 2021 and the unaudited consolidated balance sheet of the Shaftesbury Group as at 31 March 2022.

The Unaudited Pro Forma Income Statement and the Unaudited Pro Forma Statement of Net Assets (together, the "**Unaudited Pro Forma Financial Information**"), which have been produced for illustrative purposes only, by their nature address a hypothetical situation and, therefore, does not represent the Capco Group's, the Shaftesbury Group's or the Combined Group's actual financial position or results. Such information may not, therefore, give a true picture of the Capco Group's, the Shaftesbury Group's or the Combined Group's financial position or results of operations nor is it indicative of its future results.

The Unaudited Pro Forma Financial Information is presented on the basis of the accounting policies adopted by Capco in preparing the audited consolidated financial statements for the year ended 31 December 2021 and in accordance with Annex 20 of the Prospectus Delegated Regulation.

As at 31 December 2021, the Combined Group's unaudited consolidated pro forma net assets was £3,753.2 million and its EPRA NTA was £3,787.6 million. The unaudited consolidated pro forma loss before tax of the Combined Group for the year ended 31 December 2021 was £210.2 million.

B.3 ***What are the key risks that are specific to the issuer?***

Material risks relating to the Merger

1. Completion is subject to a number of Conditions which may not be satisfied or waived or which may be satisfied subject to conditions imposed by regulatory bodies or other third parties and may result in Completion being delayed or the Merger not completing.
2. The Combined Group's success will be dependent upon its ability to integrate the Capco Group and the Shaftesbury Group following the Merger. Failure to deliver the full benefits and synergies expected from the Combined Group, and effective operational management and integration, including harmonising business cultures, may impact the success of the Merger.

Risks relating to macro-economic and geopolitical conditions

3. If current global or UK macro-economic conditions continue to deteriorate or there is an increase in geopolitical uncertainty, this could impact UK real estate markets, resulting in a decrease in the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties or their net rental income.
4. Many of the Capco Group's and the Shaftesbury Group's occupiers are exposed and, following Completion, the Combined Group's occupiers will be exposed to the changes and challenges facing the retail and hospitality sectors, including macro-economic factors, such as availability and cost of credit for occupiers and their businesses, the level of consumer spending impacted by the increase in the cost of living, business and consumer confidence, inflation rates, rising energy, supply chain disruption and other operational costs.
5. The COVID-19 pandemic and the mitigating actions imposed by the UK government and internationally has had and may continue to have a material adverse effect on the retail and hospitality industry and any reinstatement of restrictive measures as a result of a new strain of COVID-19 or any other infectious disease may have an impact on consumer confidence, visitor numbers including international tourists, impacting the operations and viability of occupiers of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties.
6. The UK's withdrawal from the European Union could have a material adverse long-term effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, financial condition, operational performance and prospects.

Risks relating to the Capco Group's, the Shaftesbury Group's and, following completion of the Merger, the Combined Group's properties

7. The location of the majority of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties in Central London means risks are not diversified across a number of geographical areas and external events affecting Central London may have a negative impact and reduce property values and rental income.
8. The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may not be able to accurately predict or respond to consumer or occupational trends relevant to their properties, resulting in their locations gradually losing their appeal and relevance for consumers and occupiers, leading to a decline in visitor numbers.

Risks relating to the environment and climate change

9. The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's operations may be adversely affected if they fail to comply with climate and environmental regulation or their own environmental, social or governance aims and standards.
10. The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's operations may be adversely affected by climate and environment related risks and could incur significant costs seeking to mitigate their environmental impact.

Risks relating to the financing of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group

11. The terms of certain existing indebtedness, or the need to refinance such indebtedness, is expected to result in an increase of the financing costs of the Combined Group (which are not included in the assessment of the syngergies) following Completion.
12. If the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group are perceived as less creditworthy, it may be more difficult and costly for the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to maintain or secure favourable finance or credit, payment or hedging terms and, in the medium to long term, the Combined Group's liquidity may be adversely impacted.

Risks relating to the operation of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group

13. Failure to attract or retain key personnel could adversely impact the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's success.

C. Key information on the securities

C.1 ***What are the main features of the securities?***

C.1.1 ***Type, class and ISIN****:* The Company is proposing to issue up to 1,095,507,008 New Capco Shares in connection with the Merger. The New Capco Shares will be registered with ISIN GB00B62G9D36.

C.1.2 ***Currency, denomination, par value, number of securities issued and duration****:* The Capco Shares held on the register of members of the Company in the UK and the branch register of members of the Company in South Africa

are denominated in pounds sterling. As at the Latest Practicable Date, the Company had in issue 851,274,235 Capco Shares (the **"Existing Capco Shares"**) of 25 pence each (all of which were fully paid or credited as fully paid).

C.1.3 ***Rights attached to the shares****:* The New Capco Shares will be credited as fully paid and will rank *pari passu* in all respects with the Existing Capco Shares in issue at the time the New Capco Shares are issued, including the right to receive and retain dividends and other distributions (other than, if applicable, any Permitted Capco Dividends) declared, made or paid by reference to a record date falling after the Scheme Record Time after the date of issue of the New Capco Shares.

C.1.4 ***Rank of securities in the issuer's capital structure in the event of insolvency****:* The Existing Capco Shares do not carry any rights to participate in a distribution (including on a winding-up) other than those that exist under the Companies Act 2006. The New Capco Shares will, on Admission, rank *pari passu* in all respects with the Existing Capco Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the share capital of the Company.

C.1.5 ***Restrictions on the free transferability of the securities****:* There are no restrictions on the free transferability of the Capco Shares, subject to compliance with applicable securities laws.

C.1.6 ***Dividend or pay-out policy****:* The Combined Group will retain a tax-efficient real estate investment trust structure and as such, will be required to distribute a minimum of 90% of rental profits, calculated by reference to tax rather than accounting rules, as a Property Income Distribution ("**PID**"). Notwithstanding this, the Combined Group will adopt a progressive dividend policy with the intention to deliver long-term sustainable total returns to shareholders. Dividend payments will be determined having regard to, inter alia, growth trends in both underlying and cash earnings, which are expected to be delivered through income growth and cost discipline.
To the extent that dividends exceed the amount available to distribute as a PID, the balance will be paid as ordinary dividends. A corporation tax charge will arise for the Combined Group at the main rate of corporation tax, currently 19% and, from 1 April 2023, 25%, if the minimum PID requirement is not met within 12 months of the end of the relevant accounting period.

C.2 ***Where will the securities be traded?***

The Existing Capco Shares are currently admitted to the premium segment of the Official List and to trading on the Main Market of the LSE. The Existing Capco Shares are also listed and traded in South Africa on the Main Board of the securities exchange operated by the JSE through a secondary listing. The JSE is not a regulated market under the Markets in Financial Instruments Directive 2004/39/EC.

Applications will be made to: (i) the FCA for the New Capco Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Capco Shares to be admitted to trading on the Main Market; and (ii) the JSE for the admission to trading of the New Capco Shares on the Main Board of the JSE.

C.3 ***What are the key risks that are specific to the securities?***

- The market price of the Capco Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Capco Shares (or securities similar to them), including, in particular, in response to various facts and events, including any variations in the Combined Group's operating results and/or business developments of the Combined Group and/or its competitors.
- Future substantial sales of Capco Shares by the holders of Capco Shares (the **"Capco Shareholders"**) could impact the trading price of the Capco Shares. The issue of additional Capco Shares in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.

D. Key information on the admission to trading on a regulated market

D.1 ***Under which conditions and timetable can I invest in this security?***

D.1.1 ***Terms and conditions of the Merger****:* The New Capco Shares will be issued to Shaftesbury Shareholders in connection with the Merger, subject to satisfaction or waiver of the Conditions to completion of the Merger. The Scheme is subject to certain conditions including, amongst other things:

(a) its approval by a majority in number of the Scheme Shareholders (or the relevant class or classes thereof, if applicable, unless all members of any such class have consented to be bound by the Scheme) on the register of members at the Voting Record Time present and voting (and entitled to vote), either in person or by proxy, at the Court Meeting (or at any separate class meeting which may be required by the Court), or at any adjournment thereof, representing not less than 75% in value of the Scheme Shares (or the relevant class or classes thereof, if applicable) voted by such Scheme Shareholders;

(b) the passing of all Shaftesbury Resolutions required to approve and implement the Scheme (including satisfaction of the acceptance threshold for an Offer), being the Shaftesbury General Resolution and the Shaftesbury Articles Resolution;

(c) the sanction of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Capco and Shaftesbury);

(d) the delivery of the Court Order to the Registrar of Companies;

(e) the passing of the resolutions required to approve and implement the Merger, being the Merger Approval Resolution, the Share Issue Resolution and the RPT Resolution, by the requisite majority of Capco Shareholders at the Capco General Meeting;

(f) the Court Meeting and the Shaftesbury General Meeting being held on or before the 22nd day after the expected date of the Court Meeting, which are set out in the Scheme Document (or such later date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court);

(g) the CMA issuing a decision that it is not the CMA's intention to make a Phase 2 CMA Reference, with such a decision being issued on an unconditional basis or else conditional on the CMA's acceptance of undertakings in

lieu under Section 73 EA 2002 which are reasonably satisfactory to Capco and Shaftesbury (or the applicable time period for the CMA to issue such a decision having expired without it having done so and without it having made a Phase 2 CMA Reference);

(h) the Scheme Court Hearing being held on or before the later of (i) the 22nd day after the expected date of the hearing, which is set out in the Scheme Document; and (ii) 30 days after all conditions to the Merger have been satisfied or waived (or such later date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court);

(i) the Scheme becoming effective by 11:59 p.m. on the Long Stop Date (or such later time and date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court); and

(j) Admission.

Expected timetable

Event	**Time and Date**
Announcement of the Merger	7:00 a.m. on 16 June 2022
Publication of the Circular, the Prospectus and the Scheme Document	7 July 2022
Posting of the Circular and the Form of Proxy	By 5:00 p.m. on 8 July 2022
Last day to trade on the JSE in order to be eligible to vote at the Capco General Meeting	22 July 2022
Latest time and date for receipt of Form of Proxy for Capco General Meeting	11:15 a.m. on 27 July 2022
Voting record date for Capco General Meeting	6:30 p.m. on 27 July 2022[(1)]
Court Meeting	10:00 a.m. on 29 July 2022
Shaftesbury General Meeting	10:15 a.m. on 29 July 2022
Capco General Meeting	11:15 a.m. on 29 July 2022
Publication of results of Capco General Meeting,	on 29 July 2022
Court Hearing to sanction the Scheme	Expected to be by the end of 2022 subject to satisfaction (or, where applicable, waiver) of the Conditions ("**D**")[(2)]
Scheme Record Time	6:00 p.m. on D+1[(2)]
Suspension of trading of Shaftesbury Shares on the LSE	7:30 a.m. on D+2[(2)(3)]
Effective Date of the Scheme	**D+3[(2)]**
Delisting of Shaftesbury Shares on the LSE	By 8:00 a.m. on D+3[(2)]
New Capco Shares issued to Shaftesbury Shareholders	By 8:00 a.m. on D+3[(2)]
New Capco Shares listed and commencement of dealings in New Capco Shares on the LSE	By 8:00 a.m. (London time) on D+3[(2)]
New Capco Shares listed and commencement of dealings in New Capco Shares on the JSE	By 9:00 a.m. (Johannesburg time) on D+3[(2)]
CREST accounts of Shaftesbury Shareholders credited with New Capco Shares	As soon as reasonably practicable on D+3[(2)]
Expected publication of finalisation announcement in respect of name change on SENS	On or soon after 8:00 a.m. on D+3[(2)]
Expected last day to trade in Capco Shares on the JSE prior to the name change	D+5[(2)]
Expected trading in new name of Shaftesbury Capital PLC on the JSE under the share code SHC commences on	D+6[(2)]
Record date on the JSE in respect of the name change	D+8[(2)]
Date of issue of new replacement share certificates for shareholders on the South African Register (provided that the old share certificates have been lodged by 12:00 on D+8)	D+9[(2)]
CSDP and broker accounts of dematerialised shareholders are to be updated with new name	D+9[(5)]
CREST accounts credited with any cash due to Restricted Shareholders under the Scheme and in relation to the sale of fractional entitlements	within 14 days of the Effective Date[(2)]
Despatch of share certificates for New Capco Shares and cheques for the cash due to Restricted Shareholders under the Scheme and in relation to the sale of fractional entitlements for those Shaftesbury Shareholders who do not hold their Shaftesbury Shares in CREST	within 14 days of the Effective Date[(2)]
Long Stop Date	30 April 2023[(4)]

Notes:

(1) If the Capco General Meeting is adjourned, the Voting Record Time for the adjourned Capco General Meeting will be 6:30 p.m. (UK time) on the date which is two days before the date set for the adjourned Capco General Meeting.

(2) Subject to the satisfaction (or, where applicable, waiver) of the Conditions to the Merger, the "Effective Date" of the Scheme will be the date on which the court order approving the Scheme is delivered to Companies House in the UK. This is expected to occur by the end of 2022.

(3) This will be the last day for dealings in, and for registration of transfer of and disablement in CREST of, Shaftesbury Shares.

(4) This is the latest date by which the Scheme may become Effective. However, the Long Stop Date may be extended to such later date as may be agreed in writing by Capco and Shaftesbury (with the Panel's consent and as the Court may approve (if such approval(s) are required)).

(5) For certificated shareholders on the South African Register, share certificates in the name of Capital & Counties Properties PLC may not be dematerialised or rematerialised after D+5. Shares may not be transferred between registers between D+6 and D+8, both days included.

(*) All dates by reference to "D+x" will be to the Business Day(s) falling immediately after the date indicated.

D.1.2 ***Total net proceeds**:* The Company is not offering any New Capco Shares for cash and therefore will not receive any proceeds save for the Shaftesbury Shares which it will acquire as a result of the Merger.

D.1.3 ***Dilution**:* Subject to Completion, up to 967,313,921 New Capco Shares will be issued to Shaftesbury Shareholders (other than the holders of the Existing Capco Shareholding) in connection with the Merger. This will result in Capco's issued share capital increasing by approximately 114%. Following Completion, and assuming that 1,095,507,008 New Capco Shares (including up to 128,193,087 New Capco Shares in respect of the Secured New Capco Shares) are issued in connection with the Merger, existing Capco Shareholders will be subject to an immediate dilution as a result of the issue, following which they will own approximately 47% of the Combined Group (excluding the Secured New Capco Shares).

D.1.4 ***Costs and expenses**:* The total costs and expenses (exclusive of recoverable VAT) payable by the Combined Group in connection with the Merger and the issue and Admission of the New Capco Shares are estimated to be approximately £78.8 million. This consists of £33.0 million of total costs, incurred and expected, by the Capco Group, £35.7 million of total costs, incurred and expected, by the Shaftesbury Group and stamp duty of 0.5% on the purchase price of the Shaftesbury Shares to be acquired pursuant to the Merger (estimated to amount to £10.1 million).

D.2 ***Why is this document being produced?***

D.2.1 *Reasons for the offer, use of proceeds and net amount of proceeds*

This Prospectus has been prepared in connection with the proposed Admission of the New Capco Shares which are proposed to be issued to Shaftesbury Shareholders (excluding the Unsecured Existing Capco Shareholding (as defined below)) in connection with the Merger.

As at close of business on the day before the Announcement Date, the Capco Group holds 96,971,003 Shaftesbury Shares (the "**Existing Capco Shareholding**"), representing approximately 25.2% of Shaftesbury's issued share capital as at close of business on the day before the Announcement Date. As at close of business on the day before the Announcement Date, 38,008,138 Shaftesbury Shares, representing approximately 9.9% of Shaftesbury's issued share capital at close of business on the day before the Announcement Date, are secured pursuant to the terms and conditions of Capco's Exchangeable Bonds (such number of shares which are so secured from time to time, being the "**Secured Existing Capco Shares**"). The remaining 58,962,865 Shaftesbury Shares held by the Capco Group, representing approximately 15.3% of Shaftesbury's issued share capital at close of business on the day before the Announcement Date, are not secured pursuant to the terms and conditions of Capco's Exchangeable Bonds (such number of shares which are not so secured from time to time being the "**Unsecured Existing Capco Shareholding**").

The number of Shaftesbury Shares held by the Capco Group which are secured pursuant to the terms and conditions of Capco's Exchangeable Bonds can vary depending on, amongst other things, the amount of dividends declared by Shaftesbury in accordance with the terms and conditions of Capco's Exchangeable Bonds. The Secured Existing Capco Shareholding as at the Scheme Record Time will be replaced by New Capco Shares, expected to be up to (taking into account the variable number of Shaftesbury Shares comprising the Secured Existing Capco Shareholding under the terms and conditions of Capco's Exchangeable Bonds) 128,193,087 New Capco Shares, as the Exchange Property in accordance with the terms of the Scheme and the terms and conditions of Capco's Exchangeable Bonds (the "**Secured New Capco Shares**"). Following Completion, the Secured New Capco Shares will form the Exchange Property and will be held by an entity or entities controlled by the Combined Group. The Unsecured Existing Capco Shareholding are not subject to the Scheme and will continue to be held by subsidiaries of Capco.

This document and the Merger does not constitute an offer or invitation to any person to subscribe for or purchase any shares in the Company or Shaftesbury. None of the Company, Shaftesbury or the Combined Group will receive any proceeds as a result of the Merger. There are no conflicting interests that are material to Admission.

PART II

RISK FACTORS

Any investment in the New Capco Shares is subject to a number of risks and uncertainties. Accordingly, prior to investing in the New Capco Shares, prospective investors should carefully consider the risks and uncertainties associated with the Merger, any investment in the New Capco Shares, the business of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group and the industry in which they operate, together with all other information contained or incorporated by reference in this document, including, in particular, the risk factors described below, and consult with their professional advisers.

Prospective investors should note that the risks and uncertainties summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Capco Shares. However, as the risks and uncertainties that the Capco Group and Shaftesbury Group face and, following Completion, the Combined Group will face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which potential investors may face when making an investment in the New Capco Shares and should be used as guidance only. Additional risks and uncertainties relating to the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group that are not currently known to the Capco Group, or that the Capco Group currently assesses to be immaterial, may individually or cumulatively also have a material adverse effect on the business, reputation and brand, sales, results of operations, financial condition and/or prospects of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group and, if any such risk should materialise, the price of the New Capco Shares may decline and investors could lose all or part of their investment. Prospective investors should carefully consider whether an investment in the New Capco Shares is suitable for them in light of the information in this document and their specific circumstances.

1. Material risks relating to the Merger

1.1 Completion is subject to a number of Conditions which may not be satisfied or waived or which may be satisfied subject to conditions imposed by regulatory bodies or other third parties and may result in Completion being delayed or the Merger not completing

The Scheme is subject to certain Conditions, including, amongst other things:

(a) its approval by a majority in number of the Scheme Shareholders (or the relevant class or classes thereof, if applicable, unless all members of any such class have consented to be bound by the Scheme) on the register of members at the Voting Record Time present and voting (and entitled to vote), either in person or by proxy, at the Court Meeting (or at any separate class meeting which may be required by the Court), or at any adjournment thereof, representing not less than 75% in value of the Scheme Shares (or the relevant class or classes thereof, if applicable) voted by such Scheme Shareholders;

(b) the passing of all Shaftesbury Resolutions required to approve and implement the Scheme, being the Shaftesbury General Resolution and the Shaftesbury Articles Resolution;

(c) the sanction of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Capco and Shaftesbury);

(d) the delivery of the Court Order to the Registrar of Companies;

(e) the passing of the resolutions required to approve and implement the Merger, being the Merger Approval Resolution, the Share Issue Resolution and the RPT Resolution, by the requisite majority of Capco Shareholders at the Capco General Meeting;

(f) the Court Meeting and the Shaftesbury General Meeting being held on or before the 22nd day after the expected date of the Court Meeting, which are set out in the Scheme Document (or such later date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court);

(g) the CMA issuing a decision that it is not the CMA's intention to make a Phase 2 CMA Reference, with such a decision being issued on an unconditional basis or else conditional on the CMA's acceptance of undertakings in lieu under Section 73 EA 2002 which are reasonably satisfactory to Capco and Shaftesbury (or the applicable time period for the CMA to issue such a decision having expired without it having done so and without it having made a Phase 2 CMA Reference) (the "**CMA Condition**");

(h) the Scheme Court Hearing being held on or before the later of (i) the 22nd day after the expected date of the hearing, which is set out in the Scheme Document; and (ii) 30 days after all conditions to the Merger have been satisfied or waived (or such later date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court);

(i) the Scheme becoming effective by 11:59 p.m. on the Long Stop Date (or such later time and date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court); and

(j) Admission.

There is no guarantee that the Conditions will be satisfied (or if applicable, waived) in the necessary time frame and the Merger may, therefore, be delayed or not complete. Although Capco and Shaftesbury have agreed in the Co-operation Agreement to use all their reasonable efforts, subject to certain limitations, to complete the Merger as promptly as practicable, the Conditions may fail to be satisfied. In addition, satisfying the Conditions may take longer, and could cost more, than Capco and Shaftesbury expect. Any delay in completing the Merger may adversely affect the synergies and other benefits that the Combined Group expects to achieve if the Merger and the integration of the companies' respective businesses are completed within the expected timeframe. In addition, Capco's and Shaftesbury's management would have spent significant time and expense in connection with the Merger, which could otherwise have been spent in connection with other activities of the Capco Group and the Shaftesbury Group, as applicable. Therefore, the aggregate consequences of a material delay in completing or failure to complete the Merger may have a material adverse effect on the business, financial condition and operating or financial results of the Capco Group, the Shaftesbury Group and, in the case of a delay only, the Combined Group.

1.2 **The Combined Group's success will be dependent upon its ability to integrate the Capco Group and the Shaftesbury Group following the Merger. Failure to deliver the full benefits and synergies expected from the Combined Group, and effective operational management and integration, including harmonising business cultures, may impact the success of the Merger**

The Capco Group and the Shaftesbury Group have operated and, until Completion, will continue to operate, independently and there can be no assurances that their businesses can be integrated successfully. The success of the Combined Group will depend, in part, on the effectiveness of the integration process and the ability of the Combined Group to realise the anticipated benefits and synergies from combining the respective businesses.

In particular, some of the principal integration challenges of combining the businesses include retaining key personnel, harmonising business cultures, procedures, processes, facilities, systems, policies, remuneration structures, rationalising third party supplier relationships, retaining key contracts, consolidating and co-ordinating services and operations and realising synergies for the Combined Group. If the Combined Group does not manage these challenges effectively, they may affect the efficient running of the business in the ordinary course and the appropriate allocation, including redeployment, of resources in the Combined Group.

While the Directors and Proposed Directors believe that the benefits and synergies of the Merger and the costs associated with the Merger have been reasonably estimated, unanticipated events or liabilities may arise or become apparent which result in a delay or reduction in the benefits anticipated to be derived from the Merger, or in costs significantly in excess of those estimated. No assurance can be given that the integration process will deliver all or substantially all of the expected benefits or realise any such benefits within the assumed timeframe, or that the costs to integrate and achieve the financial benefits and synergies will not be higher than anticipated.

The above factors and the demands that the processes for integrating the Capco and Shaftesbury businesses may have on management time could also result in diversion of the attention of the Capco

Group's, the Shaftesbury Group's and, following Completion, the Combined Group's management and personnel from pursuing other potential business opportunities, and may cause a delay in other projects currently contemplated by each group, or those anticipated following completion of, the Merger.

To the extent that the Combined Group is unable to efficiently integrate the operations of the Capco Group and the Shaftesbury Group, realise anticipated financial benefits and synergies, retain key personnel, address and consolidate existing and new corporate and financing structures and avoid unforeseen costs or delay including unanticipated operational costs arising as a result of the larger corporate structure, there may be a material adverse effect on the business, financial condition, operating or financial results and/or prospects of the Combined Group.

1.3 **Capco may not be able to invoke the Conditions and terminate the Merger**

The Merger is subject to a number of Conditions, including that there is no material adverse change affecting the Shaftesbury Group. The Merger is governed by the Takeover Code, under which Capco may only invoke a condition to the Merger, thereby preventing Completion occurring, if the Panel is satisfied that circumstances which give rise to the right to invoke the condition are of material significance to the Capco Group in the context of the Merger. Further, since July 2021, the ability to lapse a takeover on a Phase 2 CMA Reference is no longer automatic and requires the consent of the Panel.

If circumstances arise that may result in a condition not being satisfied, for example if a material adverse change to the Shaftesbury Group's business or prospects were to occur prior to Completion and / or the CMA were to refer the Merger to a Phase 2 CMA Reference, Capco may not be able to invoke the conditions and terminate the Merger were the Panel to determine that the relevant factors which allow invocation of the relevant condition are not material to the Capco Group. As a result, the Merger may not deliver the anticipated long-term returns to Capco Shareholders and the synergies and other benefits that Capco expects to achieve if the Merger completes. This may have a material adverse effect on the Capco Group and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

1.4 **Capco Shareholders and Shaftesbury Shareholders may have a reduced ownership and voting interest in the Combined Group than they currently have in Capco and Shaftesbury, respectively**

Following Completion, Capco Shareholders and Shaftesbury Shareholders may own a smaller percentage of the Combined Group than they currently own of Capco and Shaftesbury, respectively. As a result of the Merger, Shaftesbury Shareholders (excluding the Existing Capco Shareholding) will own approximately 53% of the Combined Group and Capco Shareholders will own approximately 47% of the Combined Group. As a consequence, the number of voting rights that can be exercised by Capco Shareholders and Shaftesbury Shareholders in the Combined Group will be reduced.

1.5 **A third party may be able to obtain a large enough shareholding in either Capco or Shaftesbury and delay or prevent Completion**

Capco and Shaftesbury are listed companies whose ordinary shares are freely traded on the LSE and, in the case of Capco, on the LSE and the JSE. It is possible that one or more existing or new shareholders may acquire or currently hold a significant shareholding in Capco and/or Shaftesbury which they could use, or threaten to use, to vote against the Merger when shareholder approval is requested. Any such action by a significant shareholder could materially delay or prevent the implementation of the Scheme or the approval of the Merger and therefore deprive the parties of some or all of the anticipated benefits of the Merger.

2. Risks relating to the macro-economic and geopolitical conditions

2.1 **If current global or UK macro-economic conditions continue to deteriorate or there is a further increase in geopolitical uncertainty, this could impact UK real estate markets, resulting in a decrease in the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's property values or their net income**

The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's businesses are subject to inherent risks arising from macro-economic conditions in the UK and

globally; both generally and as they specifically affect property companies. The Capco Group and the Shaftesbury Group have previously experienced and expect to experience in the future further negative impacts from periods of geopolitical uncertainty, economic slowdown, recession and volatility and the associated declines in property values and rental income.

Property values and net income are dependent, among other things, on current rental values and occupancy levels, prospective rental growth, lease lengths, tenant creditworthiness and solvency, property operating costs and market demand for space. In turn, these factors are impacted by the underlying performance of the occupiers that rent space in the properties. As all of the Capco Group's and the Shaftesbury Group's are and, following Completion, the Combined Group's properties will be, located in the UK, and therefore are or will be exposed to the condition of the UK economy, including inflation, interest rates, levels of taxation, exchange rates, unemployment levels, energy, commodity and supply costs, house prices, availability and cost of lending and consumer credit, the level of business and consumer indebtedness, business and consumer confidence, infrastructure quality and gross domestic product growth. The consequential impact on consumer spending and cost of business may in turn affect the operations and financial viability of occupiers, and subsequently may have a material adverse effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

The ability of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to enter into leases on favourable terms will also depend on the economic conditions and prospects and market practice at the time that each is negotiating a renewal with an existing occupier or a new letting. Particularly during periods of economic slowdown or recession in which rental values are declining, the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's existing tenants may exercise break options in order to renegotiate lease terms to reduce their rental commitments, or to negotiate other incentives.

Existing concerns about market and economic volatility in the UK, rising energy costs including higher energy prices for consumers, commodity prices, disruptions to supply chains and the labour market, high rates of inflation and the risk of regional or global recessions or "stagflation" (i.e., recession or reduced rates of economic growth coupled with high rates of inflation) have been and may continue to be affected by the ongoing impact of the COVID-19 pandemic (see further Risk Factor 2.3 *"—The COVID-19 pandemic has had and may continue to have a material adverse effect on the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group"*) and Brexit (see further Risk Factor 2.4 *"—The UK's withdrawal from the EU could have a material adverse effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, financial condition, results of operations and prospects"*) and further exacerbated by the economic and geopolitical consequences of Russia's invasion of Ukraine.

On 24 February 2022, Russia launched a large-scale invasion of Ukraine. This conflict has impacted and is expected to continue to disrupt the prices and supply of energy, and other products, globally, not just those countries which are significantly dependent on Russia for natural gas, crude oil, wheat and fertiliser. In addition, the North Atlantic Treaty Organization ("**NATO**") and other countries have implemented unprecedented economic and other sanctions against Russia in response to the invasion of Ukraine. Examples of such sanctions include a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs and a commitment by the UK, the US, the European Union and certain other countries, to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications ("**SWIFT**"), the electronic banking network that connects banks globally.

Many Western companies have also announced the cessation of their Russian businesses and/or their unwillingness to retain interests in Russian assets or to continue dealings with Russian or related counterparties, even where such action is not required by current sanction regimes. The scope and scale of such economic sanctions and voluntary actions by companies remain subject to rapid and unpredictable change and may have considerable negative impacts on global macro-economic conditions and on European economies and counterparties, including the UK.

Any of the above macro-economic trends may have a material adverse effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

2.2 **Many of the Capco Group's and the Shaftesbury Group's occupiers are exposed and, following Completion, the Combined Group's occupiers will be exposed to the changes and challenges facing the retail and hospitality sectors**

Although the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group operate or will operate differentiated retail, hospitality and leisure destinations and believe that their properties are and will remain attractive to occupiers, occupiers of such properties may not be immune from the broader changes and challenges facing some businesses in the retail and hospitality sectors. The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group derive or will derive a substantial portion of their rental income from retail and hospitality occupiers. As at 31 March 2022, approximately 49% and 31% of the Annualised Gross Income from the Capco Group's investment properties was from the retail, hospitality and leisure sectors, respectively. As at 31 March 2022, approximately 28% and 40% of the Annualised Gross Income from the Shaftesbury Group's investment properties was from the retail, hospitality and leisure sectors, respectively.

The underlying performance of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's occupiers is influenced by a number of macro-economic factors, including availability of credit for occupiers and their businesses, the level of consumer spending, business and consumer confidence and the attractiveness of London and the specific estates for employers and as a visitor and tourist destination (see further Risk Factor 2.1 "*—If current global or UK macro-economic conditions continue to deteriorate or there is a further increase in geopolitical uncertainty, this could impact UK real estate markets, resulting in a decrease in the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's property values or their net income*"). A deterioration of these macro-economic factors is beyond the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's control and could negatively affect retail and hospitality sales in particular, leading to occupiers no longer being able to meet their contractual lease obligations and/or requesting different rent payment arrangements, a higher level of business failures, difficulties for new occupiers in raising start-up capital, a decrease in occupier demand and increased vacancy, all of which could have an adverse impact on income, profits, property valuations, financial covenants and financial condition.

In addition, increases in energy costs as a result of the increases in wholesale costs for the supply of energy, food and alcohol costs, wages and other costs as a result of inflation, as well as increased disruption as a result of Brexit and any continuing impact from the COVID-19 pandemic, are likely to result in an increase in operational costs for occupiers and their suppliers. Additionally, the cessation of the UK Government's COVID-19 support measures, such as business rates relief and a concessionary VAT rate for restaurants, as well as an overall increase in the level of debt across the retail and hospitality sectors following COVID-19, has added to the financial pressures on occupiers. Some of these increases in operational costs have been and may continue to be passed onto their respective consumers, resulting in higher prices for goods and services, which may result in a reciprocal decline in demand from consumers for the same goods or services. In addition, current staff shortages in the hospitality and leisure sector as a result of the COVID-19 pandemic, Brexit and other macro-economic factors may result in occupiers failing to find or retain staff which may have an adverse effect on their business, results of operations, financial condition and prospects. Any failure to maintain income from the occupier's consumers or minimise the impact of an increase in operational costs or costs from suppliers may lead to occupiers being less able to meet rental obligations which may adversely affect net rental income and property valuations.

A number of businesses in the retail and hospitality sectors, including a limited number of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's occupiers, have been the subject of administrations, company voluntary arrangements or other processes relating to their solvency or financial stability which may have impacted their ability to trade or resulted in a complete cessation of trade. If any of the foregoing were to affect the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's occupiers in the future, it could result in delays or reductions in receipt of rental and other contractual payments, an inability to collect such payments, the termination of occupiers' leases and/or the failure of occupiers to vacate their properties, which could hinder or delay the re-letting of a property, all of which may impact rental income, increase vacancy levels and associated vacancy costs, cause a decrease in occupier demand, and reduce property valuations.

Many retailers have developed and are expected to continue to develop online retail platforms to complement their store networks, which has been accelerated by the COVID-19 pandemic (see further

Risk Factor 2.3 *"—The COVID-19 pandemic has had and may continue to have a material adverse effect on the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group"*). Although the Directors and Proposed Directors believe that there continues to be demand for physical stores, particularly in prime locations, sustained shifts in consumer behaviour to online retail platforms may lead to reduced demand for retail space or a change in the requirement of space currently used by occupiers, including at the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's locations, for their store networks (see further Risk Factor 3.2 "*—The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may not be able to accurately predict or respond to consumer or occupational trends relevant to their properties*").

Any or all of these factors could reduce the demand for and value of the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's properties and/or adversely affect their ability to maintain or grow rental income which could have a material adverse effect on their business, operational performance, financial condition and prospects.

2.3 **The COVID-19 pandemic has had and may continue to have a material adverse effect on the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group**

Since March 2020, the global COVID-19 pandemic has had an unprecedented impact on the retail and hospitality sectors as a result of the pandemic and the mitigating actions imposed by the UK Government and internationally, including the closure of non-essential businesses, extensive social distancing measures, quarantines and travel restrictions for significant periods of time. Although a successful vaccination programme has led to the lifting of all COVID-19 restrictions in England on 24 February 2022, the medium to long-term economic impact of the COVID-19 pandemic and the rate of UK and global economic recovery is subject to significant uncertainty.

Any reinstatement of restrictive measures as a result of a new strain of COVID-19 or any other infectious disease, including the reintroduction of temporary closures, limited opening hours or social distancing measures for non-essential shops, restaurants, cafés, pubs and bars, and working from home guidance for offices could have a material impact on domestic and international visitor footfall and spending across the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's locations, adversely affecting the operations and financial viability of their occupiers.

Following the gradual lifting of restrictions since April 2021, footfall has progressively returned to Central London, with the Capco Group and the Shaftesbury Group experiencing stronger footfall and an increase in overall spend reported by retail and hospitality occupiers across their properties, with sales on average now largely back to or trending above pre-COVID-19 levels. Occupiers in the retail sector may however continue to review their space requirements, both in terms of location and size of shops, to address structural changes in shopping habits nationally and internationally. The UK Government's measures to mitigate the risks of the COVID-19 pandemic have had, and may continue to have, an impact on consumer spending habits. The closure of retail, hospitality and leisure units at the beginning of the COVID-19 pandemic may have accelerated the transition to online retail platforms, which may result in consumers adjusting their spending habits away from physical stores. In addition, an increase in agile working patterns as a result of the COVID-19 pandemic and the restrictive measures put in place by the UK Government, led to consumers generally shopping more locally, some of whom may continue to do so, and may have lead changes in office occupiers' requirements for space in the long term. These changes in occupiers' requirements for space at the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties may result in occupiers choosing not to renew their leases or renegotiate the terms of their leases.

An increase in levels of COVID-19 infection rates and the potential risk of recurrence and new restrictions being introduced to address any future variants of COVID-19 have had and may continue to have an impact on the number of international tourists that travel to the UK, consumer confidence, visitor numbers and spending, as well as impacting staffing levels, which may impact the operations and financial viability of the occupiers of Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties.

All or any of the above may have a material adverse effect on the ability of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to maintain or grow rental income

and property values and therefore on their business, operational performance, financial condition and prospects.

2.4 **The UK's withdrawal from the EU could have a material adverse effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, financial condition, results of operations and prospects**

On 29 March 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union ("**Brexit**"). On 24 January 2020, a withdrawal agreement was entered into between the European Union and the United Kingdom, setting out the terms of the UK's withdrawal. On 30 December 2020, the United Kingdom and the European Union agreed a trade and cooperation agreement which came into force on 1 May 2021 (the "**Trade and Cooperation Agreement**").

Despite the agreement of the Trade and Cooperation Agreement, there remains significant uncertainty regarding how it will continue to be implemented in practice and how the relationship between the United Kingdom and the European Union will develop in the coming years. As a result, the long-term effects of the UK's departure from the European Union will depend on the continued implementation (and potential re-negotiation) of the Trade and Cooperation Agreement and any future agreement (or lack thereof) between the United Kingdom and the European Union and, in particular, any potential changes in the arrangements in relation to the access to and the movement of goods and services between the UK and EU markets.

This may result in significant macro-economic deterioration, including, but not limited to, further decreases in global stock exchange indices, trade disruption including tariffs or other barriers, supply chain disruption including inventory and workforce labour, increased foreign exchange volatility, in particular a further weakening of sterling against other leading currencies and a lower rate of economic performance in the United Kingdom following the COVID-19 pandemic.

The financial performance of the occupiers of Capco Group's, the Shaftesbury Group's, and, following Completion, the Combined Group's properties, in particular those who have a greater reliance on imports from the EU, staff from EU member states and/or revenue from tourists from EU member states, have been and may continue to be impacted by fiscal and other restrictions on the free movement of goods (including customs duties, import tariffs, other restrictions on trade and loss of tax-free sales for non-EU visitors), additional entry requirements for EU nationals impacting the recruitment of EU nationals and a reduction in international tourism to the United Kingdom (whether due to the introduction of visa restrictions, mandatory quarantines or for any other reason). In addition, higher import costs and/or disruption of supply chains, may have a material adverse impact on occupiers, particularly in the retail and hospitality sector. Any inability of occupiers to maintain the continuity of goods in their supply chains may result in increased costs for sourcing goods either domestically and/or on short notice, which may increase their outgoings and have an adverse impact on their trading conditions. This may, in turn, lead to reduced occupier profitability, lower occupier demand, increased vacancy and pressure on rents, which may reduce net property income, earnings and valuations of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties (see further Risk Factor 7.3 "*—Changes in legislation may reduce London's global appeal to tourists, directly or indirectly adversely impacting the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's occupiers*").

Any of the foregoing factors could have a material adverse impact on the Capco Group's, the Shaftesbury Groups or, following Completion, the Combined Group's business, prospects, financial condition and/or operational performance.

3. Risks relating to the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties

3.1 **The location of the majority of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties in Central London means risks are not diversified across a number of geographical areas and external events affecting Central London may have a negative impact and reduce property values and rental incomes**

The majority of the Capco Group's and all of the Shaftesbury Group's properties are and, following Completion, the majority of the Combined Group's properties will be concentrated in Central London. The prosperity of Central London and in turn, the Capco Group's, the Shaftesbury Group's and,

following Completion, the Combined Group's retail, hospitality and leisure occupiers, is dependent on domestic and overseas visitors. Retail, hospitality and leisure occupiers represented approximately 80% of the Capco Group's annualised current income and approximately 68% of the Shaftesbury Group's annualised current income as at 31 March 2022.

As a result of the location of their assets in Central London, the Capco Group and the Shaftesbury Group are and, following Completion, the Combined Group will be more exposed to events that threaten visitor security or health and safety or lead to sustained public transport disruption and any other events that might otherwise adversely affect the desirability or popularity of Central London as a location or destination compared with businesses whose assets are located across a number of geographic areas, which thereby have a greater spread in their risk.

The popularity or status of Central London as a domestic and an international tourist destination, a global and financial business centre and location to work, live and study could be adversely impacted by, among other things:

- the occurrence of events such as terrorist attacks, an outbreak of an infectious disease or natural disaster could result in a reduction of demand for the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's retail and hospitality premises, offices and residential properties. Furthermore, such events, including any further travel restrictions resulting from any new COVID-19 variants or other outbreaks of infectious diseases, could impact domestic and global travel patterns and reduce domestic and international tourist numbers;
- significant and sustained public transport disruption, a detrimental change to local or national transport policy or limits on capacity at London's stations or airports could reduce the volume of visitors to Central London, negatively affecting the trading conditions for the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's properties, which could result in a decline in occupancy levels of the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's properties;
- if London's status as a global financial and business centre were to be damaged or diminished, or occupier demand for space in Central London decreases, this could reduce the ability of the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group to let vacant space, leading to decreases in lease rents, increases in vacancy costs and causing property values in Central London to decrease; and
- currency exchange rate movements or volatility could affect the volume of overseas visitors to Central London, or the relative attractiveness of London as a shopping and leisure destination for domestic visitors, compared with other overseas cities. This may lead to a decrease in visitor numbers, spending and overseas investment in London. In addition, if sterling strengthens against other currencies, it would also become less expensive for UK-based visitors to visit overseas cities, which could lead to a decline in domestic visitor numbers and spending in Central London.

Such external events may result in the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's properties no longer being perceived as attractive, convenient, geographically well-located or safe. If sustained, this could result in a prolonged and significant reduction in visitor numbers, adversely affecting trading conditions for the Capco Group's, the Shaftesbury Group's, or following Completion, the Combined Group's occupiers, which may limit or prevent them from meeting their lease obligations. Insurance cover may not be available or sufficient to cover the full extent of any loss of income or damage suffered to property and if a major event were to occur, it may not be possible for the Capco Group, the Shaftesbury Group, or following Completion, the Combined Group to secure adequate insurance cover in the future (see further Risk Factor 6.5 "*—The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be insufficiently insured against any or all losses, damage and limitations of use of their properties*").

If trading conditions for the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's occupiers deteriorate as a result of any of the above factors, the ability of the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group to maintain or increase occupancy levels at their properties may be adversely affected, which could result in a reduction in property income. If vacancies increase, the Capco Group, the Shaftesbury Group and,

following Completion, the Combined Group will be required to maintain a greater number of vacant properties which could lead to an increase in irrecoverable property outgoings.

Any of these factors, if sustained, could adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to maintain or grow rental income and could have an adverse impact on the value of their properties and their business, results of operations, financial condition and prospects.

3.2 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may not be able to accurately predict or respond to consumer or occupational trends relevant to their properties**

Retail and hospitality and leisure sales are subject to rapid and sometimes unpredictable changes in consumer sentiment or preferences. There can be no assurance that the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group will successfully anticipate changes in consumer sentiment or preferences in the future. If the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group misjudges consumer sentiment or preferences or fails to respond to changing consumer sentiment or preferences, they may not have the appropriate mix of occupiers at their properties, which may result in their locations gradually losing their appeal and relevance for modern consumers, fewer people visiting the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties, and lower sale prospects.

While the Capco Group's and the Shaftesbury Group's businesses are not wholly reliant on the retail sector, it forms a significant part of the Capco Group's and the Shaftesbury Group's property portfolios respectively, constituting 48% of Capco's portfolio estimated rental value (**"ERV"**) and 28% of Shaftesbury's portfolio ERV, respectively as at 31 March 2022. Weaker businesses have struggled to remain viable in an increasingly diversified sales market, where the volume of online sales has increased and the profitability of retail businesses more generally has been impacted by heightened political uncertainty, economic conditions, weaker consumer confidence and, more recently, the COVID-19 pandemic (see further Risk Factor 2.3 "*—The COVID-19 pandemic has had and may continue to have a material adverse effect on the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group*"). Shifts in consumer behaviour increasingly towards online sales may lead occupiers of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties to change the nature of their space requirements or reduce the number of physical stores due to an increasing share of sales taking place online and may result in a downward pressure on property valuations.

The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties may also become less desirable due to changing tastes or trends, including with respect to hospitality and leisure uses, as well as office and residential uses. These may be a result of, among other things, perceptions by commercial occupiers and consumers of the appeal of the relevant property's location. For example, the potential for longer term flexible working practices may impact the desirability of the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's office spaces (see further Risk Factor 3.6 "*—The property sector conditions for office space may deteriorate"*).

In addition, changing perceptions on the popularity of London as a global and financial business centre may have an impact on level of investor demand for prime property assets which could result in a reduction in property values and rental incomes (see further Risk Factor 3.1 "*—The location of the majority of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties in Central London means risks are not diversified across a number of geographical areas and external events affecting Central London may have a negative impact and reduce property values and rental incomes*").

If the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group or their occupiers fail to anticipate and address such developments in consumer and occupier markets, this could adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to maintain or grow rental income, which may have an adverse impact on the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties and their business, results of operations, financial condition and prospects.

3.3 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group each face inherent general risks relating to property investment**

The value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties, the revenue earned and the associated operating expenses are subject to a number of inherent general risks, including the risk that the amount of rent and the terms of lease renewals and new leases are less favourable than current leases, the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to collect rent and service charge payments from occupiers on a timely basis or at all, and the periodic need to renovate, repair and re-lease space.

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may also be exposed to substantial undisclosed or unascertained liabilities embedded in properties that were incurred or that arose prior to the completion of the acquisition of the relevant properties, as well as liability for environmental issues relating to the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's current and former operations and properties (see further Risk Factor 4.2 "*—The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group operations may be adversely affected by climate and environment related risks and could incur significant costs seeking to mitigate their environmental impact*").

To the extent that these factors result in an increase in operating and other expenses or liabilities that are not matched by an increase in revenues, they could have an adverse impact on the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties and their business, results of operations, financial condition and prospects.

Historically, the property sector operating environment has been cyclical in nature. Any investments or divestments which are made by the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group at the wrong time in an economic cycle could lead to the loss of value or underperformance by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group.

3.4 **The Capco Group and the Shaftesbury Group face and, following Completion, the Combined Group will face competition from other investors in property and other organisations active in or close to Central London**

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group operate in the Central London's competitive property market where they face competition when acquiring properties and when letting properties. Competitors include, amongst others, not only London-focused investors but also other property investment companies, funds that invest nationally and internationally, institutional investors and foreign investors that let property.

Competition from other investors who let property may cause difficulty in achieving rents in line with the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's expectations and may result in increased pressure to lease at levels below the expected rent or offer new and renewing occupiers financial and other incentives. The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group each compete or will compete with a large number of real estate owners, some of which may be willing to accept lower returns on their investments, may be less leveraged, have a lower cost base or may have properties that are better located with a higher quality of facilities or lower rents and other occupational costs than the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties, as well as competing against other properties which may be more suitable or better suit the occupier's needs than the properties owned by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group. This includes competition in destinations which lie outside of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's portfolio, such as other locations within London or national destinations.

The above factors may have an impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to maintain or manage the occupancy levels at their properties or to maintain or grow rental income, all of which may have an adverse impact on the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties and their business, results of operations, financial condition and prospects.

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may also face competition from a variety of other potential purchasers when identifying and seeking to acquire properties which complement their existing portfolio. This competition may lead to the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group paying a higher price to acquire such properties, or losing the opportunity to acquire properties that would have been advantageous for their portfolios as a result of increased competition from other purchasers. Any payment for properties substantially in excess of their market value may result in a lower rate of return for the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group, which, in turn, if sufficiently material, may impact the Capco Group's, the Shaftesbury Group's and following Completion, the Combined Group's business, results of operations, financial condition and prospects.

3.5 **The valuations of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties by an external third party valuer are inherently subjective and uncertain and are based on assumptions which may prove to be inaccurate**

The Capco Group's and the Shaftesbury Group's are and, following Completion, the Combined Group's properties are, externally re-valued on a semi-annual basis, and any increase or decrease in the value of its properties, after taking account of any capital expenditure, is recorded as a revaluation gain or loss in the Consolidated Statement of Comprehensive Income for the period during which the revaluation occurs. As a result, the Capco Group and the Shaftesbury Group have, and, following Completion, the Combined Group will continue to have, significant non-cash revenue gains and losses from period to period depending on the change in the fair market value of its properties.

The valuation of properties is inherently subjective and uncertain due to, among other factors, the individual nature of each property, their location and condition, expected future net income, and investment market condition in the commercial property sector. As a result, the valuations of the Capco Group's and the Shaftesbury Group's and, following Completion, the Combined Group's properties are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

The Shaftesbury Group's and the Capco Group's properties have been valued by external third party valuers as at 31 March 2022 and 30 June 2022 respectively, on the basis of "Market Value" in accordance with the Valuation—Global Standards (2022) (published by the Royal Institution of Chartered Surveyors (the "**RICS**")) (the "**RICS Valuation—Global Standards**"), defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". Property valuations are complex and may involve the consideration of data which is not publicly available.

In determining the Market Value, valuers are required to make certain assumptions in respect of matters including, but not limited to, the existence of willing buyers and sellers, title, condition of structure and services, deleterious materials, plant and machinery and goodwill, environmental matters, statutory requirements and planning, expected future rental revenues from the property, market-based yields and other information. In respect of properties which may require development, redevelopment or refurbishment, the valuers make assumptions as to the achievability of the development, the timescale, and the future development cost. Assumptions are made as to finance rates and profit and/or discount rates, in determining the property valuation, alongside comparable market evidence where appropriate. Such assumptions may prove to be inaccurate or flawed.

The above factors could mean that the value of the Capco Group's and the Shaftesbury Group's and, following Completion, the Combined Group's properties differs from their valuation reported in the financial statements, which could materially affect the Capco Group's and the Shaftesbury Group's and, following Completion, the Combined Group's business' results of operations, reputation, financial condition and prospects. In addition, the valuations of the Capco Group's and the Shaftesbury Group's properties are as at the date of the valuation, and any market volatility after that date may cause further significant declines in the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties. There can be no assurance that any valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income or estimated rental value will prove to be attainable.

The Market Values of such properties may also be affected by other factors outside the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's control, including declining occupier demand, changes in general macro-economic conditions (which will impact, amongst other things, the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's outlook for occupier demand, the risk of vacancies and prospects for rental growth), legislative changes and changing supply within a particular geographic location, attractiveness of commercial property relative to other investment choices and availability of finance for property investment.

Changes to the RICS Valuation—Global Standards or the UK national supplement and associated guidance notes, including in relation to sustainability and environmental, social and governance issues and appraisal methods to be adopted by valuers such as discounted cash flow calculations, may also have an impact on the assumptions used in calculating the Market Value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties, which may result in more conservative valuations being made in respect of those properties.

Any of the foregoing factors could have an adverse impact on the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties and their business, reputation, financial condition and/or results of operations.

3.6 **The property sector conditions for office space may deteriorate**

At 31 March 2022, approximately 16% of the value of the Capco Group's portfolio comprised office space and approximately 18% of the value of the Shaftesbury Group's portfolio comprised office space. The ability of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties to generate revenues from their office portfolio is linked to occupancy levels and scope for rental increases. These factors are themselves determined by the underlying performance of the occupiers' operations, which are influenced by a number of general economic factors outside of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's control, including, but not limited to: gross domestic product growth, levels of employment, business confidence, availability of lending, interest rates, taxation and regulatory changes. The increase in agile working as a result of the COVID-19 pandemic and the associated Government imposed restrictions, may lead to a reduction in demand for office space, which may impact occupancy levels and rental income.

Each of the foregoing, especially in periods of economic uncertainty, could adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to maintain or grow rental income and could have an adverse impact on their business, results of operations, financial condition and prospects.

3.7 **Residential property sector conditions may deteriorate**

At 31 March 2022, approximately 7% of the value of the Capco Group's portfolio comprised residential space and approximately 18% of the value of the Shaftesbury Group's portfolio comprised residential space. The current London residential property sector, including sales and lettings, could be adversely impacted by, among other things, higher housing or energy costs, increases in tax rates (including VAT and stamp duty land tax) and new taxes, geopolitical uncertainty and the introduction of sanctions applicable to foreign nationals, increased interest rates, exchange rate fluctuations, further restrictions on the availability of credit, rising unemployment, inflation and declining real income, and changes in government regulation or policy, including planning and environmental regulations, resulting in reduced residential property demand.

During the COVID-19 pandemic, a significant number of residential tenants chose to relocate outside Central London, which resulted in higher levels of vacancy and lower rents. Although the occupancy levels in residential properties in each of the Capco Group's and the Shaftesbury Group's portfolio are already back to or above pre-COVID-19 levels, there can be no assurance that a reintroduction of restrictions or a loss of confidence due to a new COVID-19 variant or a future pandemic, may not have the same or worse impact on the level of occupancy in residential properties as a result of changes in residential tenants' behaviour, which may result in increased vacancies and affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to maintain rental income from their residential property portfolios.

Any or all of these factors could further reduce sale values, reduce rents and have a material adverse impact on the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties and the results of their operations, business prospects and financial condition.

3.8 **The market for real estate investments is relatively illiquid and may result in low disposal prices or an inability to sell certain properties in a timely manner when needed**

Whilst the Capco Group and the Shaftesbury Group are generally long-term owners of their properties, the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties, are relatively illiquid as there may not be ready buyers with available liquidity or financing or who are willing to pay fair value at the time the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group desires to sell. In addition, in the case of leasehold properties and properties which are held on a long leasehold interest by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group, consents are often required from owners of the freehold interest such as the Covent Garden Area Trust, Royal Opera House and others. Such illiquidity and/or consent requirements may affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to dispose of, or liquidate part of, their portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions.

In the event of an accelerated sale or a sale required for compliance with financing covenants, there may be a significant shortfall between the carrying value of the property on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's consolidated balance sheet and the price achieved on the disposal of such property, and there can be no assurance that any such property will be sold or that the price obtained from such a sale would cover the book value of the property sold.

In addition, certain of the debt financing facilities that are entered into by the Shaftesbury Group and, following Completion, the Combined Group may require the Shaftesbury Group and, following Completion, the Combined Group to pay down debt with the proceeds of sale of an asset if that asset has been charged in favour of the relevant lender (which may also trigger the obligation to pay a prepayment premium). Accordingly, such a sale (after deducting any repayment of associated debt) may not generate significant liquidity for the Shaftesbury Group and, following Completion, the Combined Group.

Periods of reduced availability for additional liquidity may also mean that it may be difficult to achieve the sale of property assets at prices reflecting the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's property valuations. Failure to achieve net sale prices above book value for any properties sold in the future could have an adverse impact on the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties and their business, financial condition and/or results of operations.

3.9 **The loss of high profile occupiers may have an adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's rental income**

The presence or absence of high profile occupiers in a retail and/or hospitality space can be particularly important because they play a key role in generating footfall and making neighbouring retail and/or hospitality space desirable to other occupiers. A high profile occupier may cease operations at a property because it decides to close and move location, not to renew a lease, or it becomes insolvent. If any of the high profile occupiers occupying the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's properties were to close and such occupiers were not replaced in a timely manner with a occupier of a substantially equivalent high profile, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may suffer adverse economic consequences, including a loss of rental income, void costs, an increase in bad debts and a decrease in the value of the relevant properties.

Even if a high profile occupier closed at one of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties but continued to pay rent, such closure may impact their ability to retain other existing occupiers or attract new occupiers (due to a desire to be near to high profile or complementary occupiers or due to a drop in footfall resulting in a decrease in

sale densities), which could result in the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group having to reduce their rental rates.

Any of these factors could reduce the demand for the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties and/or adversely affect their ability to maintain or grow rental income and could have an adverse impact on the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties and their business, results of operations, financial condition and prospects.

3.10 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may not be successful in undertaking refurbishment and/or development projects as planned or may undertake them on commercially unfavourable terms**

Certain general risks affecting refurbishment and development activities, including risks relating to construction overruns and significant delays which could increase costs and impact the ability of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to lease properties within their respective property portfolios and recover rental payments. In addition the risk of rising costs of materials and contractor costs for any development work, the risk of not obtaining, or delays in obtaining, necessary administrative permits, statutory consents, planning permissions or vacant possession and risks relating to the financing of any refurbishments or developments, could each result in the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's capital expenditure programme and investment decisions not delivering their expected value (see further Risk Factor 7.2 "—*The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are subject to changes in local and UK Government policies which may impact demand for space or impair the ability to maximise the long-term potential of its properties*").

In addition, a decrease in occupier demand due to competition from other real estate properties or adverse market or economic conditions could result in a substantial proportion of a property remaining vacant after the completion of any refurbishment and development activity, or reduce the realisable value of the property, which could exert pressure on the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to provide incentives to occupiers. Any of these factors could increase the cost of, or could delay or prevent completion of, a project and could result in a delay or loss of revenues or of capital invested.

4. Risks relating to the environment and climate change

4.1 **The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's operations may be adversely affected if it fails to comply with climate and environmental statutory regulation or environmental, social or governance standards to which it has publicly committed**

The Capco Group and the Shaftesbury Group have and, following Completion, the Combined Group will have adopted certain environmental, social and governance ("**ESG**") policies and sustainability objectives in relation to their respective operations in the commercial property sector and their internal management. In particular, both the Capco Group and the Shaftesbury Group have committed to a net zero carbon target by 2030 and have each published net zero carbon pathways.

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be required to expend significant resource and capital in order to retrofit their properties to achieve their net zero and energy efficiency targets, as well as to protect their properties against physical climate change risks. Given a large proportion of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties are historic buildings or are in designated Conservation Areas, approvals for retrofitting works may be time-consuming and costly given restrictions on adaptions to period properties. There can be no assurance that the changes made to the properties will be sufficient to address the pace of development of environmental legislation and regulation, and the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may incur significant costs and losses renovating and retrofitting properties to environmental standards which may become outdated as new legislation or regulations are introduced. In addition, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are not in control of the emissions produced by the occupiers of their properties, which may affect the ability of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to achieve their net zero carbon targets by 2030. Furthermore the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are likely to need to purchase carbon offsets in order to meet their

net zero carbon targets, which could result in a cost to the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group.

In addition, although the Capco Group's and the Shaftesbury Group's ESG policies, including their public commitments to a net zero carbon target by 2030, are not currently legal requirements, failure to meet such objectives may adversely impact the reputation and potentially, the financial performance of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group. Failure to keep pace with consumers' and occupiers' expectations for action to manage and mitigate climate-related risk may result in a decline in visitor numbers and reduce occupier demand, resulting in declining rental income, increased vacancy and associated vacancy costs, which could have an adverse impact on the financial condition and prospects of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group.

4.2 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group operations may be adversely affected by climate and environment related risks and could incur significant costs seeking to mitigate their environmental impact**

Climate change and rising average global temperatures may result in physical risks to the businesses of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's occupiers, including damage from extreme weather events such as storms and flooding, and transitional risks (arising from amongst other things rising sea levels and/or the failure of the Thames Barrier to prevent such flooding), including increased compliance and insurance costs, which may impact the valuation of and rental income from the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties. There can be no assurance that the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group or their occupiers will successfully mitigate physical climate-related risks and the related impacts.

Failure to align the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's portfolios with sustainability and other property development measures designed to address climate change risks may result in significant devaluations of properties in their portfolios (see further Risk Factor 3.5 "*—The valuations of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties by an external third party valuer are inherently subjective and uncertain and are based on assumptions which may prove to be inaccurate"*).

Any or all of the above factors could adversely affect the operations and financial viability of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's occupiers and their consumers, and subsequently may have a material adverse effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

4.3 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be subject to additional costs as a result of existing and future environmental laws and regulation**

The Capco Group, the Shaftesbury Group are and, following Completion, the Combined Group will be subject to existing and future environmental laws and changes to regulation which could lead to an increase in compliance costs or make properties obsolete or unattractive to potential occupiers. This includes complying with energy performance certificate ratings and minimum energy efficiency standards, such as the minimum level energy performance certification and incoming legislation including the Environmental Act 2021 which introduces new environmental measures in order to protect the UK's natural environment, including restrictions on planning permission without evidence of a development achieving a 10% biodiversity net gain and the Minimum Energy Efficiency Standards ("**MEES**") regulations, which set out the minimum level energy performance certification required for all new lettings on an accelerating basis from 2023. Failure to comply with the MEES regulations for any property could result in the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group being unable to let that property, which may lead to higher levels of vacancy and associated costs, reduced income and could have a material adverse effect on the value and financial condition of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business.

Failure by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to comply with existing or future environmental laws and regulations, or failure to deal adequately with

environmental issues as they arise, including any failure to hold the requisite permits or licences, may result in the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group being subject to fines, penalties, third-party claims, reputational damage and other costs. There can be no assurance that the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group will be able to plan for and comply with the extensive and onerous framework of environmental legislation and regulation to which it is subject which could have a material adverse effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, value, results of operations, financial condition and prospects.

Environmental legislation imposes strict and retrospective liability for cleaning up contaminated land, buildings, watercourses or groundwater which may also adversely affect the value of the real estate or the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's ability to sell, let or re-purpose the affected properties or to borrow using the real estate as security.

Owners and occupiers of property are under a duty to locate, record, manage and (where appropriate) remove asbestos and other hazardous or toxic substances from relevant properties. Landlords are under a duty to co-operate with tenants in this regard and will have responsibility for common areas within properties or parts of properties that are temporarily or permanently vacant. Failure to comply with this duty is an offence and could give rise to contingent civil liabilities in respect of personal injury arising out of exposure to asbestos or other hazardous or toxic substances thereby adversely affecting the value of the real estate and/or the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's reputation and financial condition.

5. Risks relating to the financing of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group

5.1 **The terms of certain existing indebtedness, or the need to refinance such indebtedness, is expected to result in an increase of the financing costs of the Combined Group (which are not included in the assessment of the synergies) following Completion**

Shaftesbury has two secured mortgage bonds totalling £575 million: (i) £290 million 2.348% guaranteed first mortgage bonds due 2027 and (ii) £285 million 2.487% guaranteed first mortgage bonds due 2031 (the "**Shaftesbury Mortgage Bonds**"), each of which contain change of control provisions which will be triggered by the Merger. In the event that the Merger completes, bondholders, under the terms of the Shaftesbury Mortgage Bonds, would be entitled to 'put' their bonds at par plus any accrued interest. This would require the Combined Group to fund up to £575 million in redemptions, plus any interest accrued thereon, in respect of such 'put' Shaftesbury Mortgage Bonds up to the date of redemption.

Shaftesbury has held discussions with the holders of the Shaftesbury Mortgage Bonds to seek consent of such holders to make certain amendments to the terms and conditions of the Shaftesbury Mortgage Bonds such that the holders agree to waive their change of control put right in respect of the Merger. No agreement has been reached with such holders of the Shaftesbury Mortgage Bonds and there can be no certainty that any agreement will be reached in the future.

In parallel, the Capco Group has entered into a £576 million loan facility agreement to provide funding certainty in the event that some or all of the holders of the Shaftesbury Mortgage Bonds exercise their change of control put right following Completion. Based on current market conditions, any drawdown of the Loan Facility Agreement, or restructuring or refinancing of the Shaftesbury Mortgage Bonds will result in increased financing costs for the Combined Group (which are not included in the assessment of synergies). The Combined Group would seek to mitigate such increased finance costs by capitalising on the increased strength of the Combined Group's balance sheet following Completion.

The term of the £576 million loan facility is 24 months, which may be extended for a further six months at the option of Capco subject to the satisfaction of the extension requirements as outlined in the facility. There is subsequently a further six month extension option available which requires the approval of each lender in respect of its respective participation in the loan. Should this loan be drawn, the Combined Group will likely seek to refinance such loan on or before its contractual expiry and there is no guarantee that the Company will be able to do so or that the terms of such refinancing will be on terms commercially acceptable to the Combined Group, which may result in an increase to the financing costs of the Combined Group. (see also Risk Factor 5.2 *"—If the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group are perceived as less creditworthy, it may be more difficult and costly for the Capco Group, the Shaftesbury Group and, following*

Completion, the Combined Group to maintain or secure favourable finance or credit, payment or hedging terms and in the medium to long term the Combined Group's liquidity may be adversely impacted").

5.2 **If the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group are perceived as less creditworthy, it may be more difficult and costly for the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to maintain or secure favourable finance or credit, payment or hedging terms and in the medium to long term the Combined Group's liquidity may be adversely impacted**

The Capco Group and the Shaftesbury Group are, and following Completion the Combined Group will be, subject to assessments on their ability to service and repay their debt financing obligations in order to assess their creditworthiness.

A deterioration in their perceived creditworthiness could make it more difficult and costly for the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to obtain new financing, refinance any of their existing debt, negotiate payments terms with new suppliers and/or retain existing payment terms with its suppliers. A deterioration in perceived creditworthiness would also likely increase the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's borrowing costs as lenders identify the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group as at an increased credit risk. A deterioration in their perceived creditworthiness in the future may also cause the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to be subject to terms and conditions that are more onerous and restrictive than those terms and conditions that govern its existing credit arrangements.

Accordingly, any downgrade or withdrawal of the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's perceived credit-worthiness may increase the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's cost of funding and in the longer-term (i.e. beyond the end of the period covered by the Capco Group's or, following Completion, the Combined Group's working capital statement) adversely impact the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's liquidity and make it more difficult and costly for the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to raise finance or otherwise have a material adverse effect on the Combined Group's business, results of operations, financial condition and prospects.

In addition, the Capco Group maintains, and following Completion the Combined Group will maintain, hedging policies in order to manage exposure to interest rate risk. Should the perceived creditworthiness of the Capco Group or, following Completion, the Combined Group deteriorate, hedge counterparties may not enter into new hedging arrangements with the Capco Group or, following Completion, the Combined Group. In this case, this could result in an increase in interest rate exposure, which in turn could have a material adverse effect on the Capco Group's or, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

5.3 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are exposed to risk from interest rate fluctuations**

The Capco Group and the Shaftesbury Group have and, following Completion, the Combined Group will have access to a number of different borrowing arrangements. Each of the Capco Group and the Shaftesbury Group has fixed rate debt financing facilities to protect against fluctuations in interest rates. The Capco Group's financing arrangements include certain overseas debt denominated in sterling for the Capco Group, and a range of interest rate derivatives.

Increases in interest rates, impacted by, among other matters, inflation, rising energy prices and slow economic recovery from the COVID-19 pandemic, as well as any increases in the margins on which finance can be obtained, may increase the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's debt financing costs should any existing debt arrangements be refinanced or if the Loan Facility Agreement (which is based on variable interest rates) is drawn.

The market value of any of the Capco Group's derivative instruments may fluctuate significantly as can the fair value of these instruments and if such values decrease, this would be negatively reflected in the Capco Group's and (following Completion), the Combined Group's income statements. If there is a substantial decrease in the fair value of any of the Capco Group's and where applicable (following Completion), the Combined Group's derivative instruments, this could have an adverse impact on the

financial condition and/or results of operations of the Capco Group or (following Completion) the Combined Group.

In the event of the voluntary or mandatory prepayment of any of the Capco Group's borrowings, including any loan notes, the Capco Group may be required to reimburse the relevant lenders or holders (as applicable), subject to currency swaps for any net loss incurred by such lenders or holders in relation to such swaps and may incur prepayment penalties. In the event of the voluntary or mandatory prepayment of any of the Shaftesbury Group's term loans or mortgage bonds, the Shaftesbury Group may have to pay prepayment penalties.

Any or all of the above factors could adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects and, in the longer term, liquidity and solvency.

5.4 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are exposed to counterparty credit risk**

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are exposed to counterparty credit risk in respect of any surplus funds they have placed on deposit or facility commitments and financial derivatives used to hedge interest rate risk. There is a risk of a loss being sustained by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group as a result of payment default by the counterparty with whom the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group has placed funds on deposit or entered into hedging transactions to hedge their interest rate risks. The extent of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's loss could be the full amount of the deposit or, in the case of hedging transactions, the cost of replacing those transactions.

Under the Capco Group's existing treasury risk management policy, and the treasury risk management policies that the Directors and Proposed Directors intend to put in place for the Combined Group after Completion, the Capco Group only deal, and the Combined Group will only deal, with counterparties with certain minimum credit ratings and have set their maximum exposure to each of them with regard to credit ratings. There can be no assurance, however, that the Capco Group and, following Completion, the Combined Group will successfully manage this risk or that such payment defaults by counterparties will not have a material adverse impact on their liquidity, solvency, financial condition and/or results of operations.

Additionally, the ability of the Capco Group's or, following Completion, the Combined Group's hedge counterparties to perform their obligations is subject to factors outside the control of the Capco Group and, following Completion, the Combined Group, such as economic conditions. In the case of default by a counterparty, the Capco Group and, following Completion, the Combined Group may lose the benefit from hedges signed with such counterparties. This loss could result in an increase in interest rate exposure, which in turn could have a material adverse effect on the Capco Group's or, following Completion, the Combined Group's business, result of operations, financial condition and prospects.

5.5 **Contractual restrictions in the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's banking facilities and other debt financing arrangements may restrict the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to engage in certain business activities**

The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's banking facilities and other debt financing arrangements impose certain restrictions, which may affect, limit or prohibit the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to, among other things, incur additional indebtedness, sell, transfer, lease or otherwise dispose of all or substantial parts of their assets, or, increasing the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's leverage beyond certain agreed thresholds. If Capco or Shaftesbury were to seek to vary or waive any of these restrictions and the relevant lenders did not agree to such variation or amendment, the restrictions may restrict the Capco Group's, the Shaftesbury Group's activities, or following Completion, the Combined Group's investments or business plans.

The inability to vary or waive restrictions and react to changing market conditions could materially and adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the

Combined Group's ability to invest in its portfolio and could generally have a material adverse effect on its business, results of operations, financial condition and prospects.

5.6 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be unable to access credit or equity markets or may be able to access them only on unfavourable terms**

The property investment sector is highly capital-intensive. The ability of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to raise funds on favourable terms depends on a number of factors, including the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to negotiate new or increased credit facilities and lenders' estimates of the stability of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's cash flows, ability to access the equity markets on satisfactory terms, as well as general economic, political and capital market conditions and credit availability. The first significant maturity of the Capco Group's and the Shaftesbury Group's current debt financing facilities is in February 2023, in respect of Shaftesbury's revolving credit facility. The Shaftesbury revolving credit facility is undrawn and the Directors and Proposed Directors anticipate that it will be cancelled following Completion.

Although the Capco Group's and the Shaftesbury Group's debt financing facilities are on commercially acceptable terms, in the longer term there can be no guarantee that future debt financing facilities will be available on terms that the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group considers acceptable. In particular, if the financial market or economic conditions deteriorate, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may have difficulty in repaying, renewing, extending or refinancing their existing debt financing facilities in the longer term. It is possible that the terms of any new debt financing facilities entered into by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group in the future could be more onerous than the terms of their existing debt financing facilities. In addition, a higher level of indebtedness increases the risk that the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may default on their obligations in the longer term, which may result in the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group being unable to fund their operations or be unable to pay dividends to shareholders in the longer term.

Any of the foregoing factors may lead to the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group being unable to fund future growth opportunities and could have an material adverse impact on their business, reputation, financial condition and/or results of operations.

5.7 **The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's consolidated balance sheet and income statement may be significantly affected by fluctuations in the fair market value of their properties as a result of revaluations**

In accordance with IAS 40, the UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, the Capco Group's and the Shaftesbury Group's properties are recorded, and the Combined Group's properties shall after Completion be recorded, at fair value and revalued on a half-yearly basis, and any increase or decrease in the value of their properties are or will be recorded in the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's income statement in the period during which the revaluation occurs. As a result, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group can have significant non-cash gains and losses from period to period depending on the change in fair market value of their properties, whether or not such properties are sold, and could have difficulty maintaining their internal and external bank covenant target debt to asset ratios and other financial measures.

Any such fluctuations could have an adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, reputation, financial condition and/or results of operations.

5.8 **As is common in the real estate industry, the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's credit facilities may contain various covenants which, if not complied with, could require accelerated repayment**

The Capco Group's and the Shaftesbury Group's existing debt financing facilities contain, and any debt financing facilities entered into by the Combined Group may contain, covenants typical of debt financing facilities used by real estate companies, which require the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to maintain certain specified financial ratios.

Although the Capco Group and the Shaftesbury Group do not anticipate any breach of financial covenants in the near or medium term given current levels of loan to value and interest cover ratios, if real estate market conditions were to deteriorate significantly in the longer term, there is a risk that financial covenants in existing or future debt financing facilities could be breached, particularly those which are based on interest cover ratios (for example, if income falls significantly or the cost of non-hedged borrowings were to rise significantly) and loan to value or gearing covenants (for example, if the value of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's properties were to fall significantly the loan to value ratio or gearing ratio would increase). Any cross-default provision could magnify the effect of an individual default if such a provision were exercised by the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's lenders.

Any breach of such covenants could, subject to any applicable waiver or agreement, result in the existing or future debt financing facilities being withdrawn or becoming repayable, along with potential prepayment penalties, potentially requiring the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to dispose of assets at significantly less than the value reflected in the most recent independent valuation. In the event that there is any such breach, withdrawal, repayment or remedy, it could have a material adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's liquidity, solvency, financial condition and/or results of operations in the longer term.

6. Risks relating to the operation of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's portfolio

6.1 **Failure to attract and retain key personnel could adversely impact the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's success**

The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's success depends, to a significant extent, on the continued services of their management teams, which have substantial experience in the Central London property sector. In addition, the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to continue to identify asset management and leasing opportunities, acquisitions and disposals and manage properties depends on their management's knowledge of, and expertise in, the property sector and its local market.

A number of changes to the Capco Board have been agreed with the Shaftesbury Board as part of the Merger. There can be no guarantee that other members of the management teams will remain employed by the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group, and if one or more of the management or other senior personnel leave the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group, it may not be possible to replace such individuals easily or at all, and the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business and operations may be materially and adversely affected. Prior to and following Completion, current and prospective employees may experience uncertainty about their future roles within the Combined Group, which may also adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to retain or recruit key employees.

Further, if any key personnel leave and carry on any activities competing with the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group, the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group may lose occupiers and staff members and legal remedies against such individuals may be limited, notwithstanding any contractual restrictions.

The sudden and/or unanticipated loss of the service of one or more members of the management team could have an adverse impact on the Capco Group's, the Shaftesbury Group's and Combined Group's business, results of operations, financial condition and prospects.

6.2 **Joint ventures within the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be subject to shared ownership and change of control risk**

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group, has or will have investments in joint ventures companies which hold property assets. The Shaftesbury Group's proportionate share of property held by the Longmartin Joint Venture formed 5% of the Shaftesbury Group's property assets and the Capco Group's proportionate share of property held by the Lillie Square Joint Venture formed approximately 5% of the Capco Group's property assets as at 31 March 2022 (the "**Joint Ventures**").

By definition control of the Joint Ventures is shared with the respective joint venture partners, and the Capco Group and the Shaftesbury Group are not able to exclusively direct the strategy and operating decisions of their respective Joint Ventures, nor do they have complete financial control of, their respective Joint Ventures. In particular, material decisions relating to the Joint Ventures will require the consent of both joint venture partners, which may restrict the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to proceed with operational change or development. As is common in joint ventures, there is also a risk that the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's economic interest in the Lillie Square Joint Venture and the Longmartin Joint Venture, respectively, may no longer be aligned with that of the joint venture partner or the joint venture itself.

Conflict with a joint venture partner may lead to deadlock and impact the ability of the Capco Group or the Shaftesbury Group, respectively, to pursue their strategy or exit the joint venture at a time or in a manner that is most advantageous, by virtue of pre-emption rights given to the joint venture partner and/or the requirement for the approval of the joint venture partner in respect of a disposal to a particular purchaser, which may not align with its current investment strategy and may result in the Capco Group, the Shaftesbury Group or following Completion, the Combined Group paying a premium to maintain the Joint Venture asset or being unable to realise the full value of the Joint Venture asset.

In the case of the Longmartin Joint Venture, in the event of a deadlock, the parties may agree to terminate the Joint Venture or either party (the "**Proposing Transferor**") may offer to sell its interest in the Longmartin Joint Venture to the other party or to a third party (which could be on potentially disadvantageous terms or at a time when such party would not otherwise seek to make such a disposal or acquisition) subject to the provisions contained within the articles of association for the Longmartin Joint Venture. Where the other shareholder declines to accept an offer from the Proposing Transferor or to permit a sale to a third party or if the offer lapses, the Longmartin Joint Venture will terminate and its assets will be sold with any debt being required to be repaid with a prepayment penalty.

In the case of the Lillie Square Joint Venture, in the event of deadlock at the Lillie Square Joint Venture board level, the Capco Group may be required to make an offer to the joint venture partner for its interests in Lillie Square LP (the "**Partnership**") and any debt owed to the joint venture partner by the Partnership (the "**Interests**").

If neither the Capco Group nor the other party to the Joint Venture makes an offer for the other party's interests, a sale or wind-up process of the Partnership commences.

Under the terms of the Longmartin Joint Venture, a change of control of Shaftesbury, which would be triggered by the Merger, will result in the joint venture partner having the right to require the Combined Group to make an offer to sell its shares in the Longmartin Joint Venture either to the joint venture partner or to a third party purchaser identified by the joint venture partner. If the joint venture partner fails to require the Combined Group to make an offer to sell its shares in the Longmartin Joint Venture either to the joint venture partner or to a third party purchaser identified by the joint venture partner within nine months of Completion (at which time the change of control of the Combined Group will have occurred), the joint venture partner shall be deemed to have waived its right to require Shaftesbury to offer to sell its shares in the Longmartin Joint Venture and the Combined Group shall retain its shares in the Longmartin Joint Venture.

If the joint venture partner requires the Combined Group to sell its shares in the Longmartin Joint Venture to a third party purchaser, such sale will separately constitute a change of control under the terms of the Shaftesbury AV LM Facility Agreement, which means that Aviva Commercial Finance Limited, as lender, could demand repayment of the loan (including any applicable prepayment fee) from the Longmartin Joint Venture. Such risk may, in turn, adversely impact the value of the Combined Group's shares in the Longmartin Joint Venture and the price it is able to sell its shares to the third party purchaser.

Any of the foregoing may adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to maintain or grow rental income and could have an adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

6.3 **Any interruption or failure of, or cyber-attacks on, the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's infrastructure or information technology systems could disrupt the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business**

The business of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group is or will be dependent on reliable and efficient IT systems, as well as equivalent systems of third parties, for the efficient running of their businesses, including with respect to finance, accounting, data processing, secretariat, IT, communications and other systems and facilities. These systems may: (i) fail to operate properly or become disabled as a result of events that are wholly or partially beyond the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's control, and (ii) be vulnerable to damage or interruption from fire, telecommunication failures, floods, physical or electronic break-ins, computer viruses, malicious code, cyber threats that have a security impact, power outages and other malfunctions or disruptions.

Capco and Shaftesbury believe that they have and, following Completion, the Combined Group will put in place appropriate data security provisions, but breaches may still occur. If one or more of such events occur, it could result in the loss of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's or third parties' confidential and other information, or otherwise cause interruptions or malfunctions in the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's or third parties' operations. The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be required to expend significant additional resources to modify their protective measures or to investigate and remedy vulnerabilities or other exposures, and it may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by it.

Any of the foregoing could adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects, as well as harm the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's reputation.

6.4 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may become subject to disputes with occupiers, suppliers and other commercial parties**

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may become subject to disputes with occupiers, contractors, commercial parties with whom it maintains relationships or other commercial parties in the property or related industries.

A breach (or alleged breach) by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group of any of its covenants under a lease, could give rise to a dispute with the relevant occupier, and that occupier may seek to withhold payment of rent or other payments due under that lease. Further, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group could become party to claims, disputes or litigation concerning obligations, representations and warranties provided to a third party and may be required to make payments to such third parties. This could adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's reputation.

Whether or not any dispute actually proceeds to litigation, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be required to devote significant management

time and attention to its successful resolution (through mediation, litigation, rectification, settlement or otherwise), which would detract from the management's ability to focus on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business. The resolution of a dispute could involve significant costs and reputational damage being incurred by the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group, even where successful in defending a claim.

6.5 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be insufficiently insured against any or all losses, damage and limitations of use of their properties**

While the Capco Group and the Shaftesbury Group maintain, and, following Completion, the Combined Group will maintain, commercial insurance in an amount they believe is appropriate against risks commonly insured against by companies carrying out similar businesses, there can be no guarantee that the level of insurance cover for the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group now or in the future will be sufficient or whether they will be able to obtain adequate maintenance or insurance services on commercial terms and at acceptable premiums or at all.

In addition, no assurance can be given that material losses in excess of insurance proceeds will not occur in the future or that any insurance proceeds will be received at all. If such losses occur and are not covered by insurance and the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group have to make a payment, there could be an adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

Certain types of losses may also be subject to market wide exclusions in insurance coverage, generally of a catastrophic or unforeseen nature, such as those caused by floods, hurricanes, terrorism or acts of war that may be uninsurable or are not economically insurable and business interruption arising from matters such as COVID-19. Inflation, changes in building codes and regulations, environmental considerations and other factors may also result in insurance proceeds, if any, being insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds, if any, may be inadequate to restore the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's economic position with respect to the affected real estate. Should an uninsured loss or a loss in excess of insured limits occur, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group could be liable to repair damage caused by uninsured risks. The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group would also remain liable for any debt or other financial obligation related to that property.

6.6 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are subject to risks relating to their use of third-party suppliers, agents, contractors and consultants**

The Shaftesbury Group operates an outsourced business model whereby third-party suppliers, agents, contractors and consultants are appointed to provide various services in relation to the day-to-day business and operations of the Shaftesbury Group, including (i) leasing agents, (ii) facilities management and maintenance suppliers, and (iii) IT support and other head office service providers.

As the day-to-day management of the Shaftesbury Group's portfolio is outsourced to a professional property management company, poor performance by this company could result in reputational damage to the Shaftesbury Group. This could result in some occupiers, particularly office and residential occupiers to whom location may be less important, not renewing their leases.

Although the Capco Group relies to a lesser extent on outsourcing for the day-to-day operations of the Capco Group, the Capco Group's properties rely on third-party suppliers, agents, contractors for and consultants for IT services and facilities management and security services to operate their estates.

If the performance of any such supplier, agent, contractor or consultant servicing the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's properties is unsatisfactory, it may be necessary to replace them or take other actions to remedy the situation. This could affect

the cost and timing of the leasing process, the level of service provided to an occupier, or the ability of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group to manage their properties without disruption.

Moreover, the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's third party suppliers, agents, contractors or consultants may become bankrupt or insolvent or the third party's liability may be limited or capped, leaving the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group exposed to any additional liability, which may lead to significant operational risks for the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group.

If the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are unable to find other suitable replacements, this may have a material adverse effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, financial condition, results of operations and prospects.

6.7 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are potentially liable for health and safety issues relating to their operations and properties and any uninsured loss or injuries to visitors, employees, residents, employees of occupiers and contractors at their properties**

There is a risk of accidents, including serious accidents causing loss of life or very serious injury (or near misses of the same), involving visitors, residents, employees of occupiers and contractors at properties owned by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group. Accidents of this nature may cause an adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's reputation, and, in circumstances where the claim is not adequately covered by the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's public liability insurance and employer's liability insurance, may result in the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group incurring significant costs in relation to any claim.

Changes in legislation relating to health and safety matters, including those relating to fire safety and building safety, could also increase the potential liabilities of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group in relation to these risks. Non-compliance with, or liabilities under, existing or future health and safety regulations, including failure to hold the requisite permits or licences, could result in fines, penalties, third party claims and other costs or criminal proceedings.

Any of the foregoing factors may have an adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, reputation, financial condition and/or results of operations.

7. Risks relating to legal and regulatory requirements of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group

7.1 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are subject to laws and regulations which may result in significant compliance cost and potential liabilities**

The Capco Group, the Shaftesbury Group are and, following Completion, the Combined Group will be required to comply with a variety of laws and regulations relating to property companies, including in relation to REITs, property, planning, environmental compliance, energy performance certification, fire, building safety, health and safety, developing, building, land use and environmental compliance, and more broadly, such as listing regulations, data protection, anti-money laundering, bribery and sanctions. In recent years, the regulations and legislation in respect of real estate have developed quickly and in an interventionist way. Further developments in property law are anticipated, which may further constrain the traditional leasing model and/or the occupation of real estate space. If the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group fail to comply with these laws and regulations, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may have to pay penalties or damages awards, may be subject to regulatory censure and may incur reputational costs.

In addition, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be affected by the operation of, or changes in, existing laws and regulations, or in their interpretation or enforcement or the introduction of new laws or regulations, which may apply retrospectively. This may lead to an increase in administrative or management expenses or unforeseen capital expenditure to ensure compliance or may adversely affect the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to generate value from their properties and/or the viability of implementing their strategy. Rights, including the use for which a property can be occupied, related to particular properties may also be restricted by changes in law.

7.2 **The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are subject to changes in local and UK Government policies which may impact demand for space or impair the ability to maximise the long-term potential of its properties**

All of the Capco Group's properties (excluding the Lillie Square Joint Venture) and the Shaftesbury Group's properties are and, following Completion, the Combined Group's properties (excluding the Lillie Square Joint Venture) will be located within the jurisdictions of Westminster City Council and the London Borough of Camden. Although the Capco Group and the Shaftesbury Group work closely with these local authorities, changes in UK Government regulations and local council policies, particularly policies relating to planning and licensing or changing attitudes to licensing as a result of a local or national government or leadership change, could have a significant adverse effect on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to maximise the long-term potential of its properties.

In particular, changes to the Town and Country Planning (Use Classes) Order 1987 have resulted in the introduction of a broad new commercial, business and service use class, bringing shops together with restaurants and cafés into a single use class, as well as a number of other uses such as offices, gyms, nurseries and health centres. Planning permission is not required for a change between uses which are in the same use class, and this gives rise to a risk that the number of one particular type of class within London's West End grows resulting in an over-supply. This could make it harder for the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's hospitality tenants to prosper in the face of increased competition, and could decrease demand for space, leading to decreased rents, increased vacancy and reduced valuations.

Further, if, following any proliferation of hospitality uses, the local authorities seek to stem the proliferation by restricting the grant of licences to sell alcohol to new occupiers, this may have an adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's ability to maintain occupiers in these properties, which could decrease occupier demand, increase vacancy, and reduce rents and valuations.

The impact of these and other regulations to which the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are subject could have a material adverse effect on the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group business, results of operations, financial condition and prospects.

7.3 **Changes in legislation may reduce London's global appeal to tourists, directly or indirectly adversely impacting the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's occupiers**

Changes in legislation, such as the decision to end the tax-free shopping regime which enabled non-EU visitors to reclaim VAT paid on goods bought and collected in the UK, and changes to UK border requirements for EU citizens may lead to international tourists for whom shopping is a major draw choosing to visit other European cities and countries instead of London and the UK or reduce their spending as a result of changing patterns of discretionary spending. This may result in footfall and/or sales densities in Central London (and consequently at the locations in the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's portfolio), being significantly reduced, adversely impacting the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's hospitality, leisure and retail occupiers. This could, in turn, lead to reduced occupier profitability, lower occupier demand, increased vacancy and pressure on rents, which may reduce net property income, earnings and the valuations of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's wholly-owned portfolio and Joint Venture properties, thereby having a material adverse effect on the Capco Group's, the Shaftesbury Group's

and, following Completion, the Combined Group's business, results of operations, financial condition and prospects.

7.4 The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be adversely affected by changes to, or interpretation of, tax legislation

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group are subject to new and existing tax laws and regulations, which may lead to an increase in future tax liabilities.

A shortfall in tax revenues due to a slowing economic environment may also lead to an increase in the frequency and impact of new tax laws and regulations and changes to existing tax laws and regulations and could lead to the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's, or their respective occupiers, assets or income becoming subject to additional taxes. Given the increased risk of future tax increases to pay for the Governmental support during the COVID-19 lockdown, if real estate continues to be seen as a source of additional tax revenues, the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's operational and financial performance may be adversely affected (see further Risk Factor 2.3 "*—The COVID-19 pandemic has had and may continue to have a material adverse effect on the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group"*).

Parts of the real estate sector, in particular, have suffered from a rising tax burden through increases in business rates following periodic revaluations and any future increases could negatively impact the profitability of the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's occupiers, which in turn could affect the desirability of commercial property leading to decreased valuations and rental income, increased vacancy and increased costs for the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group.

The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may also be adversely affected by differences between anticipated and actual tax liabilities (whether as a result of a change in law or otherwise), and by disputes with tax authorities over tax payments. Any of the above factors could adversely affect the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group's business, reputation, earnings and the amount of cash available for distribution to shareholders.

7.5 The Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's status as a REIT may restrict business opportunities

The Capco Group, Shaftesbury Group and, following Completion, the Combined Group must comply with certain distribution requirements to maintain their REIT status which allows qualifying property rental businesses to obtain an exemption from certain UK taxes. The distribution requirements include distributing at least 90% of the profits of the relevant group's qualifying property rental business to its shareholders by way of a property income distribution payable either in cash or through the issue of shares. The need to comply with such distribution requirements may restrict the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's free cash flow thereby limiting their ability to fund future acquisitions and developments.

In the event that capital is not available or is not available on favourable terms, the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may not be able to source appropriate financing for future investments which may impact the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's future business opportunities (see further Risk Factor 5.6 "*The Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be unable to access credit or equity markets or may be able to access them only on unfavourable terms*").

This may have an adverse impact on the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's business, reputation, financial condition and/or results of operations.

7.6 **If there are changes to the REIT regime, or if the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's REIT status were to be terminated, there could be a material adverse effect on the operations of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group**

As a result of the Capco Group's and Shaftesbury Group's REIT status, members of the Capco Group and Shaftesbury Group benefit from an exemption from UK corporation tax on profits of, and on gains arising in connection with, their property rental business. To continue to qualify as a REIT, the Capco Group and Shaftesbury Group must continue to meet a number of conditions, including, but not limited to, distributing at least 90% of the relevant group's UK tax exempt profit as PIDs, compliance with group ownership, residence and share capital requirements, and satisfaction of the property rental business conditions.

Although it is intended that the Capco Group and the Shaftesbury Group will continue to be, and that following Completion, the Combined Group will be, organised and operated in a manner that will qualify them as REITs, there can be no guarantee that the Capco Group or the Shaftesbury Group will continue to comply with all of the REIT conditions and qualify as REITs, nor that the Combined Group will comply with all of the REIT conditions and qualify as a REIT. If the Capco Group or the Shaftesbury Group fails to remain qualified as a REIT, or the Combined Group fails to qualify or remain qualified as a REIT, the members of the groups will be subject to UK corporation tax or income tax on some or all of their property rental income and chargeable gains on the sale of properties or shares in property rich companies, which would reduce the amount available to distribute to investors.

There is a risk that the REIT regime may cease to apply to the Capco Group, the Shaftesbury Group, or, following Completion, the Combined Group in some circumstances. For example, HMRC may require the Capco Group, the Shaftesbury Group, or following Completion, the Combined Group to exit the REIT regime including in circumstances where:

- it regards a breach of conditions or failure to satisfy the conditions relating to the REIT status of the Capco Group, the Shaftesbury Group, or following Completion, the Combined Group or an attempt to obtain a tax advantage, as sufficiently serious;
- the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group have committed a certain number of such breaches in a specified period; or
- HMRC has given members of the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group at least two notices in relation to the avoidance of tax within a 10-year period.

REIT status may also be terminated automatically in certain circumstances where fundamental conditions have been breached (e.g. if the principal company of the REIT is party to uncommercial loans or becomes resident outside the UK).

Future changes in legislation may also cause the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group to lose their REIT status or may result in increased corporation and capital gains tax and other taxes which would reduce the amount available to distribute to investors.

8. Risks relating to Capco Shares

8.1 **Market reaction to and/or speculation regarding the Merger and likelihood of Completion, and resales of Capco Shares following Completion, could increase the volatility of the market price of Capco Shares and Shaftesbury Shares prior to the Merger, and the market price of Capco Shares following the Merger**

Speculation about the Merger could cause the market price of the Capco Shares or the Shaftesbury Shares to decline or become more volatile, and the market price of the Capco Shares may decline or become more volatile as a result of the Merger and, as a result, may not accurately reflect the value of the Capco Shares. As a result, certain Shaftesbury Shareholders may, in the event of any limitations on their permitted investments, sell the New Capco Shares that they receive in the Merger. Other Shaftesbury Shareholders may already hold Capco Shares and those shareholders may decide not to hold the additional New Capco Shares they receive in the Merger, or to sell their Shaftesbury Shares prior to the Merger. Sales of Capco Shares or Shaftesbury Shares, including as described above, could have the effect of depressing the market price of Capco Shares and Shaftesbury Shares.

The market price of the Capco Shares may also decline or become more volatile as a result of the Merger, if, among other reasons, (i) the Combined Group does not achieve the expected benefits of the Merger as rapidly or to the extent anticipated by the Capco Group's equity market analysts or Capco Shareholders or at all; (ii) the integration of the Capco Group's and the Shaftesbury Group's business is delayed or unsuccessful; or (iii) the impact of the Merger on the Combined Group's financial results is not consistent with Capco Shareholders' or Shaftesbury Shareholders' expectations; or (iv) Capco Shareholders sell a significant number of Capco Shares in the open market following Completion.

In addition, in connection with completion of the Merger, Capco expects that it will issue up to 1,095,507,008 New Capco Shares (including up to 128,193,087 New Capco Shares in respect of the Secured New Capco Shares). The resulting dilution in Capco Shares could result in downward pressure on the price of, and encourage third parties to engage in short sales of, Capco Shares.

8.2 **The market price of Capco Shares after Completion will continue to fluctuate and may be affected by factors different from those affecting the market price of Shaftesbury Shares or those affecting Capco Shares prior to Completion**

If the Merger is completed, Shaftesbury Shareholders will become holders of Capco Shares. The Capco Group's results of operations, as well as the market price of Capco Shares, may be affected by factors different from those affecting the Shaftesbury Group's results of operations and the market price of Shaftesbury Shares. In addition, the market price of Capco Shares may fluctuate significantly following Completion and holders of Capco Shares could lose the value of their investment in such Capco Shares.

The share prices of publicly traded companies can be highly volatile. The market price of Capco Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding Capco Shares, including, in particular, in response to various facts and events, including any regulatory and tax changes affecting the Combined Group's operations, variations in the Combined Group's operating results and financial position and/or business developments of the Combined Group and/or its competitors, the operating and share price performance of other companies in the industries and markets in which the Combined Group operates, large sales or purchases of shares, the publication of research analysts' reports regarding the Combined Group, its competitors or the retail property sector in which the Combined Group operates generally, and general economic conditions unrelated to the Combined Group's actual performance or conditions in its key markets. Stock markets have, in recent periods, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Combined Group's operating performance or prospects. In addition, the Combined Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. General fluctuations in stock markets could have a material adverse effect on the market for, or liquidity of, the shares of the Combined Group, regardless of the Combined Group's actual operating performance.

There is no assurance that following the announcement of the Merger, competitors of the Capco Group or the Shaftesbury Group will not submit competing bids for the Capco Group or the Shaftesbury Group, or build an increased stake in either of the Capco Group or the Shaftesbury Group in order to frustrate the Merger or affect the market price of the Capco Shares. This may have a material adverse effect on the value of the Capco Shares and / or may prevent the completion of the Merger.

8.3 **Following Completion, future share issues by Capco and/or sales of Capco Shares could lower the market price of Capco Shares and adversely affect the Combined Group's ability to raise capital in the future. Further share issues could also dilute the interests of holders of Capco Shares**

The Combined Group may seek to raise financing to fund future acquisitions and other growth opportunities and may, for these or other purposes, such as in connection with share incentive or share option plans, issue additional shares. Following Completion, the issue of additional shares by Capco or the sale or transfer of Capco Shares or the possibility of such issue or sale may cause the market price of Capco Shares to fluctuate or decline or be lower than might otherwise be the case. In addition, any further issuance of shares or other securities convertible into equity could result in the dilution of the interests of the holders of Capco Shares, and any new shares issued could have rights different from those of existing holders of Capco Shares.

8.4 **Capco's ability to pay dividends will be dependent on the financial condition of the Combined Group**

Capco will only be able to pay dividends to Capco Shareholders to the extent that it has sufficient distributable reserves and cash available for this purpose and Capco may decide to use all or part of such cash for another purpose, for example, to invest in and further develop the Combined Group's business. There is no guarantee that Capco will be able to make dividend payments in the future, or to sustain dividend payments at any particular level.

Any decision to declare and pay dividends in the future will be made at the discretion of the Capco Board and will depend on, among other things, applicable law, regulation, the Combined Group's financial position, working capital requirements, finance costs, general economic conditions and other factors the Capco Board deems significant from time to time. The Combined Group's ability to pay dividends will also depend on the level of dividends and other distributions, if any, received from its subsidiaries. To the extent that the Combined Group or its subsidiaries experience an adverse effect on their results of operations, cash flows or financial condition, or such other relevant factor, the Capco Board may decide at its discretion to decrease the amount of dividends, change or revoke the dividend policy or discontinue paying dividends entirely. In addition, if Capco does not pay, or reduces its historical dividend rate, the market price of Capco Shares could decline.

If the Combined Group is unable to distribute at least 90% of its UK profits from its qualifying property rental businesses by way of a property income distribution to its shareholders, it may be unable to maintain its REIT status which may have an adverse impact on its business, financial condition and/or results of operations (see further Risk Factor 7.6 "*If there are changes to the REIT regime, or if the Capco Group's, the Shaftesbury Group's or, following Completion, the Combined Group's REIT status were to be terminated, there could be a material adverse effect on the operations of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group*").

8.5 **A significant shareholder in the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group may be able to exercise significant influence which may impact the operations of the Capco Group, the Shaftesbury Group or, following Completion, the Combined Group**

Currently, the Capco Group and the Shaftesbury Group have a significant shareholder, Norges Bank, who holds a 15% and 25.75% interest in the Capco Group and the Shaftesbury Group respectively. As a result of Norges Bank's shareholding in Shaftesbury, Norges Bank can exercise, or control the exercise of, more than 25% of the voting rights in the Shaftesbury Group, and may, following Completion, hold a significant holding in the Combined Group. While the Capco Group and the Shaftesbury Group are not aware of any intentions on the part of Norges Bank to act in an obstructive way in respect of their voting rights in relation to the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group, any shareholder that exercises, or controls the exercise of, more than 25% of the voting rights in the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group, will, through the votes such shareholder will be able to exercise at general meetings of the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group, be able to exercise a significant degree of influence over all matters requiring approval by the shareholders, including the appointment and removal of directors and the approval of significant transactions by the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group, and this may result in the Capco Group, the Shaftesbury Group and, following Completion, the Combined Group being unable to pass a shareholder resolution that it would otherwise wish to be passed. Norges Bank's interests may not align with those of other shareholders.

8.6 **Shareholders who acquire 10% or more of the Company's share capital may not be able to receive dividends and may be required to dispose of shares.**

An investor that is a company or another body corporate that is beneficially entitled (directly or indirectly) to 10% or more of the shares or dividends of the Company or controls (directly or indirectly) 10% or more of the voting rights in the Company will, unless they qualify for gross payment of distributions (such as UK-resident companies and registered pension schemes), be a "Holder of Excessive Rights" (as termed in the REIT regime) and alternatively referred to as a "Substantial Shareholder". Under the REIT regime, a tax charge may be levied on the Company if it makes a distribution to a Substantial Shareholder, unless the Company has taken reasonable steps to avoid such a distribution being paid.

In order to prevent this tax charge from arising, the Company (in common with other REITs) has included certain provisions in its Articles of Association. Accordingly, the Articles of Association in particular provide that Capco Shareholders and other investors must notify the Company if they become Substantial Shareholders and provide such information as is requested by the Company to establish whether or not they are Substantial Shareholders. The Company may refuse to pay dividends to or in respect of any person the Capco Board believes to be a Substantial Shareholder, unless and until it is satisfied that such a person is not or is no longer a Substantial Shareholder, or is not beneficially entitled to the dividends. If a dividend is paid on a Substantial Shareholding (as defined in the Articles of Association) and a tax charge is levied on the Company, the Company may recover the amount of such charge and all related costs and expenses from the relevant Substantial Shareholder. Furthermore, a Substantial Shareholder may be required to dispose of its beneficial entitlement to dividends or of its shares. Accordingly, Capco Shareholders and other investors should be careful to avoid a situation where they may have a holding of over 10% of the issued share capital of the Company (unless they qualify for gross payment of distributions), as this would adversely affect their ability to receive dividends and may result in a tax charge for the Company which it may seek to recover from the relevant Capco Shareholder or a requirement for all or some of the shares held by them to be sold. The Company monitors its register of shares before a PID is paid and based on the information on that register, the Company seeks further information from any Capco Shareholder it considers necessary in order to confirm that they are not a Substantial Shareholder. Where requested, the Company has received confirmation in accordance with the Articles from Capco Shareholders that they are not a Substantial Shareholder.

8.7 **Holders of Capco Shares in the United States and other jurisdictions outside the United Kingdom may not be able to exercise pre-emption rights or participate in future equity issues**

The securities laws of certain jurisdictions outside the United Kingdom may restrict the participation by, or Capco's and, following Completion, the Combined Group's ability to allow participation of, certain shareholders in such jurisdictions in any future issues carried out by Capco or the Combined Group, or of any other securities. In the case of a future allotment of either new Capco Shares for cash (as the case may be), the then existing Capco Shareholders or future Combined Group Shareholders (as the case may be) will have certain statutory pre-emption rights unless those rights are disapplied by a special resolution of the Capco Shareholders, at an applicable general meeting. An issue of new Capco Shares not for cash or when pre-emption rights have been disapplied could dilute the ownership and voting interests of the then-existing Capco Shareholders or Combined Group Shareholders following completion of the Merger.

Even where pre-emption rights do apply, holders of Capco Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements thereunder is available. There can be no assurance that the Combined Group will file any such registration statement, or that an exemption to the registration requirements of the US Securities Act will be available, which would result in Capco Shareholders prior to the Merger, and Combined Group Shareholders following the Merger, in the US being unable to exercise their pre-emption rights.

Further, South African exchange control laws may prevent or have the effect of preventing participation by Capco Shareholders and Combined Group Shareholders in South Africa. South African exchange control laws and securities laws of certain other jurisdictions may restrict the participation, or the Combined Group's ability to allow participation, by certain Capco Shareholders or Combined Group Shareholders in such jurisdictions in any future issue of Capco Shares or other securities carried out by the Combined Group.

Any of the foregoing may result in the Combined Group being unable to raise funds to meet its business requirements and may have an adverse impact on its business, results of operations and/or financial condition.

8.8 **Not all rights available to shareholders under US law will be available to Capco Shareholders**

Rights afforded to shareholders under English law differ in certain respects from the rights of shareholders in typical US companies. The rights of Capco Shareholders, and following Completion, the Combined Group Shareholders are governed by English law and Capco's and, following

Completion, the Combined Group's constitutional documents. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An overseas shareholder may not be able to enforce a judgment against some or all of Capco's Directors, the Combined Group's Directors or any of their executive officers. With the exception of Anthony Steains, all of Capco's Directors and executive officers are, and following Completion, all of the Combined Group's Directors and executive officers are likely to be residents of the United Kingdom. Consequently, it may not be possible for an overseas shareholder to effect service of process upon the Capco Directors, the Combined Group Directors or any of their executive officers within the overseas shareholder's country of residence or to enforce against the Capco Directors, the Combined Group Directors and executive officers judgments of courts of the overseas shareholder's country of residence based on civil liabilities under that country's securities laws.

There can be no assurance that an overseas shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Capco Directors, the Combined Group Directors or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Capco Directors, the Combined Group Directors or executive officers in any original action based solely on foreign securities laws brought against the Company, the Capco Directors, the Combined Group or the Combined Group's Directors in a court of competent jurisdiction in England or other countries.

8.9 **Overseas shareholders may be subject to exchange rate risk**

The Capco Shares are, and following Completion, the Combined Group Shares and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Capco Shares and following Completion, the Combined Group Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Capco Shares and following Completion, the Combined Group Shares or any dividends in foreign currency terms.

8.10 **Capco and, following Completion, the Combined Group may be treated as a passive foreign investment companies for US federal income tax purposes which may result in adverse tax consequences for US Shareholders**

There is a risk that Capco and following Completion, the Combined Group may be considered passive foreign investment companies ("**PFIC**") for US federal income tax purposes because their net property income may be considered passive income or because of their cash balances or other factors. In general, a non-US company is a PFIC in any taxable year in which, after taking into account the income and assets of certain 25% or more owned subsidiaries, either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the quarterly average market value of its assets is attributable to assets that produce or are held to produce passive income. Passive income for this purpose generally includes dividends, interest, royalties, rent and gains from commodities and securities transactions, as well as gains from sale of assets that are held for production of such income. However, rents derived in the active conduct of a trade or business from unrelated persons generally are considered active income for purposes of determining PFIC status.

The PFIC determination is made annually, and Capco's and, following Completion, the Combined Group's status could change depending upon, among other things, changes in Capco's and, following Completion, the Combined Group's activities, composition and relative value of gross receipts and assets. Whether rents derived by Capco or, following Completion, members of the Combined Group, qualify as active income for purposes of the PFIC rules depends on the extent to which marketing, servicing, operational and management functions are performed by employees or officers of the companies or certain affiliates, as opposed to being outsourced to third parties. The application of these rules is based on an analysis of facts and circumstances and there is no certainty as to how the United States Internal Revenue Service would apply them to Capco and, following Completion, the Combined Group. It is not clear whether Capco's and, following Completion, the Combined Group's rental income would be considered to be derived in the active conduct of a trade or business.

If Capco is considered a PFIC for any taxable year during the holding period of a United States citizen or resident shareholder (a "**U.S. Holder**"), the U.S. Holder generally will be required to treat any "excess distribution" (generally defined as a dividend in excess of a base amount determined by

reference to past years' dividends) received on the shares it holds, or any gain realised upon the disposal of shares as ordinary income not eligible, in the case of a non-corporate U.S. Holder for the reduced tax rates applicable to qualified dividends, and to pay an interest charge on a portion of such dividends or gain. In addition, if Capco is considered a PFIC, U.S. Holders will be subject to rules similar to those described above with respect to their indirect ownership of any subsidiaries of Capco that are themselves PFICs. Dividends received by a non-corporate U.S. Holder will not be eligible for the reduced tax rates applicable to qualified dividends if Capco is a PFIC in the year in which the dividend is paid or the preceding year. U.S. Holders may be able to make a mark-to-market election with respect to their shares, which may mitigate some of the adverse tax consequences if Capco were considered a PFIC, but the election would not apply to their indirect interests in any PFIC subsidiaries of Capco. U.S. Holders who are in doubt as to the US federal income tax consequence of the Merger and of holding or disposing, following Completion, of the Combined Group's shares should consult their professional tax advisers.

PART III

IMPORTANT INFORMATION

1. General

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice. In making an investment decision, each prospective investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Merger, including the merits and risks involved.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, the Proposed Directors, the Capco Group, the Shaftesbury Group, the Banks, Java Capital or any other person involved in the preparation of this document. Any decision to invest in the New Capco Shares should be based on a consideration of this document as a whole by the investor. No representation or warranty, express or implied, is made by the Company, the Directors, the Proposed Directors, the Capco Group, the Shaftesbury Group, the Banks, Java Capital or any other person involved in the preparation of this document as to the accuracy or completeness of such information or representation. Nothing contained in this document is, or shall be relied upon as, a promise or representation by the Company, the Directors, the Proposed Directors, the Capco Group, the Shaftesbury Group, the Banks, Java Capital or any other person involved in the preparation of this document as to the past, present or future.

The Banks and their affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company for which they would have received customary fees. The Banks and their affiliates may provide such services to the Company and any of its affiliates in the future.

2. Forward-looking statements

This document includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this document, including, without limitation, those regarding the Capco Group's and/or the Shaftesbury Group's intentions, beliefs or current expectations concerning, among other things, their future financial condition and performance and results of operations; their strategy, plans, objectives, prospects, growth, goals and targets; future developments in the industry and markets in which the Capco Group and/or the Shaftesbury Group participate or are seeking to participate; and anticipated regulatory changes in the industry and markets in which the Capco Group and/or the Shaftesbury Group operate. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "project", "should" or "will" or, in each case, their negative, or other variations or comparable terminology.

By their nature, forward-looking statements are subject to known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Capco Shareholders and potential investors are cautioned that forward-looking statements are not guarantees of future performance and that the Capco Group's, the Shaftesbury Group's and, following Completion, the Combined Group's actual financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if their financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Forward-looking statements should, therefore, be construed in light of the foregoing risk factors and the other factors identified in Part II of this document entitled "Risk Factors". Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are made as at the date of this document and are not intended to give any assurance as to future results. The Capco

Group will update this document as required by applicable law, including the Listing Rules, Prospectus Regulation Rules, MAR, the Disclosure Guidance and Transparency Rules, the requirements of the LSE and the JSE, but otherwise the Capco Group, the Shaftesbury Group, the Banks and Java Capital expressly disclaim any obligation or undertaking to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, the Summary section, Part II (*Risk Factors*), Part VIII (*Business Overview of the* Capco Group) and Part XII (*Historical Financial Information of the Shaftesbury Group*) of this document. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may or may not occur. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital.

3. Market and industry data

Certain information in this document has been sourced from third parties. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this document which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references to market data, industry statistics and forecasts and other information in this document consist of estimates based on data and reports compiled by industry professionals, organisations, analysts, publicly available information or the Company's own knowledge of its sales and markets.

Market data and statistics are inherently speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets may be defined differently, (ii) the underlying information may be gathered by different methods and (iii) different assumptions may be applied in compiling the data. Accordingly, the market statistics included in this document should be viewed with caution.

4. Presentation of financial and other information

5. Sources of financial information

Unless otherwise indicated, the financial information included in this document has been extracted without material adjustment from the following sources:

- the consolidated financial statements of the Capco Group as at and for the year ended 31 December 2021 (the "**Capco Annual Financial Statements**") included in the Capco Group's 2021 annual report made available to shareholders on 22 March 2022 (the "**Capco Annual Report 2021**");
- the unaudited interim consolidated financial statements of the Shaftesbury Group for the six months ended 31 March 2022 (the "**2022 Shaftesbury Interim Financial Statements**");
- the consolidated financial statements of the Shaftesbury Group as at and for the year ended 30 September 2021 (the "**2021 Shaftesbury Annual Financial Statements**") included in the Shaftesbury Group's 2021 annual report made available to shareholders on 21 December 2021 (the "**Shaftesbury Annual Report 2021**");
- the consolidated financial statements of the Shaftesbury Group as at and for the year ended 30 September 2020 (the "**2020 Shaftesbury Annual Financial Statements**") included in the Shaftesbury Group's 2020 annual report made available to shareholders on 19 January 2021 (the "**Shaftesbury Annual Report 2020**"); and
- the consolidated financial statements of the Shaftesbury Group as at and for the year ended 30 September 2019 (the "**2019 Shaftesbury Annual Financial Statements**" and, together

with the 2021 Shaftesbury Annual Financial Statements and the 2020 Shaftesbury Annual Financial Statements, the "**Shaftesbury Annual Financial Statements**") included in the Shaftesbury Group's 2019 annual report made available to shareholders on 19 December 2019 (the "**Shaftesbury Annual Report 2019**").

The Capco Annual Financial Statements are incorporated by reference into this document as set out in Part XVII (*Documentation Incorporated by Reference*) of this document. The Financial Statements were prepared in accordance with UK-adopted international accounting standards in accordance with International Financial Reporting Standards ("**IFRS**").

6. Non-IFRS measures of the Capco Group's and the Shaftesbury Group's performance

This document contains certain non-IFRS financial measures of the Capco Group's and the Shaftesbury Group's financial performance that are not required by, or presented in accordance with, IFRS. Such non-IFRS measures are included because they are used by the Capco Group and the Shaftesbury Group to measure business performance and the Directors and the Proposed Directors believe these or similar measures are widely used in the real estate industry as a means of evaluating financial and operating performance.

The non-IFRS measures contained in this document should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the relevant non-IFRS measure presented by the Capco Group or the Shaftesbury Group may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently than the Capco Group or the Shaftesbury Group. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this document.

7. Property valuations

Save as set out in the Valuation Reports, all property valuations included in this document are based on the "fair value" under IFRS, which is derived from the external property valuers' assessment of fair value as set out in the Financial Statements.

8. Key Operating Metrics

In this document, the following key financial and operational metrics are presented:

Capco Group

- **Underlying earnings per share**: represents the underlying earnings divided by the weighted average number of shares in issue during the period.
- **Underlying net rental income (Covent Garden)**: represents the rental revenue generated by the property assets in Covent Garden, less property expenses directly associated with the generation of that revenue including service charge and expected credit losses.

The Capco Group and the Shaftesbury Group

- **EPRA NTA per share**: represents EPRA NTA divided by the diluted number of ordinary shares.

The meanings of these terms are set out in Part XVIII (*Definitions*) of this document.

9. Illustrative information on the Combined Group

In this document, certain illustrative operating information is presented to illustrate the effect of the Merger and the performance and position of the Combined Group on a historical basis. The bases and sources of this information are set out below. This information addresses hypothetical situations and therefore does not represent the Combined Group's performance or position, nor is it indicative of the performance or position that may, or may not, be expected to be achieved in the future.

10. Pro forma financial information

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the Unaudited Pro Forma Financial Information contained in Part XIV (*Unaudited Pro Forma Financial Information*) of this document.

The Unaudited Pro Forma Financial Information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Capco Group, the Shaftesbury Group or the Combined Group.

Future results of operations may differ materially from those presented in the Unaudited Pro Forma Financial Information due to various factors.

11. No profit forecast or profit estimate

No statement in this document (including any statement of estimated synergies) is intended as a profit forecast or estimate or quantified benefits statement for any period and no statement in this document should be interpreted to mean that earnings or earnings per share or dividend per share for Capco, Shaftesbury or the Combined Group, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share or dividend per share for Capco, Shaftesbury or the Combined Group as appropriate.

12. Rounding

Certain financial data and percentages have been rounded. As a result of such rounding, the totals of financial data presented in this document may vary slightly from the actual arithmetic totals of such data and percentages in tables may not add up to 100%.

13. Currency

The Capco Group and the Shaftesbury Group prepare their financial statements in pounds sterling. All references to "GBP", "pounds", "pounds sterling", "sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom.

14. Incorporation by reference

Certain information in relation to the Capco Group and the Shaftesbury Group is incorporated by reference in this document, as set out in Part XVII (*Documentation Incorporated by Reference*) of this document.

The contents of Capco's and Shaftesbury's websites or any hyperlinks accessible from them do not form part of this document and investors should not rely on them.

15. Definitions

Certain terms used in this document, including capitalised terms and certain technical terms, are defined and explained in Part XVIII (*Definitions*) of this document.

Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted.

16. Enforcement of civil liabilities

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Capco Shares are governed by English law and by the Company's memorandum and articles of association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors, Proposed Directors and executive officers. The majority of the Directors, Proposed Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors, Proposed Directors and executive officers within that shareholder's country of residence or to enforce against the Directors, Proposed Directors and executive officers judgments of courts of that shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors, Proposed Directors, or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors, Proposed Directors, or executive officers in any original action based solely on the foreign securities laws brought against the Company, the Directors or the Proposed Directors in a court of competent jurisdiction in England or other countries.

PART IV

DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors

Henry Staunton	Chairman
Ian Hawksworth	Chief Executive
Situl Jobanputra	Chief Financial Officer
Michelle McGrath	Executive Director
Anthony Steains	Senior Independent Director
Charlotte Boyle	Independent Non-executive Director
Jonathan Lane	Independent Non-executive Director

Proposed Directors (Position on the Combined Group Board)

Jonathan Nicholls	Chairman
Chris Ward	Chief Operating Officer
Richard Akers	Senior Independent Director
Ruth Anderson	Independent Non-executive Director
Helena Coles	Independent Non-executive Director
Jennelle Tilling	Independent Non-executive Director

Company Secretary
Ruth Pavey

Registered and head office of the Company (including following the Merger)
Capital & Counties Properties PLC
Regal House
14 James Street
London, WC2E 8BU
United Kingdom

Lead Financial Adviser and UK Sponsor
Rothschild & Co
New Court
St Swithin's Lane
London, EC4N 8AL
United Kingdom

Joint Financial Advisers and Joint Corporate Brokers
Jefferies International Limited
100 Bishopsgate,
London, EC2N 4JL
United Kingdom

UBS AG London Branch
5 Broadgate
London, EC2M 2QS
United Kingdom

Joint Corporate Broker
Peel Hunt LLP
7th Floor
100 Liverpool Street
London, EC2M 2AT
United Kingdom

Lenders under the Loan Facility Agreement and Joint Financial Advisers

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas SA, acting through its London Branch
10 Harewood Avenue
London, NW1 6AA
United Kingdom

HSBC Bank plc
8 Canada Square
London, E14 5HQ
United Kingdom

JSE Sponsor

Java Capital Trustees and Sponsors Proprietary Limited
6th Floor
1 Park Lane
Wierda Valley
Sandton, 2196
P O Box 522606, Saxonwold, 2132
Republic of South Africa

Legal advisers to the Company as to English law

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London, EC2A 2EG
United Kingdom

Legal advisers to the Company as to South African law

Herbert Smith Freehills South Africa LLP
Rosebank Towers—4th Floor
15 Biermann Avenue
Rosebank
Johannesburg, 2196

Legal advisers to the UK Sponsor as to English law

Latham & Watkins (London) LLP
99 Bishopsgate
London, EC2M 3XF
United Kingdom

Legal advisers to Shaftesbury as to English law

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London, EC1A 2FG
United Kingdom

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London, WC2N 6RH
United Kingdom

Reporting Accountants
KPMG LLP
15 Canada Square
London, E14 5GL
United Kingdom

UK Registrar and Receiving Agent
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds, LS1 4DL
United Kingdom

South Africa Transfer Secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)
Republic of South Africa

Capco Valuers
CBRE Limited
Henrietta House
Henrietta Place
London, W1G 0RE
United Kingdom

Jones Lang LaSalle Limited
30 Warwick Street
London, W1B 5NH
United Kingdom

Shaftesbury Valuers
Cushman & Wakefield PLC
125 Old Broad Street
London, EC2N 1AR
United Kingdom

Knight Frank LLP
55 Baker Street
London, W1U 8AN
United Kingdom

PART V

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Expected timetable

All references to time in this document and in the expected timetable below are to the time in London, United Kingdom, unless otherwise stated. Each of the times and dates in the table below are indicative only and may be subject to change.

Event	Time and Date
Announcement of the Merger	7:00 a.m. on 16 June 2022
Publication of the Circular, the Prospectus and the Scheme Document	7 July 2022
Posting of the Circular and the Form of Proxy	By 5:00 p.m. on 8 July 2022
Last day to trade on the JSE in order to be eligible to vote at the Capco General Meeting	22 July 2022
Latest time and date for receipt of Form of Proxy for Capco General Meeting	11:15 a.m. on 27 July 2022
Voting record date for Capco General Meeting	6:30 p.m. on 27 July 2022[1]
Court Meeting	10:00 a.m. on 29 July 2022
Shaftesbury General Meeting	10:15 a.m. on 29 July 2022
Capco General Meeting	11:15 a.m. on 29 July 2022
Publication of results of Capco General Meeting	on 29 July 2022
Court Hearing to sanction the Scheme	Expected to be by the end of 2022 subject to satisfaction (or, where applicable, waiver) of the Conditions ("**D**")[2]
Scheme Record Time	6:00 p.m. on D+1[2]
Suspension of trading of Shaftesbury Shares on the LSE	7:30 a.m. on D+2[2][3]
Effective Date of the Scheme	**D+3[2]**
Delisting of Shaftesbury Shares on the LSE	By 8:00 a.m. on D+3[2]
New Capco Shares issued to Shaftesbury Shareholders	By 8:00 a.m. on D+3[2]
New Capco Shares listed and commencement of dealings in New Capco Shares on the LSE	By 8:00 a.m. (London time) on D+3[2]
New Capco Shares listed and commencement of dealings in New Capco Shares on the JSE	By 9:00 a.m. (Johannesburg time) on D+3[2]
CREST accounts of Shaftesbury Shareholders credited with New Capco Shares	As soon as reasonably practicable on D+3[2]
Expected publication of finalisation announcement in respect of name change on SENS	On or soon after 8:00 a.m. on D+3[2]
Expected last day to trade in Capco Shares on the JSE prior to the name change	D+5[2]
Expected trading in new name of Shaftesbury Capital PLC on the JSE under the share code SHC commences on	D+6[2]
Record date on the JSE in respect of the name change	D+8[2]
Date of issue of new replacement share certificates for shareholders on the South African Register (provided that the old share certificates have been lodged by 12:00 on D+8)	D+9[2]
CSDP and broker accounts of dematerialised shareholders are to be updated with new name	D+9[5]
CREST accounts credited with any cash due to Restricted Shareholders under the Scheme and in relation to the sale of fractional entitlements	within 14 days of the Effective Date[2]
Despatch of share certificates for New Capco Shares and cheques for the cash due to Restricted Shareholders under the Scheme and in relation to the sale of fractional entitlements for those Shaftesbury Shareholders who do not hold their Shaftesbury Shares in CREST	within 14 days of the Effective Date[2]
Long Stop Date	30 April 2023[4]

The above dates and times associated with the Merger are subject to change and will depend on, among other things, the date on which the Conditions to the Merger are satisfied or, if capable of waiver, waived and on the date on which the Court sanctions the Scheme. Capco will give adequate notice of all of these dates and times, when known, by issuing an announcement through a Regulatory Information Service and on SENS. Further updates and changes to these times will, at Capco's discretion, be notified in the same way.

Notes:

(1) If the Capco General Meeting is adjourned, the Voting Record Time for the adjourned Capco General Meeting will be 6:30 p.m. (UK time) on the date which is two days before the date set for the adjourned Capco General Meeting.

(2) Subject to the satisfaction (or, where applicable, waiver) of the Conditions to the Merger, the "Effective Date" of the Scheme will be the date on which the court order approving the Scheme is delivered to Companies House in the UK. This is expected to occur by the end of 2022.

(3) This will be the last day for dealings in, and for registration of transfer of and disablement in CREST of, Shaftesbury Shares.

(4) This is the latest date by which the Scheme may become Effective. However, the Long Stop Date may be extended to such later date as may be agreed in writing by Capco and Shaftesbury (with the Panel's consent and as the Court may approve (if such approval(s) are required)).

(5) For certificated shareholders on the South African Register, share certificates in the name of Capital & Counties Properties PLC may not be dematerialised or rematerialised after D+5. Shares may not be transferred between registers between D+6 and D+8, both days included.

(*) All dates by reference to "D+x" will be to the Business Day(s) falling immediately after the date indicated.

PART VI

INDICATIVE SHARE CAPITAL STATISTICS

Number of New Capco Shares to be issued for each Shaftesbury Share	3.356
Number of Existing Capco Shares in issue as at 5 July 2022, being the Latest Practicable Date[(1)]	851,274,235
Number of Shaftesbury Shares held by Capco as at the Latest Practicable Date	96,971,003
Percentage of Shaftesbury's issued share capital held by Capco as at the Latest Practicable Date	approximately 25.2%
Number of New Capco Shares to be issued to Shaftesbury Shareholders excluding shares held by Capco[(2)]	967,313,921
Maximum number of New Capco Shares to be issued pursuant to the Merger[(2)(5)]	1,095,507,008
Maximum number of Capco Shares in issue immediately following Admission[(3)(4)(5)]	1,953,191,868
New Capco Shares as a percentage of the issued share capital of Capco immediately following Admission[(3)(4)]	approximately 53%
Maximum number of Capco Shares in issue immediately following Admission held as Secured New Capco Shares[(5)]	128,193,087
Maximum number of Capco Shares in issue immediately following Admission excluding those held as Secured New Capco Shares[(5)(6)]	1,824,998,781

Notes:

(1) There are currently no Treasury Shares, nor shares treated as Treasury Shares.

(2) Assumes that 990,327 new Shaftesbury Shares (equivalent to approximately 3,323,537 New Capco Shares at the Exchange Ratio) will be issued as a result of the exercise of options or awards vesting under the Shaftesbury Share Plans between the Latest Practicable Date and Scheme Record Time and that the maximum number of Secured New Capco Shares are issued pursuant to the Merger.

(3) Assumes that 6,410,625 new Capco Shares will be issued as a result of the exercise of options or awards vesting under the Capco Share Plan between the Latest Practicable Date and Admission and that the maximum number of New Capco Shares are issued pursuant to the Merger.

(4) Based on the number of Existing Capco Shares in issue at the Latest Practicable Date, the Capco Shares expected to be issued under the Capco Share Plan as referred to above and assumes that the maximum number of New Capco Shares are issued pursuant to the Merger.

(5) Based on the maximum authority to allot for the Secured New Capco Shares being sought as part of the Share Issue Resolution.

(6) Secured New Capco Shares will be held by the Company as Exchange Property pursuant to the terms of Capco's Exchangeable Bonds. These shares will be treated similarly to Treasury Shares for accounting purposes and are excluded from the diluted number of shares for the calculation of EPRA NTA while they do not have a dilutive effect.

PART VII

INFORMATION ON THE MERGER

1. Introduction

On 16 June 2022, the Boards of Capco and Shaftesbury announced that they had reached an agreement on the terms of a recommended all-share merger to form the Combined Group. It is intended that the Merger will be implemented by way of a scheme of arrangement of Shaftesbury under Part 26 of the Companies Act 2006, which, together with the Existing Capco Shareholding, will result in the Capco Group owning 100% of the issued and to be issued share capital of Shaftesbury on Completion.

The Merger will bring together two respected real estate companies, with properties located in some of the most iconic parts of London's West End, to create a leading mixed-use central London REIT, with the Combined Group's portfolio valued at approximately £5.0 billion, annualised gross rental income of approximately £166 million and an estimated rental value ("**ERV**") of approximately £218 million as at 31 March 2022.

Under the terms of the Merger, Shaftesbury Shareholders (other than the holders of the Existing Capco Shareholding) will own approximately 53% of the Combined Group and Capco Shareholders will own approximately 47% of the Combined Group, subject to satisfaction or, where applicable, waiver of the conditions to completion of the Merger summarised in paragraph 15 (*Structure of the Merger and the Scheme*) of this Part VII (*Information on the Merger*).

As a result of its size, the Merger constitutes a Class 1 Transaction for Capco for the purposes of the Listing Rules. Accordingly, Capco will be required to seek the approval of Capco Shareholders for the Merger at the Capco General Meeting. The Merger will also be conditional on the approval of Capco Shareholders of the issuance of the New Capco Shares at the Capco General Meeting.

The issue of New Capco Shares to Norges Bank as part of the Merger will also constitute a Related Party Transaction between Capco and Norges Bank for the purposes of the Listing Rules. Accordingly, the Merger will also be conditional on the approval of Capco Shareholders, excluding Norges Bank, of the Related Party Transaction at the Capco General Meeting.

Accordingly, a Capco General Meeting has been convened for 11:15 a.m. (London time) and 12:15 p.m. (Johannesburg time) on Friday 29 July 2022 at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London, EC2A 2EG, United Kingdom to approve various matters required in connection with the Merger.

2. Summary of the terms of the Merger

Under the terms of the Merger, which will be conditional on the conditions summarised in paragraph 15 (*Structure of the Merger and the Scheme*) of this Part VII (*Information on the Merger*), and subject to the full terms and conditions set out in the Scheme Document, Scheme Shareholders will be entitled to receive:

3.356 New Capco Shares for each Shaftesbury Share held as at the Scheme Record Time (the "Exchange Ratio")

As a result of the Merger, Shaftesbury Shareholders (other than the holders of the Existing Capco Shareholding) will own approximately 53% of the Combined Group and Capco Shareholders will own approximately 47% of the Combined Group.

The Exchange Ratio has been agreed between the Boards of each of Capco and Shaftesbury taking into account the relative EPRA NTA and market capitalisations of both companies.

The Capco Group already holds 96,971,003 Shaftesbury Shares, representing approximately 25.2% of Shaftesbury's issued share capital, as at close of business on the day before the Announcement Date. Further details of the Existing Capco Shareholding are contained in paragraph 12 (*Shaftesbury Shares owned by the Capco Group and Capco's Exchangeable Bonds*) of this Part VII (*Information on the Merger*) below. It is intended that the Merger will be implemented by means of a court-sanctioned scheme of arrangement of Shaftesbury under Part 26 of the Companies Act 2006, further details of which are contained in paragraph 15 (*Structure of the Merger and the Scheme*) of this Part VII (*Information on the Merger*) below.

The Merger is supported by Norges Bank (the Central Bank of Norway) ("**Norges Bank**"), a substantial shareholder of Capco and Shaftesbury, which has irrevocably undertaken to vote in favour of the Merger, and Madison International Realty Holdings, LLC ("**Madison International Realty**"), a shareholder of Capco, which has provided a letter of intent to vote in favour of the Capco Resolutions. Further details of these arrangements are contained in paragraph 13 (*Irrevocable undertakings and letter of intent to vote in favour of the Merger*) of this Part VII (*Information on the Merger*) below.

Subject to Completion, 967,313,921 New Capco Shares will be issued to Shaftesbury Shareholders (other than the holders of the Existing Capco Shareholding) in connection with the Merger and up to 128,193,087 New Capco Shares will be issued in respect of the Secured New Capco Shares. This will result in Capco's issued share capital increasing up to approximately 114% compared to the number of shares in issue as at 5 July 2022 and new Capco Shares to be issued as a result of the exercise of options or awards vesting under the Capco Share Plan. Following Completion, and assuming that 967,313,921 New Capco Shares are issued to Shaftesbury Shareholders, existing Capco Shareholders will be subject to an immediate dilution as a result of the issue, following which they will own approximately 47% of the Combined Group (excluding the Secured New Capco Shares).

The New Capco Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Capco Shares in issue at the time the New Capco Shares are issued pursuant to the Merger, including the right to receive and retain any dividends and other distributions (other than, if applicable, any Permitted Capco Dividends) declared, made or paid by reference to a record date falling after the Scheme Record Time. Applications will be made to the FCA and the London Stock Exchange for the New Capco Shares to be admitted to the premium segment of the Official List and to trading on the Main Market. Application will also be made for the New Capco Shares to be admitted to trading, as a secondary (inward) listing, on the Main Board of the JSE.

The Scheme Shares will be acquired pursuant to the Merger fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and other third-party rights of any nature whatsoever and together with all rights attaching to them or subsequently attaching or accruing to them, save for the Permitted Shaftesbury Dividends.

In addition to the New Capco Shares received by Scheme Shareholders in connection with the Merger, the Shaftesbury Board will be entitled to pay the Permitted Shaftesbury Dividends to Shaftesbury Shareholders prior to Completion without any adjustment to the Exchange Ratio under the terms of the Merger on the basis as set out at paragraph 10 below.

3. Background to and reasons for the Merger

3.1 Overview

The Merger will bring together two respected real estate companies, with properties located in some of the most iconic parts of London's West End, to create a leading mixed-use central London REIT, with the Combined Group's portfolio valued at approximately £5.0 billion, Annualised Gross Income of approximately £166 million and an estimated rental value ("**ERV**") of approximately £218 million as at 31 March 2022.

The Combined Group's portfolio will comprise approximately 670 predominantly freehold buildings with approximately 2.9 million square feet of lettable space across approximately 2,000 commercial and residential units (excluding the Longmartin Joint Venture and Lillie Square Joint Venture). At 31 March 2022, the Combined Group's portfolio comprised:

	Portfolio value (approximate)	Annualised Gross Income (approximate)	ERV (approximate)
Retail	£1.7 billion (35%)	£58.4 million (35%)	£76.2 million (35%)
Hospitality and leisure	£1.7 billion (34%)	£61.0 million (37%)	£73.4 million (34%)
Offices and residential	£1.6 billion (31%) comprising 14% residential and 17% offices	£46.0 million (28%) comprising 11% residential and 17% offices	£68.4 million (31%) comprising 10% residential and 21% offices

The Combined Group's portfolio is located in a number of vibrant, high-profile and high-footfall destinations across London's West End, including Covent Garden, Carnaby, Chinatown and Soho,

close to its major cultural and entertainment attractions, employment locations and transport hubs. Their popularity provides a seven-days-a-week trading environment and exposure to an extensive and diverse local, domestic and international customer base which has proven to be resilient throughout economic cycles.

The Combined Group will provide a rare opportunity in the listed real estate sector to invest in an exceptional mixed-use portfolio in the heart of central London. The Combined Group will have a strong balance sheet, improved trading liquidity and an enhanced profile in the capital markets, providing an opportunity to improve its equity rating over time.

The Merger is expected to generate significant benefits over the long term. Following Completion, incremental asset management opportunities, delivery of a dynamic leasing and marketing strategy across the Combined Group's portfolio, enhanced connectivity of its adjacent locations, and synergies are anticipated to create the opportunity for long-term income, earnings and value growth for shareholders. In addition, the Combined Group is expected to benefit from cost synergies, as described in further detail in paragraph 4 below.

By combining both companies' strengths, cultures and values as well as their talented teams and proven operating and investment models, the Combined Group's management team will take a "best of both" approach to operations with the aim of delivering long-term economic and social value for all stakeholders. The Combined Group will place its occupiers and consumers at the heart of the business, offering best-in-class service and focusing on providing lively, differentiated experiences for visitors, local workers and residents. The management team will bring its creative, hands-on, entrepreneurial approach to managing, improving and re-purposing assets with the intention of generating long-term income and value growth.

Capco and Shaftesbury intend to build on the passion they share for the West End and are both committed to delivering positive environmental and social outcomes through long-term responsible stewardship, sustainable use of heritage and period properties, and engagement with residents and other local stakeholders.

The Combined Group is committed to becoming Net Zero Carbon by 2030, aiming to become a UK leader in sustainability for heritage and period properties. Harnessing the skillsets of both companies, the Combined Group will continue to focus on re-using, improving and re-purposing their buildings to extend their useful lives and enhance their energy performance credentials.

3.2 **Reasons for the Merger**

Long-term resilience and enduring appeal of London's West End

- London is a leading global city, attracting talent and investment from around the world. It is a major financial and commercial centre, an important hub for creative industries, a globally recognised education and research location, and is home to world-class performing arts facilities and a renowned variety of heritage and cultural attractions. At the heart of the city, the West End is a world-class, high footfall destination for shopping, dining, leisure, entertainment and culture, attracting an estimated 200 million visits annually from domestic and international visitors, its large working population and residents.
- Since summer 2021, footfall, trading and occupier demand across the West End have seen a strong and sustained recovery from the disruption caused by COVID-19 and trading is now largely back to pre-pandemic levels.
- The Elizabeth Line, which opened on 24 May 2022 and is expected to be fully operational by spring 2023, will significantly improve the West End's already strong connectivity and accessibility, adding around 10% to central London's rail network capacity. The Combined Group's portfolio is well-placed to benefit from its proximity to the West End's major new stations at Tottenham Court Road and Bond Street. The changing travel and footfall patterns they will bring over time are expected to benefit a number of the Combined Group's streets and locations and create valuable medium-term asset management opportunities.

Diverse mixed-use property portfolio in prime central London

- The Merger will create an attractive and adaptable mixed-use combined portfolio with diversified income streams from its approximately 1.7 million square feet of hospitality, leisure and retail

space, together with approximately 0.6 million square feet of offices and 828 rental apartments. In the West End these uses have a long history of sustained occupier demand, resulting in resilience and high occupancy levels, underpinning long-term prospects for rental growth.

- The Combined Group's portfolio will contain a broad range of unit sizes and rental levels appealing to a wide variety of occupiers. There is limited overlap between Capco and Shaftesbury's existing occupiers, providing the Combined Group with a more diversified mix.
- The West End is an attractive office and residential location, with occupiers drawn by its wide range of local amenities, and particularly its retail and hospitality offerings together with its cultural and heritage attractions. The combination of Capco's and Shaftesbury's office and residential portfolios creates the opportunity to provide a consistent, high-quality service to occupiers, whilst benefiting from economies of scale.
- Comprehensive ownership, a hands-on approach and the Combined Group's extensive knowledge of the local occupational market as well as its collaborative approach is expected to create additional expansion and growth opportunities.

Enhanced asset management and value-creation opportunities

- The Merger brings together the forensic knowledge of the West End and the asset management skills of two highly respected teams to drive sustained long-term returns through growth in net rental income and capital values.
- The Combined Group intends to drive occupational demand by placing its occupiers at the heart of the business, targeting best-in-class service, providing differentiated destinations, curating an offer of complementary brands and uses and enhancing the public realm to foster vibrant and thriving places for visitors, workers, residents, businesses and communities, appropriate for each of its locations.
- The greater scale resulting from the Merger will provide enhanced opportunities over time to evolve the occupier mix through comprehensive leasing strategies, alongside strategic consumer marketing.
- The combination will enhance access to valuable data and insights. The Combined Group will place particular emphasis on collecting and interpreting data to better understand key visitor, consumer and occupier trends and expectations, to inform its strategies through broader and deeper insights from its greater reach. Strong brand recognition of each of its locations, together with leveraging data, occupier insight and a strong social media presence, will have particular value in supporting occupiers to maximise the trading and profitability potential of their businesses.
- Over the long term, Capco and Shaftesbury believe that the Combined Group will have greater opportunity to create value from its complementary ownerships through innovative asset management, careful curation of the retail and hospitality offering, enhanced connectivity, cross-location promotion, and refurbishment and development activities.
- The Combined Group will continue to use the proven skills of each team to identify and work in partnership on high quality public realm schemes, including pedestrianisation, traffic reduction and calming measures, outdoor amenities, greening and lighting. This is expected to encourage further footfall by improving the experience and overall appeal for visitors, local workers, residents and the Combined Group's portfolio's high-profile locations. The footprint of the Combined Group's portfolio potentially enhances the value-creation opportunities from these initiatives.

Shared commitment to positive environmental and social outcomes

- Capco and Shaftesbury have a shared vision to deliver positive environmental and social outcomes through long-term responsible stewardship and sustainable use of heritage and period buildings in historically important parts of London.
- Taking the best of the expertise of both companies in managing and improving often heritage or period buildings, the Combined Group will continue to adopt the existing approach of both companies to focus on the re-use, re-purposing and ambitious improvement of existing buildings, rather than large scale redevelopment. Preserving and adapting existing properties to extend their useful economic lives is an important aspect of minimising the environmental and carbon impact

of the Combined Group's business and its exposure to high costs and risks arising from redevelopment.

- The Merger will facilitate a broader relationship with the local community, and other key stakeholders, including occupiers, investors, residents and local authorities.
- Through collaboration with stakeholders, adjoining owners and estates and local authorities, the Combined Group will continue to support the communities both in the areas in which it operates and the wider West End.

Strong governance and entrepreneurial management team

- The Combined Group will maintain the highest standards of corporate governance transparency and stewardship, with a clear articulation of its purpose, culture and values, which will be embedded in the business. A commitment to a responsible culture will be an important factor in the selection of occupiers, suppliers and advisers.
- By combining both companies' strengths, culture and values as well as their proven operating and investment models, the combined management team will take a "best of both" approach with the aim of delivering long-term returns to stakeholders.
- The combined management team has a strong track record and a wealth of experience in improving and managing heritage and period properties in the West End. The team will bring its creative, hands-on, entrepreneurial approach to improving and re-positioning buildings and locations to maximise their income and value potential.
- A key focus of the management team will be the integration and development of the companies' talented teams, embracing an inclusive, innovative and entrepreneurial culture in which employees can thrive, providing greater career development opportunities over time.

Rare opportunity in the listed real estate sector with enhanced global profile

- The Combined Group will have a strong capital structure with resilience, financial flexibility, efficient access to capital and significant liquidity. The Combined Group's portfolio has a total property value of approximately £5.0 billion as at 31 March 2022.
- The Merger is expected to unlock significant long-term benefits across a range of areas, including the opportunity to enhance the connectivity of Capco's and Shaftesbury's adjacent portfolios. Capco and Shaftesbury believe the Combined Group will be well-positioned to deliver long-term growth in net rental income, capital values and dividends through comprehensive, long-term management of its exceptional portfolio.
- The Combined Group will retain a tax-efficient REIT structure and as such, will be required to distribute a minimum of 90% of rental profits, calculated by reference to tax rather than accounting rules, as a PID. Notwithstanding this, the Combined Group will adopt a progressive dividend policy with the intention to deliver long-term sustainable total returns to shareholders. Dividend payments will be determined having regard to, *inter alia*, growth trends in both underlying and cash earnings, which are expected to be delivered through income growth and cost discipline. To the extent that dividends exceed the amount available to distribute as a PID, the balance will be paid as ordinary dividends. A corporation tax charge will arise for the Combined Group at the main rate of corporation tax, currently 19% and, from 1 April 2023, 25%, if the minimum PID requirement is not met within 12 months of the end of the relevant accounting period.
- The Combined Group will also benefit from enhanced access to capital in the global equity and debt capital markets to fund value-accretive acquisition, selective development and asset management opportunities, a substantial free float and weighting in relevant benchmark indices.

3.3 **Financial impact of the Merger**

- The Merger is expected to generate significant benefits over the long term. Following Completion, incremental asset management opportunities, delivery of a dynamic leasing and marketing strategy across the Combined Group's portfolio, enhanced connectivity of its adjacent locations, and synergies are anticipated to create the opportunity for long-term income, earnings and value growth for shareholders.

- There is significant revenue growth potential over time for the Combined Group as shown by the difference between Annualised Gross Income of approximately £166 million and ERV of approximately £218 million as at 31 March 2022.
- The Combined Group has an estimated EPRA NTA of approximately £3.8 billion and EPRA NTA per share of approximately 208 pence as at 31 March 2022.
- Efficiencies in the Combined Group's operating structure are expected to generate approximately £12 million of pre-tax recurring cost synergies on an annual run-rate basis by the end of the second full year following Completion.
- For Capco Shareholders, the Merger is expected to be earnings accretive immediately and modestly EPRA NTA dilutive by reference to the Shaftesbury share price on 6 May 2022 (albeit broadly EPRA NTA neutral when calculated by reference to the Shaftesbury share price on 1 July 2022), taking into account the Exchange Ratio, estimated transaction costs and the consolidation of the Existing Capco Shareholding into the EPRA NTA of the Combined Group at Shaftesbury's NTA per share rather than share price.
- For Shaftesbury Shareholders, the Merger is expected to be immediately EPRA NTA accretive and modestly earnings dilutive for the first two full years after Completion while the synergies are being realised. Thereafter, the impact on earnings will depend on a number of factors including the extent and timing of the realisation of benefits from the Merger and the future cost of financing.
- The Combined Group will have a strong capital structure with resilience, financial flexibility, efficient access to capital and significant liquidity, with an estimated loan-to-value ("**LTV**") of approximately 29% as at 31 March 2022. The Combined Group is expected to have approximately £500 million of available liquidity immediately following Completion.
- Capco has entered into a £576 million Loan Facility Agreement to provide funding certainty in the event that the Shaftesbury Mortgage Bond holders exercise their redemption right in respect of their Shaftesbury Mortgage Bonds following Completion (the "**Loan Facility Agreement**"). Based on current market conditions, any drawdown of the Loan Facility Agreement, or restructuring or refinancing of the Shaftesbury Mortgage Bonds will result in increased financing costs for the Combined Group (which are not included in the assessment of synergies). The Combined Group would seek to mitigate such increased finance costs by capitalising on the increased strength of the Combined Group's balance sheet following Completion.

4. Synergies

The Capco Directors and the Proposed Directors having reviewed and analysed the potential cost synergies of the Merger and, taking into account the factors they can influence, believe that the Combined Group can deliver approximately £12 million of pre-tax recurring cost synergies on an annual run-rate basis.

The run-rate at the end of the first full year following the Effective Date is expected to be approximately 50% with the full run-rate achieved by the end of the second full year following the Effective Date.

The quantified cost synergies, which are expected to originate from the cost bases of both Capco and Shaftesbury, are expected to be realised primarily from:

(a) rationalisation of board, senior management and duplicated group functions and public company costs (expected to contribute approximately 50% of the full run-rate pre-tax cost synergies);

(b) consolidation of support and property management functions, including third party costs (expected to contribute approximately 44% of the full run-rate pre-tax cost synergies); and

(c) reduced financing costs, in respect of existing facilities, relating to commitment, agency and trustee security fees following termination of a duplicate undrawn revolving credit facility in the Combined Group (expected to contribute approximately 6% of the full run-rate pre-tax cost synergies).

The Capco Directors and the Proposed Directors estimate that the realisation of the quantified cost synergies will result in one-off costs to achieve of approximately £11.4 million, with around 49%

incurred in the first full year following Completion and the remainder by the end of the second full year following Completion.

Potential areas of dis-synergy expected to arise in connection with the Merger have been considered and were determined by the Capco Directors and the Proposed Directors to be immaterial for the analysis.

The identified cost synergies will accrue as a direct result of the Merger and would not be achieved by either Capco or Shaftesbury as standalone businesses. The identified cost synergies reflect both the beneficial elements and relevant costs.

These statements of identified synergies and estimated savings relate to future actions and circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

The combination may also create the opportunity to unlock further, future strategic, financial and operating efficiencies which could lead to additional cost savings. These savings could be realised across a number of areas including asset and portfolio level value and income generation, procurement savings given increased scale and the potential to source more flexible and efficient financing, reducing the Combined Group interest costs.

Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out in Appendix 1 (*Quantified Financial Benefits Statement*) of this document.

None of the statements contained in this paragraph 4 are intended as a profit forecast and should not be interpreted as such.

5. Financing

The Combined Group will have a diverse funding structure combining term debt and revolving credit facilities. Capco's existing £475 million of private placements and £300 million revolving credit facility (currently undrawn), which both sit within the Covent Garden unsecured group, will remain in place as will the £275 million exchangeable bonds issued by Capco. Further detail on the impact of Capco's Exchangeable Bonds on the structure of the Merger is set out at paragraph 12 (*Shaftesbury Shares owned by the Capco Group and Capco's Exchangeable Bonds*) of this Part VII (*Information on the Merger*) below. Shaftesbury's term loans with Aviva and Canada Life will also remain in place, whilst it is expected that its £100 million revolving credit facility will be retired as this will no longer be required given the other sources of liquidity in the Combined Group.

Shaftesbury has two secured mortgage bonds totalling £575 million: (i) £290 million 2.348% guaranteed first mortgage bonds due 2027 and (ii) £285 million 2.487% guaranteed first mortgage bonds due 2031 (the "**Shaftesbury Mortgage Bonds**"). The Shaftesbury Mortgage Bonds contain a change of control provision which will be triggered by the Merger. This will permit the holders of Shaftesbury Mortgage Bonds to 'put' their relevant Shaftesbury Mortgage Bonds back to Shaftesbury following Completion at par value plus accrued interest up to the date of redemption. See further paragraph 13.5 (*2017 First Mortgage Bonds*) and paragraph 13.6 (*2016 First Mortgage Bonds*) of Part XVI (*Additional Information*) of this document. If all holders of Shaftesbury Mortgage Bonds exercised such put right, this would require the Combined Group to fund £575 million in redemptions plus any interest accrued thereon up to the date of redemption. See further paragraph 12.4 (*Loan Facility Agreement*) of Part XVI (*Additional Information*) of this document.

Shaftesbury has held discussions with holders of the Shaftesbury Mortgage Bonds to seek consent of such holders to make amendments to the terms and conditions of the Shaftesbury Mortgage Bonds such that the holders agree to waive their change of control put right in respect of the Merger. No agreement has been reached with such holders of the Shaftesbury Mortgage Bonds and there can be no certainty that any agreement will be reached in the future.

Capco has entered into the Loan Facility Agreement of £576 million provided by Barclays Bank PLC, BNP Paribas London Branch and HSBC Bank plc dated 16 June 2022 to fund the redemption of all or part of the Shaftesbury Mortgage Bonds together with related costs, should the holders of those bonds exercise their put option as a result of the Merger. The term of the £576 million loan facility is 24 months, which may be extended for a further six months at the option of Capco subject to the

satisfaction of the extension requirements as outlined in the facility. There is subsequently a further six month extension option available which requires the approval of each lender in respect of its respective participation in the loan.

Based on current market conditions, any drawdown of the Loan Facility Agreement, or restructuring or refinancing of the Shaftesbury Mortgage Bonds will result in increased financing costs for the Combined Group (which are not included in the assessment of synergies). The Combined Group would seek to mitigate such increased finance costs by capitalising on the increased strength of the Combined Group's balance sheet following Completion.

See further paragraph 12.4 (*Loan Facility Agreement*) of Part XVI (*Additional Information*) of this document.

6. Information on Capco

6.1 Summary

Capco is one of the largest listed property investment companies in central London and is a constituent of the FTSE-250 Index.

Capco's landmark Covent Garden estate, which comprises over 1.0 million square feet of lettable space, across 380 lettable units, is a leading retail and dining destination in the heart of central London. The Covent Garden area is home to a wide variety of British, global and independent brands including Apple, Chanel, Tom Ford, Strathberry, Ave Mario, Balthazar and SUSHISAMBA, with upcoming openings from Peloton and Tudor. As at the Latest Practicable Date, Capco owns 25.2% of the existing share capital of Shaftesbury. Capco is a REIT and its shares are listed on the London Stock Exchange with a secondary listing on the JSE.

As at 31 March 2022, Capco's investment and development property was valued at approximately £1.8 billion (excluding the Lillie Square Joint Venture). Capco's 50% share of investment, development and trading property held in the Lillie Square Joint Venture and related assets was valued at approximately £85 million. On an adjusted basis, updating the 31 December 2021 audited net assets for (i) the 31 March 2022 external valuations and (ii) the market value of the Existing Capco Shareholding in Shaftesbury as at 31 March 2022, Capco's unaudited net assets were approximately £1.8 billion and its unaudited EPRA NTA per Capco Share was approximately 217 pence.

As at 31 March 2022, the external property valuation of Capco's Covent Garden estate was approximately £1,769 million, representing a like-for-like increase of 2.1% in the first quarter of the year. The movement was driven by an increase of 1.0% in ERV on a like-for-like basis to approximately £77.1 million as well as a reduction in the equivalent yield of 5 basis points on a like-for-like basis to 3.83% reflecting positive asset management and leasing activity as well as high occupancy levels across all uses. As at 30 June 2022, the external property valuation of Capco's Covent Garden estate was approximately £1,817 million. The external valuations by CBRE for properties owned by the Capco Group and by JLL for properties owned by the Lillie Square Joint Venture, as at 30 June 2022, are contained in Appendix 2 of this document.

In the five months up to 1 June 2022, 23 new leases and renewals representing £3.6 million of rental income have completed on average 10% ahead of December 2021 ERV. Annualised Gross Income at 31 March 2022 was £58.3 million.

On the estate, footfall continues to trend towards pre-pandemic levels and customer sales in aggregate are ahead of 2019, reflecting the continued recovery of London's West End and the appeal of Covent Garden.

Eleven new brands have recently opened, further strengthening the breadth and quality of offer. These include TAG Heuer, Rails, The Chestnut Bakery and Reformation. Empresa has opened on Henrietta Street whilst e&e jewellery and Sacred Gold have both opened within the Market Building. Luxury watch brand Tudor, active wear brand Vuori and perfume brand Parfums de Marly will open in the coming months, alongside Peloton's European Studio and Watchhouse Coffee adding to the vibrant and rich mix at Covent Garden.

6.2 Capco trading update

As at 30 June 2022, the external property valuation of Capco's Covent Garden estate was approximately £1,817 million, representing a like-for-like increase of 5% in the first half of the year.

The movement over the first half of the year was driven by an increase of 4% in ERV to approximately £79 million as well as a reduction in the equivalent yield of 6 basis points to 3.82% reflecting asset management and leasing activity and high occupancy levels across all uses.

Operational metrics continue to be positive with strong leasing demand ahead of ERV across all uses and high occupancy levels with EPRA vacancy of approximately 2.5% at 30 June 2022. 11 new brands opened during the period, adding to the vibrant mix on the estate, while footfall continues to trend towards pre-pandemic levels and customer sales in aggregate are ahead of 2019, reflecting the appeal of Covent Garden and London's West End.

As at 30 June 2022, Capco had liquidity of approximately £439 million, which included cash of approximately £139 million and £300 million undrawn facilities. During the first half, Capco repaid £200 million of drawn debt comprising £75 million private placement loan notes and the £125 million loan secured against shares in Shaftesbury. As at 30 June 2022, the Covent Garden loan to value ratio was approximately 20%.

7. Information on Shaftesbury

7.1 Summary

Shaftesbury is a REIT which invests exclusively in the heart of London's West End and is also a constituent of the FTSE-250 Index. Focused on hospitality, retail and leisure, its portfolio is mainly in Carnaby, Seven Dials and Chinatown, but also includes substantial ownerships in Opera Quarter and Coliseum, Soho and Fitzrovia.

Extending to approximately 16.5 acres, following the purchase of a property at 92-104 Berwick Street which completed after 31 March 2022, and comprising approximately 1.9 million square feet of space, across 1,556 units, the portfolio comprises over 600 restaurants, cafés, pubs and shops (across approximately 1.1 million square feet), approximately 0.4 million square feet of offices and 631 apartments. All of Shaftesbury's properties are close to the main West End Underground stations, and within ten minutes' walk of the two West End transport hubs for the Elizabeth Line, at Tottenham Court Road and Bond Street. As at 31 March 2022, the Annualised Gross Income and ERV of the Shaftesbury Group portfolio were £107.2 million and £140.9 million respectively.

In addition, Shaftesbury has a 50% interest in the Longmartin Joint Venture, which has a long leasehold interest, extending to approximately 1.9 acres, at the junction of Long Acre and Upper St Martin's Lane near Seven Dials.

As at 31 March 2022, Shaftesbury's investment property was valued at £3.3 billion, and its 50% share of investment property held in the Longmartin Joint Venture was valued at £172.8 million. Shaftesbury's unaudited net assets were £2.6 billion and its unaudited EPRA NTA per Shaftesbury Share was 679 pence. The external valuations by Cushman & Wakefield for properties owned by the Shaftesbury Group and by Knight Frank for properties owned by the Longmartin Joint Venture, each as at 31 March 2022, are contained in Appendix 2 of this document.

7.2 Shaftesbury trading update

On 24 May 2022, Shaftesbury released its half year results for the six months ended 31 March 2022, a copy of which can be found on Shaftesbury's website at www.shaftesbury.co.uk. Since 31 March 2022, the financial performance of the Shaftesbury Group has been in line with the expectations of the Shaftesbury Board. Footfall remains good, underpinned by domestic visitors, residents and local workers and with growing numbers of international tourists. Shaftesbury's hospitality, retail and leisure occupiers continue to report monthly sales, on average, ahead of pre-pandemic levels.

Leasing momentum continues and EPRA vacancy has reduced further. During the period from 1 April 2022 to 30 June 2022, Shaftesbury concluded commercial lettings, renewals and rent reviews with a rental value of £10.1 million and residential lettings with a rental value of £1.7 million. At 30 June 2022, EPRA vacancy had reduced to 4.1% (31 March 2022: 4.7%), of which 1.7% was under offer.

8. Directors, management, employees and head office

8.1 Change of name

It is intended that the Combined Group will be called "Shaftesbury Capital PLC". A resolution to change the name of Capital & Counties Properties PLC to "Shaftesbury Capital PLC", to take effect on Completion, will be put to Capco Shareholders at the Capco General Meeting.

8.2 Board of the Combined Group

The Combined Group will have a strong governance and leadership structure, with the Board of the Combined Group comprising:

- Jonathan Nicholls, the Non-executive Chairman of Shaftesbury, who will become the Non-executive Chairman and Chair of the Nomination Committee of the Combined Group;
- Ian Hawksworth, Chief Executive of Capco, who will become Chief Executive of the Combined Group;
- Situl Jobanputra, Chief Financial Officer of Capco, who will become Chief Financial Officer of the Combined Group;
- Chris Ward, Chief Financial Officer of Shaftesbury, who will become Chief Operating Officer of the Combined Group;
- Richard Akers, the Senior Independent Director of Shaftesbury, who will become Senior Independent Director of the Combined Group;
- Ruth Anderson, Non-executive Director and Chair of the Audit Committee of Shaftesbury, will join the Board of the Combined Group as Non-executive Director and become Chair of the Audit Committee of the Combined Group;
- Charlotte Boyle, Non-executive Director and Chair of the ESC Committee of Capco, will remain on the Board of the Combined Group as Non-executive Director and remain Chair of the ESC Committee of the Combined Group;
- Helena Coles, Non-executive Director of Shaftesbury, will join the Board of the Combined Group as Non-executive Director;
- Anthony Steains, Non-executive Director and Chair of the Audit Committee of Capco, will remain on the Board of the Combined Group as Non-executive Director; and
- Jennelle Tilling, Non-executive Director and Chair of the Remuneration Committee of Shaftesbury, will join the Board of the Combined Group as Non-executive Director and become Chair of the Remuneration Committee of the Combined Group.

An Executive Committee, which will be responsible for the day-to-day management and operation of the Combined Group, will be established and comprising six members. Each of the Chief Executive, Chief Financial Officer and Chief Operating Officer will be members of the Executive Committee and will be joined on Completion by three further members: Capco's Michelle McGrath will be responsible for the enlarged Covent Garden portfolio including Capco's Covent Garden assets as well as Shaftesbury's assets in Seven Dials, Opera Quarter and Coliseum; Shaftesbury's Andrew Price will be responsible for the Carnaby, Chinatown, Soho and Fitzrovia portfolios; and Shaftesbury's Samantha Bain-Mollison will be responsible for the Combined Group's leasing.

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

Henry Staunton, Capco's Chairman who has served on the Capco Board for 12 years, will retire on Completion. Jonathan Lane, Non-executive Director, who has served on the Capco Board for three years since March 2019 and previously had been Chief Executive and Chairman of Shaftesbury for 30 years in total from 1986 to 2016, will also retire from Capco's Board on Completion.

The composition of the Board of the Combined Group is expected to comply with the UK Corporate Governance Code and the Board of the Combined Group is expected to have an effective balance of experience and diversity to guide the Combined Group to respond effectively to external market dynamics.

8.3 Management, employees and head office

Details of the proposed board of the Combined Group are set out in paragraph 8.2 (*Board of the Combined Group*) above.

The Combined Group expects employees across both companies to benefit from the greater opportunities arising from being part of the larger Combined Group following Completion. Shaftesbury and Capco recognise that the combination of the skills and experience of the two companies' management and employee teams will be key to optimising the benefits of the Merger for shareholders and stakeholders, and to ensuring the long-term success of the Combined Group. The Combined Group will aim to retain the best talent of Capco and Shaftesbury across the Combined Group and does not intend to change the overall balance of skills and functions of employees and management across the Combined Group.

Across the Combined Group, there will be duplicated costs and functions. The Combined Group therefore intends to seek operating cost benefits from the rationalisation of the Board and overlapping group functions, together with consolidation of support and property management functions and the removal of duplicated costs. In order to achieve the full potential benefits of the Merger, the Combined Group will undertake a detailed business, operational and administrative review of the Combined Group to assess how it can work most effectively and efficiently. This review is expected to take 12 months following Completion. This could lead to a reduction of approximately 30% in headcount across the Combined Group, the full extent of which will be dependent on the outcome of this detailed review, including an assessment of the options available to rationalise outsourced services across the businesses, and subject to applicable obligations to inform and consult. At this stage, the specific proposals have not yet been determined, but the Board of the Combined Group will aim to retain the best talent from both of Capco and Shaftesbury, and any such proposals will be carried out through a fair and transparent process in accordance with applicable legal requirements.

The Combined Group intends to safeguard existing statutory and contractual employment rights, including in relation to pension rights, following Completion and Capco does not intend to make any material changes in the conditions of employment of the Shaftesbury employees in the period of 12 months following Completion.

Neither Shaftesbury nor Capco have an existing defined benefits pension scheme.

The Combined Group intends to consolidate the head office functions of Capco and Shaftesbury so that they can operate from a single location, subject to any obligations to inform and consult with affected employees. No long-term decision has been taken as to the location of the headquarters of the Combined Group, but immediately following Completion, the Combined Group intends to use Capco's office in Covent Garden as the primary headquarters, with functions continuing to operate from the Shaftesbury premises for a period of up to two years following Completion. The Combined Group does not otherwise intend for any redeployment of Shaftesbury's fixed asset base. Owing to the nature of its business, Shaftesbury has no research and development function.

8.4 Listing

Following Completion, the Combined Group will retain Capco's listing on the London Stock Exchange as well as its secondary listing on the JSE.

8.5 REIT Status

Both Capco and Shaftesbury fall within the REIT regime and benefit from the tax efficiencies provided by that regime. The Combined Group is expected to fall within the REIT regime and the relevant tax measures will continue to apply to the Combined Group.

9. Capco and Shaftesbury Share Plans

Each of Capco and Shaftesbury has established share plans which provide for the grant of awards to employees, including executive directors, of the Capco Group and the Shaftesbury Group, respectively.

The Merger constitutes a reverse takeover by Capco of Shaftesbury for the purposes of the Takeover Code, which will bring together employees from each company.

In determining the appropriate treatment of share awards under the Capco Share Plan and the Shaftesbury Share Plans, the remuneration committees of the boards of directors of Capco and Shaftesbury took their respective decisions based on the scope of each company's shareholder-approved directors' remuneration policy and the applicable share plan rules in order to provide employees, including executive directors, with an outcome that each considered appropriate and equitable as a result of the Merger.

Awards and options granted under each of the plans will vest or become exercisable prior to Admission (as permitted by the rules of the relevant share plan, including the time apportionment provisions, and by applying performance conditions, where applicable, and with post-vesting holding of shares by the directors of the Combined Group). Participants in the Shaftesbury Share Plans and the Capco Share Plan will be contacted regarding the effect of the Merger on their share options and awards (which for Shaftesbury participants will take the form of appropriate proposals under Rule 15 of the Takeover Code, where applicable) in due course. Further details are set out in paragraph 9 of Part XVI (*Additional Information*).

The options and awards that will vest, and the shares that may be issued in connection with the Shaftesbury Share Plans and the Capco Share Plan as set out in Part VI (*Indicative Share Capital Statistics*) have been taken into account by the parties in finalising the Exchange Ratio.

10. Pre-Completion Dividends

The Scheme Shares will be acquired pursuant to the Merger fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of the Announcement or subsequently attaching or accruing to them, save for the Permitted Shaftesbury Dividends.

10.1 **Permitted Shaftesbury Dividends.**

In addition to the New Capco Shares that Scheme Shareholders will be entitled to receive in connection with the Merger and the Shaftesbury Interim Dividend (as defined below), the Capco Board has agreed that the Shaftesbury Board will be entitled to pay the Shaftesbury Full Year Dividend (as defined below) and a Shaftesbury Equalisation Dividend (as defined below), as applicable (together with the Shaftesbury Interim Dividend, the "**Permitted Shaftesbury Dividends**"), if and to the extent declared and paid in accordance with the terms set out in this document, in each case without any adjustment to the Exchange Ratio under the terms of the Merger.

The Shaftesbury Board paid the interim dividend of 4.8 pence per Shaftesbury Share to Shaftesbury Shareholders in respect of the six months ended 31 March 2022 declared by Shaftesbury on 24 May 2022 (the "**Shaftesbury Interim Dividend**") on 1 July 2022.

In addition, the Shaftesbury Board may declare and pay a dividend in respect of the year ending 30 September 2022 of up to 5.4 pence per Shaftesbury Share (the "**Shaftesbury Full Year Dividend**").

Shaftesbury Shareholders on the register of members as at close of business on the earlier of (i) the normal record date for Shaftesbury's full year-end dividend, expected to be in January 2023 and (ii) the Business Day prior to the Scheme Record Time, would be entitled to receive the Shaftesbury Full Year Dividend.

The Shaftesbury Full Year Dividend would then be paid on the earlier date of: (i) the normal payment date for Shaftesbury's year-end dividend expected to be in February 2023 and (ii) a date within 30 Business Days after the record date for the Shaftesbury Full Year Dividend and, in any event, prior to payment of the Capco Pro Rata Second Interim Dividend (as defined below).

Each of the Shaftesbury Board and the Capco Board have agreed that the Shaftesbury Full Year Dividend is to be declared before the Capco Pro Rata Second Interim Dividend is declared and paid before the Capco Pro Rata Second Interim Dividend is paid to allow for the dividend amount received by Capco in respect of the Shaftesbury Shares held by Capco on the record date for the Shaftesbury Full Year Dividend to be included in the amount of the Capco Pro Rata Second Interim Dividend to be paid to Capco Shareholders.

If any dividend and/or other distribution and/or other return of capital or value (a "**Return of Value**") is announced, declared, made, payable or paid in respect of the Shaftesbury Shares on or after the date

of the Announcement and on or prior to the Effective Date and which has a record date on or prior to the Effective Date, other than, or in excess of, the Permitted Shaftesbury Dividends (an "**Excess Shaftesbury Dividend**"), Capco reserves the right to put Capco Shareholders and Shaftesbury Shareholders (other than the holders of the Existing Capco Shareholding) in the same economic position as they would have been if any such Excess Shaftesbury Dividend had not been paid. This is expected to be achieved by Capco paying the Capco Shareholders on the register of members as at close of business on the Business Day prior to the Scheme Record Time an equalisation dividend per Capco Share equal to (i) the amount of the relevant Excess Shaftesbury Dividend (expressed on a pence per Shaftesbury Share basis) divided by (ii) the Exchange Ratio (a "**Capco Equalisation Dividend**").

The Capco Equalisation Dividend, to the extent paid, will be inclusive of Capco's share of the Excess Shaftesbury Dividend and no further payment to Capco Shareholders in respect of Capco's share of the Excess Shaftesbury Dividend will be made. A Capco Equalisation Dividend will, if applicable, also constitute a Permitted Capco Dividend (as defined below).

10.2 **Permitted Capco Dividends**

The Shaftesbury Board has agreed that the Capco Board will be entitled to pay the Capco FY21 Final Dividend (as defined below), the Capco First Interim Dividend (as defined below), the Capco Pro Rata Second Interim Dividend (as defined below) and a Capco Equalisation Dividend, as applicable (together, the "**Permitted Capco Dividends**"), if and to the extent declared and paid in accordance with the terms set out in this document, in each case without any adjustment to the Exchange Ratio under the terms of the Merger.

The Board of Capco shall be entitled to pay a final dividend of 1.0 pence per Capco Share to Capco Shareholders in respect of the year ended 31 December 2021 declared by Capco on 23 February 2022 (the "**Capco FY21 Final Dividend**") and expected to be paid on 8 July 2022.

In addition to the Capco FY21 Final Dividend, the Capco Board may declare and pay the following dividends:

- an interim dividend in respect of the six months ending 30 June 2022 of up to 0.8 pence per Capco Share (the "**Capco First Interim Dividend**"), expected to be paid in September 2022. The Capco First Interim Dividend will include the pass through of the Shaftesbury Interim Dividend received by Capco from Shaftesbury in respect of its holding of Shaftesbury Shares as at the record date for the Shaftesbury Interim Dividend; and
- a dividend of up to 1.0 pence per Capco Share in respect of the period from 1 July 2022 to 30 September 2022 (the "**Capco Pro Rata Second Interim Dividend**"). The Capco Pro-Rata Second Interim Dividend would be paid within 30 Business Days after the record date for the Capco Pro Rata Second Interim Dividend. The Capco Pro Rata Second Interim Dividend will include the pass through of the Shaftesbury Full Year Dividend received by Capco in respect of its holding of Shaftesbury Shares as at the record date for the Shaftesbury Full Year Dividend.

Capco Shareholders on the register of members as at close of business on 10 June 2022 will be entitled to receive the Capco FY21 Final Dividend. Capco Shareholders on the register of members as at close of business on the normal record date for Capco's interim dividend expected to be in August 2022 will be entitled to receive the Capco First Interim Dividend. Capco Shareholders on the register of members as at close of business on the Business Day prior to the Scheme Record Time will be entitled to receive the Capco Pro Rata Second Interim Dividend.

As noted above, each of the Shaftesbury Board and the Capco Board have agreed that the Shaftesbury Full Year Dividend is to be declared before the Capco Pro Rata Second Interim Dividend is declared and paid before the Capco Pro Rata Second Interim Dividend is paid to allow for the dividend amount received by Capco in respect of the Shaftesbury Shares held by Capco on the record date for the Shaftesbury Full Year Dividend to be included in the amount of the Capco Pro Rata Second Interim Dividend to be paid to Capco Shareholders.

If any Return of Value is announced, declared, made, payable or paid in respect of the Capco Shares on or after the date of the Announcement and on or prior to the Effective Date and which has a record date on or prior to the Effective Date, other than, or in excess of, the Permitted Capco Dividends (an "**Excess Capco Dividend**"), Shaftesbury reserves the right to put Shaftesbury Shareholders (other

than the holders of the Existing Capco Shareholding) and Capco Shareholders in the same economic position as they would have been if any such Excess Capco Dividend had not been paid. This is expected to be achieved by Shaftesbury paying the Shaftesbury Shareholders on the register of members as at close of business on the Business Day prior to the Scheme Record Time an equalisation dividend per Shaftesbury Share equal to (i) the amount of the relevant Excess Capco Dividend (expressed on a pence per Capco Share basis) multiplied by (ii) the Exchange Ratio (a "**Shaftesbury Equalisation Dividend**"). To the extent that a Shaftesbury Equalisation Dividend is declared or paid, the Capco Board will not declare or pay the applicable pass through of the Shaftesbury Equalisation Dividend paid to Capco Shareholders by way of dividend or other distribution until after Completion.

In the event that Completion does not occur by the end of 2022, the Boards of Capco and Shaftesbury expect to put in place additional arrangements to facilitate the ongoing payment of ordinary course dividends to both sets of shareholders in the period up to Completion.

11. Related Party Transaction

Norges Bank, which holds 98,925,310 Shaftesbury Shares and 127,656,465 Capco Shares as at the Latest Practicable Date (representing approximately 25.75% and 15% of Shaftesbury and the Company's respective issued ordinary share capital as at the Latest Practicable Date), is a substantial shareholder of the Company for the purposes of the Listing Rules and, as a result, the issue of New Capco Shares to Norges Bank pursuant to the Merger is a related party transaction (the "**Related Party Transaction**") and will require the prior approval of Capco Shareholders.

In line with the requirement in relation to related party transactions under the Listing Rules, Norges Bank is not entitled to vote, and has undertaken to take all reasonable steps to ensure that its associates will not vote, on the RPT Resolution at the General Meeting.

12. Shaftesbury Shares owned by the Capco Group and Capco's Exchangeable Bonds

12.1 Background

On 30 November 2020, Capco issued £275,000,000 2.00% secured exchangeable bonds due 2026 ("**Capco's Exchangeable Bonds**"). The terms and conditions of Capco's Exchangeable Bonds (the "**Exchangeable Bond Conditions**") are set out in, and Capco's Exchangeable Bonds are constituted by, a trust deed entered into between Capco and BNY Mellon Corporate Trustee Services Limited (the "**Exchangeable Bonds Trustee**") on 30 November 2020 (the "**Exchangeable Bonds Trust Deed**").

12.2 Current holding of Shaftesbury Shares by Capco Group

The Capco Group holds 96,971,003 Shaftesbury Shares as at close of business on the day before the Announcement Date, representing approximately 25.2% of Shaftesbury's issued share capital at close of business on the day before the Announcement Date.

As at close of business on the day before the Announcement Date, 38,008,138 Shaftesbury Shares representing approximately 9.9% of Shaftesbury's issued share capital at close of business on the day before the Announcement Date (such number of shares which are so secured from time to time being the "**Secured Existing Capco Shares**") are currently secured pursuant to the Exchangeable Bond Conditions (the "**Exchangeable Bond Security**") in favour of the Exchangeable Bonds Trustee for the benefit of itself and the other secured parties under Capco's Exchangeable Bonds (including the holders of Capco's Exchangeable Bonds) (the "**Exchangeable Bond Secured Parties**") (see further paragraph 12.7 (*Capco's Exchangeable Bonds*) of Part XVI (*Additional Information*) of this document).

The remaining 58,962,865 Shaftesbury Shares held by the Capco Group, representing approximately 15.3% of Shaftesbury's issued share capital at close of business on the day before the Announcement Date comprise the Unsecured Existing Capco Shareholding.

12.3 Terms of Capco's Exchangeable Bonds

As noted above, the Secured Existing Capco Shares are currently subject to security granted pursuant to the Exchangeable Bond Security is constituted by way of first fixed charges given by two companies of the Capco Group, Capco Investment London (No.1) Limited and Capco Investment London (No.2) Limited, which currently hold the Secured Existing Capco Shares (together, the

"**Original Chargors**"). The Secured Existing Capco Shares constitute the current "**Exchange Property**" under the Exchangeable Bond Conditions.

The number of Shaftesbury Shares held by the Capco Group which are subject to security pursuant to the Exchangeable Bond Conditions can vary depending on, amongst other things, the amount of dividends declared by Shaftesbury in accordance with the Exchangeable Bond Conditions.

Each holder of Capco's Exchangeable Bonds has the right, in certain specified circumstances, all as more fully described in the terms and conditions of Capco's Exchangeable Bonds, to exchange its exchangeable bonds for the relevant amount of Secured Existing Capco Shares (and/or other property constituting the Exchange Property at that time) (the "**Exchange Right**"). If a holder of Exchangeable Bonds exercises its Exchange Right, Capco may elect to cash settle the exchange option (a "**Cash Election**"), by paying to the holder of Capco's Exchangeable Bonds an amount in cash equal to the value of the Secured Existing Capco Shares (and/or other property constituting the Exchange Property at that time) which would otherwise be deliverable, as determined in accordance with the Exchangeable Bond Conditions.

12.4 **How the Merger impacts Capco's Exchangeable Bonds**

The Merger will be structured to comply with the Exchangeable Bond Conditions.

In accordance with the terms of the Scheme, the Secured Existing Capco Shareholding as at the Scheme Record Time will form part of the Scheme Shares and therefore be subject to the terms of the Scheme, and it is expected that up to 128,193,087 New Capco Shares will be issued in consideration for the Secured Existing Capco Shareholding (the "**Secured New Capco Shares**") in accordance with the terms of the Scheme and the terms and conditions of Capco's Exchangeable Bonds. The eventual number of Secured New Capco Shares will be determined by the existing number of Shaftesbury Shares comprising the Secured Existing Capco Shareholding as at the Scheme Record Time.

In accordance with the Exchangeable Bond Conditions, the Secured New Capco Shares will replace the Secured Existing Capco Shares as the Exchange Property and will be subject to security in favour of the Exchangeable Bond Secured Parties.

In order to facilitate the exchange of the Secured New Capco Shares for the Secured Existing Capco Shares, it is intended that the Secured Existing Capco Shares will be transferred before Completion (as permitted by the Exchangeable Bond Conditions) from the Original Chargors to a Scottish Limited Partnership, Capco Investment London (No.7) Scottish Limited Partnership (the "**SLP**"), an entity which is wholly controlled by entities within the Capco Group. The SLP will hold the Secured Existing Capco Shares and (upon replacement of the Secured Existing Capco Shares with the Secured New Capco Shares on Completion) the Secured New Capco Shares subject to a first fixed charge granted by the SLP in favour of the Exchangeable Bond Secured Parties. The Exchange Right of each holder of Capco's Exchangeable Bonds will, following such change in the Exchange Property, apply in respect of the Secured New Capco Shares.

12.5 **The Scheme and commitments from SLP**

The Original Chargors (and their nominees, if any) which hold the Secured Existing Capco Shares will irrevocably consent to be bound by the terms of the Scheme and will not vote at the Court Meeting.

It is intended that the SLP and Capco enter into an agreement pursuant to which, inter alia (i) the SLP will provide an undertaking (revocable at the discretion of the SLP which shall at all times be an entity which is wholly controlled by entities within the Capco Group) not to exercise its voting rights in respect of the Secured New Capco Shares; (ii) the SLP will agree to deliver Secured New Capco Shares to bondholders if directed by Capco upon exercise of any Exchange Right, in respect of which Capco has determined not to exercise its Cash Election, and (iii) Capco will have the right to repurchase the Secured New Capco Shares at any time when such shares are permitted to be transferred in accordance with the Exchangeable Bond Conditions (including on maturity of Capco's Exchangeable Bonds) for up to market value (the "**Buyback Contract**"). Following the repurchase of the Secured New Capco Shares, the Directors intend that any such Secured New Capco Shares which are not delivered to holders of Exchangeable Bonds pursuant to the exercise of an Exchange Right would either be cancelled or held in treasury.

Capco's entry into the Buyback Contract requires shareholder authorisation under section 694 of the Companies Act 2006. For the purposes of the Companies Act 2006, the Buyback Contract is an 'off-

market' purchase contract, where the relevant shares will be purchased otherwise than on a recognised investment exchange. The authority to make off-market purchases pursuant to the Buyback Contract (which is specific to the matters referred to in the Buyback Contract) will expire on the date which is five years after the date on which this shareholder resolution to approve the Buyback Contract is passed (unless renewed, varied or revoked by Capco prior to or on that date).

The Buyback Contract shall cease to apply to any Secured New Capco Shares which are delivered to holders of Capco's Exchangeable Bonds from time to time in settlement of any Exchange Right where Capco has not exercised its Cash Election.

Following Completion, the implied exchange price per New Capco Share in respect of Capco's Exchangeable Bonds will be calculated by reference to the number of New Capco Shares that replace the Shaftesbury Shares comprising the Exchange Property at Completion in accordance with Exchangeable Bond Conditions. The number of Shaftesbury Shares comprising the Exchange Property at Completion will be impacted by the dividends declared by Shaftesbury in the period prior to Completion. Illustratively, if the number of Shaftesbury Shares comprising the Exchange Property at Completion remains the same number as comprising the Exchange Property as at 31 March 2022 (being 38,008,138 Shaftesbury Shares), when replaced with New Capco Shares at the Exchange Ratio the implied exchange price per New Capco Share immediately following Completion will be 216 pence per New Capco Share.

The dividends received per share, earnings per share and EPRA NTA per share for shareholders of the Combined Group (other than the holders of the Secured New Capco Shares for so long as they are held by the SLP, an entity which is wholly controlled by entities within the Capco Group) will not currently be affected on a consolidated basis by the Secured New Capco Shares. To ensure compliance with the terms and conditions of Capco's Exchangeable Bonds, it is intended that dividends will be paid on the Secured New Capco Shares on the same basis as all other shares in the Combined Group. Whilst Capco Shares are held as Exchange Property, the Combined Group has agreed not to exercise the voting rights attaching to such Capco Shares. If a holder of Capco's Exchangeable Bonds elects to exercise its exchange rights Capco will have the ability to deliver to such holder the relevant amount of Capco Shares (and/or other property comprising the Exchange Property at that time) per exchangeable bond to be exchanged or, at Capco's election, an amount in cash equal to the value of the relevant Capco Shares (and/or other property comprising the Exchange Property at that time) which would otherwise be deliverable, as determined in accordance with the Exchangeable Bond Conditions. Following delivery of the relevant amount of Capco Shares on exercise of exchange rights to the holder of Capco's Exchangeable Bonds, such Capco Shares will become voting shares in the hands of the holder of such shares (and such holder will become a Capco shareholder) and, as a consequence, the number of voting shares in the Combined Group would increase.

12.6 Options outstanding and impact of the Buyback Contract

For information, as at the Latest Practicable Date, options and awards in respect of 11,632,475 ordinary shares of £0.25 each in Capco were outstanding under the Capco Share Plan (further described in paragraph 9 of Part XVI (*Additional Information*)), representing approximately 1.37% of Capco's issued ordinary share capital at the Latest Practicable Date, of which options and awards in respect of a maximum of 6,410,625 ordinary shares of £0.25 each in Capco (excluding CSOP Options) are expected to vest or become exercisable before Completion (with the remaining options and awards lapsing), representing approximately 0.75% of Capco's issued ordinary share capital at the Latest Practicable Date.

The Buyback Contract relates to New Capco Shares which will only be issued on Completion. Assuming the maximum number of New Capco Shares (including the Secured New Capco Shares) for which shareholder authority to allot is being sought are issued on Completion, the entire issued share capital of the Combined Group would be 1,953,191,868 ordinary shares of £0.25 each (including the Secured New Capco Shares) or 1,824,998,781 ordinary shares of £0.25 each (excluding the Secured New Capco Shares). The maximum number of Secured New Capco Shares for which shareholder authority to allot is being sought, being 128,193,087 New Capco Shares, is based on the existing Secured Existing Capco Shareholding as at the Announcement Date, being 38,008,138 Shaftesbury Shares, multiplied by the Exchange Ratio, with additional headroom of 0.5% (which is contained within the shareholder authority to allot shares in the Share Issue Resolution) to account for the fact that the amount of Secured Existing Capco Shares is capable of increasing in accordance with the terms and

conditions of Capco's Exchangeable Bonds. Assuming no further shares are issued or repurchased between Completion and the date on which the buyback of shares pursuant to the Buyback Contract occurs and assuming there are no further shares derived from or distributed by the Combined Group in respect of the Secured New Capco Shares, the outstanding options and awards over Capco Shares under the Capco Share Plan, being in respect of 11,632,475 ordinary shares of £0.25 each in Capco as at the Latest Practicable Date (see above), would represent approximately 0.64% of the Combined Group's issued ordinary share capital (excluding the Secured New Capco Shares) at the relevant date and the maximum of 6,410,625 ordinary shares of £0.25 each in Capco (excluding CSOP Options) in respect of which such options and awards are expected to vest or become exercisable before Completion (with the remaining options and awards lapsing) would represent 0.35% of the Combined Group's issued ordinary share capital (excluding the Secured New Capco Shares) at the relevant date.

Assuming the maximum number of Secured New Capco Shares for which shareholder authority is being sought are issued on Completion, the Buyback Contract will enable the Combined Group to repurchase 128,193,087 ordinary shares of £0.25 each of the Combined Group, plus any ordinary shares of £0.25 each of the Combined Group which are derived from or which are distributed by the Combined Group in respect of such shares.

None of what is described in this paragraph 12 in relation to Capco's Exchangeable Bonds impacts the Exchange Ratio, which is calculated disregarding the Secured Existing Capco Shares and the Unsecured Existing Capco Shareholding.

See further paragraph 12.7 (*Capco's Exchangeable Bonds*) of Part XVI (*Additional Information*) of this document.

13. Irrevocable undertakings and letter of intent to vote in favour of the Merger

Shaftesbury Directors

Capco and Shaftesbury have received irrevocable undertakings from the Shaftesbury Directors to vote (or to procure the vote) in favour of the Scheme at the Court Meeting and the resolutions proposed at the Shaftesbury General Meeting in respect of the 2,519,849 Shaftesbury Shares currently registered or beneficially held in aggregate by them as well as any further Shaftesbury Shares which they may become the registered or beneficial owner of (save for any Shaftesbury Shares which they acquire pursuant to the exercise of options under the Shaftesbury Sharesave Scheme), representing in aggregate approximately 0.88% of the total votes which could be cast at the Court Meeting by Scheme Shareholders who are entitled to vote based on Shaftesbury's issued share capital as at close of Business on the Latest Practicable Date.

These irrevocable undertakings remain binding if a competing offer for Shaftesbury is made but will cease to be binding if either the board of Shaftesbury or Capco change their respective recommendations or on the date on which the Merger is withdrawn or lapses in accordance with its terms.

Shaftesbury Shareholders

Shaftesbury has received an irrevocable undertaking from Norges Bank in respect of 98,925,310 Shaftesbury Shares (as well as any further Shaftesbury Shares which they may become the registered or beneficial owner of or otherwise interested in), to vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the Shaftesbury General Meeting. When taken together with the irrevocable undertakings provided by the Shaftesbury Directors, this represents total support in aggregate of 101,445,159 Shaftesbury Shares, representing in aggregate approximately 35.3% of the total votes which could be cast at the Court Meeting by Scheme Shareholders who are entitled to vote based on Shaftesbury's issued share capital as at close of business on the Latest Practicable Date.

This irrevocable undertaking remains binding if a competing offer for Shaftesbury is made but will cease to be binding if either the board of Shaftesbury or Capco change their respective recommendations or on the date on which the Merger is withdrawn or lapses in accordance with its terms.

The entities within the Capco Group which hold the Secured Existing Capco Shares, which form part of the Scheme Shares, undertake to be bound by the terms of the Scheme and will not vote at the

Court Meeting. They have also undertaken to procure that any transferee of such Shaftesbury Shares which is controlled by entities within the Capco Group also undertake to be bound by the terms of the Scheme. It is expected that the entities within the Capco Group which hold the Secured Existing Capco Shares shall form their own class for the purposes of the Scheme but that a separate class meeting shall not be required, as such entities will irrevocably consent to be bound by the terms of the Scheme.

Capco Directors

Capco and Shaftesbury have received irrevocable undertakings from the Capco Directors to vote (or to procure the vote) in favour of the Capco Resolutions to be proposed at the Capco General Meeting in respect of the 952,777 Capco Shares currently registered or beneficially held in aggregate by them as well as any further Capco Shares which they may become the registered or beneficial owner of, representing in aggregate approximately 0.11% of Capco's issued share capital as at close of business on the Latest Practicable Date.

These irrevocable undertakings remain binding if a competing offer for Shaftesbury or Capco is made but will cease to be binding if either the board of Shaftesbury or Capco change their respective recommendations or on the date on which the Merger is withdrawn or lapses in accordance with its terms.

Capco Shareholders

Capco has also received an irrevocable undertaking from Norges Bank to vote in favour of the Capco Resolutions to be proposed at the Capco General Meeting on which they are entitled to vote in respect of their entire legal and/or beneficial holdings of 127,656,465 Capco Shares (as well as any further Capco Shares which they may become the registered or beneficial owner of or otherwise interested in), representing in aggregate approximately 15.0% of Capco's issued share capital as at close of business on the Latest Practicable Date, representing the shares in respect of which votes can be cast in favour of the Capco Resolutions excluding the Related Party Transaction.

This irrevocable undertaking remains binding if a competing offer for Shaftesbury is made but will cease to be binding if either the board of Shaftesbury or Capco change their respective recommendations or on the date on which the Merger is withdrawn or lapses in accordance with its terms.

In addition, Capco has received a non-binding, revocable letter of intent to vote in favour of the resolutions proposed at the Capco General Meeting from Madison International Realty in respect of 34,783,462 Capco Shares, representing approximately 4.1% of Capco's issued share capital as at close of business on the Latest Practicable Date, representing the shares in respect of which votes can be cast in favour of all of the Capco Resolutions.

14. Offer-related arrangements and other arrangements

14.1 Confidentiality Agreement

Capco and Shaftesbury have entered into the Confidentiality Agreement on 16 June 2022, pursuant to which each of Capco and Shaftesbury has undertaken, amongst other things: (a) to keep information relating to the Merger and to the other party confidential and not to disclose it to third parties save where expressly permitted, including if required by law or regulation, or where such information is already in the public domain or lawfully in the receiving party's possession; and (b) to use the confidential information for the sole purpose of considering, evaluating, advising on or furthering the Merger. These confidentiality obligations will remain in force following Completion. The agreement also contains certain provisions pursuant to which each party has agreed not to solicit key employees, customers or suppliers of the other party, subject to customary carve-outs, for a period of 12 months from the date of the Confidentiality Agreement.

14.2 Co-operation Agreement

Capco and Shaftesbury have entered into the Co-operation Agreement on 16 June 2022, pursuant to which Capco has agreed to co-operate with Shaftesbury and to take all steps as are reasonably necessary to satisfy the Conditions and to implement the Merger. Capco and Shaftesbury have also

agreed to use all reasonable endeavours to secure the clearances necessary to satisfy the Conditions as soon as reasonably practicable, and in any event by the Long Stop Date.

Capco and Shaftesbury have agreed to certain undertakings to co-operate and provide each other with reasonable information and assistance in relation to any filing, submission and notification to be made in relation to such regulatory clearances and authorisations. Capco has also agreed to provide Shaftesbury with reasonable information, assistance and access for the preparation of the key shareholder documentation to be prepared by Shaftesbury.

The Co-operation Agreement shall be terminated with immediate effect if: (i) Capco and Shaftesbury so agree in writing, prior to the Scheme becoming effective; (ii) the Scheme is withdrawn or lapses; or (iii) the Scheme has not become effective in accordance with its terms by the Long Stop Date, in the case of (ii) and (iii) other than as a result of Capco exercising its right to proceed by way of a Takeover Offer or a person acting in concert with Capco implementing the Merger by a different takeover offer or scheme on substantially the same or improved terms in favour of the Shaftesbury Shareholders.

Capco has the right to terminate the Co-operation Agreement, *inter alia*, if: (i) a competing proposal for Shaftesbury completes, becomes effective or is declared or becomes unconditional in all respects; (ii) any condition to the Merger (a) which has not been waived is or has become incapable of satisfaction by the Long Stop Date and Capco will not waive such condition, or (b) which is incapable of waiver has become incapable of satisfaction by the Long Stop Date is, with the permission of the Panel, invoked or determined to be incapable of satisfaction; (iii) except in certain limited circumstances, the Scheme Document (including the Shaftesbury Recommendation) is not posted by the date agreed by Capco and Shaftesbury and consented to by the Panel; (iv) the Court Meeting and the Shaftesbury General Meeting are not held on or before the 22nd day after the expected date of the Court Meeting (or such later date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court); (v) the Shaftesbury Board withdraws, adversely modifies or adversely qualifies its recommendation of the Scheme; (vi) the Capco Resolutions are not passed at the Capco General Meeting; (vii) the Shaftesbury Resolutions are not passed at the Shaftesbury General Meeting; (viii) the Scheme Court Hearing is not held on or before the later of (a) the 22nd day after the expected date of such hearing as set out in the Scheme Document or (b) 30 days after all conditions to the Merger have been satisfied or waived, or such later date as Capco and Shaftesbury agree; (ix) the Court refuses to sanction the Scheme; or (x) the Scheme is not approved by the requisite majority of Scheme Shareholders at the Court Meeting.

Shaftesbury has the right to terminate the Co-operation Agreement, *inter alia*, if: (i) a competing proposal for Capco (a) completes, becomes effective or is declared or becomes unconditional in all respects, or (b) is recommended in whole or in part by the Capco Board; (ii) the Capco Board withdraws, adversely modifies or adversely qualifies its recommendation of the Merger; (iii) the Capco Resolutions are not passed at the Capco General Meeting; (iv) the Shaftesbury Resolutions are not passed at the Shaftesbury General Meeting; (v) the Court refuses to sanction the Scheme; or (vi) the Scheme is not approved by the requisite majority of Scheme Shareholders at the Court Meeting.

The Co-operation Agreement records Capco's and Shaftesbury's intention to implement the Merger by way of the Scheme, however, Capco shall be entitled to elect to implement the acquisition by way of a Takeover Offer, subject to the Panel's consent and the terms of the Co-operation Agreement, which permit Capco to implement the Merger by way of a Takeover Offer if, *inter alia*, (i) Shaftesbury gives its prior written consent; (ii) a third party announces a firm intention to make an offer for Shaftesbury which is recommended by the Shaftesbury Board; (iii) Shaftesbury announces its intention to proceed with a competing offer from a third party; or (iv) if the Shaftesbury Board otherwise withdraws its recommendation of the Scheme.

The Co-operation Agreement also contains provisions that will apply in respect of or otherwise relate to the Shaftesbury Share Plans, the Capco Share Plan and certain other employee incentive arrangements.

14.3 **Norges Bank Side Deed**

Capco and Norges Bank have entered into a side deed dated 16 June 2022 ("**Norges Bank Side Deed**") which sets out the terms upon which Capco and Norges Bank will co-operate and take all steps as are reasonably necessary to obtain the CMA clearance necessary for the implementation of the Merger ("**Merger Control Clearance**").

Capco and Norges Bank have agreed to certain undertakings to co-operate and provide each other with reasonable information and assistance as either party may require in order to obtain Merger Control Clearance or to make a submission or filing to the CMA.

Capco has the right to terminate the Norges Bank Side Deed, *inter alia*, if: (i) the Scheme is not approved by the requisite majority of Scheme Shareholders at the Court Meeting; (ii) the Capco Resolutions are not passed at the Capco General Meeting; (iii) the Shaftesbury Resolutions are not passed at the Shaftesbury General Meeting; (iv) the Court refuses to sanction the Scheme; or (v) a competing proposal for Shaftesbury completes, becomes effective or is declared or becomes unconditional in all respects.

The Norges Bank Side Deed terminates: (i) if agreed in writing by the parties at any time prior to the Scheme becoming effective; or (ii) upon notice by either party if the irrevocable undertaking given by Norges Bank to Capco terminates in accordance with its terms.

15. Structure of the Merger and the Scheme

15.1 Structure of the Merger

It is intended that the Merger will be implemented by means of a court-sanctioned scheme of arrangement of Shaftesbury under Part 26 of the Companies Act. However, Capco shall be entitled to elect to implement the acquisition by way of a Takeover Offer, subject to the Panel's consent and the terms of the Co-operation Agreement on the basis set out in paragraph 14.2 (*Co-operation Agreement*) of this Part VII (*Information on the Merger*).

It is expected that the Scheme Document will be posted to Shaftesbury Shareholders on the date of the publication of this document and the Circular.

The purpose of the Scheme is to provide for Capco to become the owner of the entire issued and to be issued share capital of Shaftesbury. In order to achieve this, the Scheme Shares will be transferred to Capco under the Scheme. In consideration for this transfer, the Scheme Shareholders will receive New Capco Shares on the basis set out in paragraph 2 (*Summary of the terms of the Merger*) of this Part VII (*Information on the Merger*). The transfer to Capco of the Scheme Shares will result in Shaftesbury becoming a wholly owned subsidiary of Capco.

The Scheme requires approval by Scheme Shareholders who are present and vote (and who are entitled to vote) by the passing of a resolution at the Court Meeting. This resolution must be approved by a majority in number of the Scheme Shareholders (or the relevant class or classes thereof, if applicable, unless all members of any such class have consented to be bound by the Scheme) present and voting (and entitled to vote), either in person or by proxy, at the Court Meeting, (or at any separate class meeting which may be required by the Court) representing not less than 75% in value of the Scheme Shares (or the relevant class or classes thereof, if applicable) voted. In addition, special resolutions to amend the articles of association of Shaftesbury in connection with the implementation of the Scheme and to deal with certain ancillary matters must be passed at the Shaftesbury General Meeting, requiring the approval of Shaftesbury Shareholders representing at least 75% of the votes cast at the Shaftesbury General Meeting, either in person or by proxy. The Shaftesbury General Meeting will be held immediately after the Court Meeting. It is intended that the Court Meeting and the Shaftesbury General Meeting will be held at or around the same time as the Capco General Meeting.

Following the Court Meeting and the Shaftesbury General Meeting, the Scheme must be sanctioned by the Court. Any Shaftesbury Shareholder is entitled to attend the Scheme Court Hearing in person or through counsel to support or oppose the sanctioning of the Scheme. The Scheme will only become Effective upon delivery to the Registrar of Companies of a copy of the Court Order.

The Scheme will also be subject to certain Conditions and certain further terms and conditions set out in the Scheme Document.

Once the Scheme becomes Effective: (i) it will be binding on all Scheme Shareholders, whether or not they voted at the Court Meeting and the Shaftesbury General Meeting and, if they did vote, whether or not they voted in favour of or against the resolutions proposed at those meetings; and (ii) share certificates in respect of Shaftesbury Shares will cease to be valid and entitlements to Shaftesbury Shares held within the CREST system will be cancelled.

The terms of the Scheme will provide that the Scheme Shares will be acquired under the Scheme fully paid and free from all liens, equitable interests, charges, encumbrances, options, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights attaching thereto, including the right to receive and retain all dividends and other distributions (other than, if applicable, any Permitted Capco Dividends) declared, paid or made with a record date after the Scheme Record Time, save for the Permitted Shaftesbury Dividends.

Subject to the need to take their own tax advice in relation their particular circumstances, Scheme Shareholders are generally expected to be able to roll-over any chargeable gain in respect of their Scheme Shares into their New Capco Shares for UK capital gains tax purposes. In relation to that exchange, clearance has been received from HM Revenue & Customs under the UK capital gains tax legislation that HM Revenue & Customs is satisfied that the Scheme is being effected for bona fide commercial reasons and is not part of any scheme or arrangement of which a main purpose is avoidance of liability to UK capital gains tax or corporation tax.

Capco reserves the right, subject to the prior consent of the Panel and the terms of the Co-operation Agreement, to elect to implement the acquisition of the Shaftesbury Shares by way of a Takeover Offer. In such event, such Takeover Offer will be implemented on the same terms (subject to appropriate amendments as described in the Scheme Document), so far as applicable, as those which would apply to the Scheme. Furthermore, if such Takeover Offer is made and sufficient acceptances of such Takeover Offer are received, when aggregated with Shaftesbury Shares otherwise acquired by Capco, it is the intention of Capco to apply the provisions of section 979 of the Companies Act 2006 to acquire compulsorily any outstanding Shaftesbury Shares to which such offer relates.

Further details of the Scheme, including an expected timetable for the implementation of the Merger are set out in the Scheme Document.

15.2 **Conditions to the Merger**

The Merger is subject to the Conditions set out in the Announcement and the full terms and conditions set out in the Scheme Document, including, amongst other things:

(a) its approval by a majority in number of the Scheme Shareholders (or the relevant class or classes thereof, if applicable, unless all members of any such class have consented to be bound by the Scheme) on the register of members at the Voting Record Time present and voting (and entitled to vote), either in person or by proxy, at the Court Meeting (or at any separate class meeting which may be required by the Court), or at any adjournment thereof, representing not less than 75% in value of the Scheme Shares (or the relevant class or classes thereof, if applicable) voted by such Scheme Shareholders;

(b) the passing of all Shaftesbury Resolutions required to approve and implement the Scheme, being the Shaftesbury General Resolution and the Shaftesbury Articles Resolution;

(c) the sanction of the Scheme by the Court (with or without modification but subject to any modification being on terms acceptable to Capco and Shaftesbury);

(d) the delivery of the Court Order to the Registrar of Companies;

(e) the passing of the resolutions required to approve and implement the Merger, being the Merger Approval Resolution, the Share Issue Resolution and the RPT Resolution, by the requisite majority of Capco Shareholders at the Capco General Meeting;

(f) the Court Meeting and the Shaftesbury General Meeting being held on or before the 22nd day after the expected date of the Court Meeting, which are set out in the Scheme Document (or such later date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court);

(g) the CMA issuing a decision that it is not the CMA's intention to make a Phase 2 CMA Reference, with such a decision being issued on an unconditional basis or else conditional on the CMA's acceptance of undertakings in lieu under Section 73 EA 2002 which are reasonably satisfactory to Capco and Shaftesbury (or the applicable time period for the CMA to issue such a decision having expired without it having done so and without it having made a Phase 2 CMA Reference);

(h) the Scheme Court Hearing being held on or before the later of (i) the 22nd day after the expected date of the hearing, which is set out in the Scheme Document; and (ii) 30 days after all conditions to the Merger have been satisfied or waived (or such later date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court);

(i) the Scheme becoming effective by 11:59 p.m. on the Long Stop Date (or such later time and date as may be agreed by Capco and Shaftesbury with the consent of the Panel and, if required, the Court); and

(j) Admission.

15.3 CMA Condition

The Merger is conditional on the CMA Condition and Capco and Shaftesbury do not intend to implement the Merger without CMA Phase 1 clearance, such approval being provided either unconditionally or subject to such conditions as are reasonably satisfactory to Capco and Shaftesbury.

The CMA Condition, which has been included following specific negotiation between the parties, could be invoked by Capco with the consent of the Panel if the CMA refers the Merger to a Phase 2 investigation or in the event that remedies offered by Capco which are satisfactory to both Capco and Shaftesbury, with the aim of securing Phase 1 clearance, are not accepted as sufficient by the CMA.

Shareholders should note that Capco intends to seek the Panel's consent to invoke the CMA Condition if the CMA would only be satisfied by the parties undertaking remedies in the form of disposals which are unacceptable to or not deliverable by the parties, as the integrity of the proposed Merger structure and Combined Group's portfolio is an essential part of the strategic and economic rationale for the Merger.

In addition, Capco intends to seek the Panel's consent to invoke the CMA condition if the CMA refers the Merger to a Phase 2 investigation, because the delays to Completion that would necessarily arise would result in prolonged uncertainty and cost for both companies.

Capco's intentions in this regard have been discussed with Shaftesbury, which shares Capco's views of the material impact of such circumstances. Shaftesbury considers the CMA Condition to be a material term of the Merger from the perspective of the Shaftesbury Shareholders and, accordingly, Shaftesbury does not intend to implement the Scheme unless the CMA Condition has been satisfied. Shaftesbury further intends to support any request by Capco to seek the consent of the Panel to invoke the CMA Condition should the aforementioned circumstances arise.

A decision by the Panel whether to permit Capco to invoke a condition to the offer would be judged by the Panel by reference to the facts at the time that the relevant circumstances arise, including the views of the board of Shaftesbury at the time.

15.4 Completion

Assuming the satisfaction or waiver of all Conditions, Completion is expected to occur by the end of 2022. Any revision to this will be promptly notified to Capco Shareholders, by Capco, via a Regulatory Information Service and via SENS. Following Completion, Capco will announce that the Merger has taken effect. The announcement will be made by way of a press release dispatched via a Regulatory Information Service and via SENS.

16. De-listing of Shaftesbury Shares and listing of New Capco Shares

16.1 De-listing and re-registration

Applications will be made to the FCA for the cancellation of the listing of the Shaftesbury Shares on the Official List and to the London Stock Exchange for the cancellation of the admission to trading of Shaftesbury Shares on the Main Market. It is expected that such delisting and cancellation of admission to trading would take effect on the Effective Date.

It is intended that the last day of dealings in, and for registration of transfers of, Shaftesbury Shares (other than the registration of the transfer of the Scheme Shares to Capco pursuant to the Scheme) will be the Business Day immediately after the Court Hearing to sanction the Scheme, following which all Shaftesbury Shares will be suspended from the Official List and from trading on the Main Market, and Shaftesbury Shares will be disabled in CREST and no transfers shall be registered after this time.

On the Effective Date, entitlements to Shaftesbury Shares in CREST will be cancelled and such entitlements rematerialised and all share certificates in respect of Shaftesbury will cease to be valid and should be destroyed.

If the Scheme is sanctioned, any Shaftesbury Shares held in treasury will be cancelled prior to the Scheme becoming Effective.

It is anticipated that the Combined Group will, as soon as reasonably practicable following the Effective Date, re-register Shaftesbury as a private company under the relevant provisions of the Companies Act 2006.

16.2 Settlement, listing and dealing of New Capco Shares

Once the Scheme has become Effective, up to 1,095,507,008 New Capco Shares will be allotted to Scheme Shareholders (including up to 128,193,087 New Capco Shares in respect of the Secured New Capco Shares).

It is intended that applications will be made to: (i) the FCA and to the London Stock Exchange for the New Capco Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities; and (ii) the JSE for the secondary (inward) listing and admission to trading of the New Capco Shares on the Main Board of the JSE. It is expected that Admission will become effective, and that dealings for normal settlement in the New Capco Shares will commence on the London Stock Exchange, at 8.00 a.m. (London time) and on the JSE at 9.00 a.m. (Johannesburg time) on the Effective Date.

The existing Capco Shares are admitted to CREST and Strate. It is expected that all of the New Capco Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST or the Strate system. The New Capco Shares will be issued to CREST and initially held on the UK Register. The New Capco Shares will trade under ISIN GB00B62G9D36.

Further details on listing, dealing and settlement are included in the Scheme Document.

Fractions of New Capco Shares will not be allotted or issued to Scheme Shareholders pursuant to the Scheme. Instead, the fractional entitlements of Scheme Shareholders at the Effective Date to New Capco Shares shall be aggregated and Capco shall procure that the maximum whole number of New Capco Shares resulting from such aggregation shall be allotted and issued to a person appointed by Capco to hold such New Capco Shares on behalf of the relevant Scheme Shareholders. Capco shall procure that such New Capco Shares are sold in the market as soon as practicable after the Effective Date and that the net proceeds of such sale (after deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on such commissions and expenses) shall be paid in due proportion to the relevant Scheme Shareholders (rounded down to the nearest penny) in accordance with the provisions of the Scheme.

Any individual fractional entitlements to amounts (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on such commissions and expenses) of less than £1.00 shall not be paid to the relevant Scheme Shareholders who would otherwise be entitled to them under the Merger, but shall be retained for the benefit of the Combined Group.

17. Resolutions

The Merger is conditional upon, among other things, Shareholders' approval of the following resolutions:

Class 1

- *Resolution 1 (ordinary resolution)*: to approve the Merger, which constitutes a Class 1 Transaction pursuant to the Listing Rules, and to take all steps and to do all things which the Board considers necessary or desirable to implement the Merger (the "**Merger Approval Resolution**");

Share Issue

- *Resolution 2 (ordinary resolution)*: to grant the Board authority to allot the New Capco Shares pursuant to Section 551 of the Companies Act 2006 (the "**Share Issue Resolution**"); and

Related Party Transaction

- *Resolution 3 (ordinary resolution):* to approve the Merger and the issue of New Capco Shares to Norges Bank as a related party transaction pursuant to the Listing Rules, by reason of Norges Bank being a related party because it is a substantial shareholder in the Company (the "**RPT Resolution**"),

(together, the "**Merger Resolutions**").

If any of the Merger Resolutions are not approved at the General Meeting, the Company will be unable to complete the Merger. Norges Bank will not be able to vote on resolution 3, the RPT Resolution.

Subject to and conditional on the approval of the Merger Resolutions and the Scheme becoming Effective, Shareholder approval will also be sought at the General Meeting for the following resolutions:

Directors' authority to allot equity securities, disapplication of pre-emption rights, and purchase of own shares

- *Resolution 4 (ordinary resolution*): to approve off-market purchases by the Company in accordance with the Buyback Contract (the "**Share Buyback Resolution**");
- *Resolution 5* (*ordinary resolution*): in addition to the Share Issue Resolution, to grant the Board further renewed authority to allot Capco Shares pursuant to Section 551 of the Companies Act 2006, giving the Board authority to allot Capco Shares up to an aggregate nominal amount of £152,083,232 (representing in aggregate approximately one third of the Combined Group's expected issued share capital on Completion (excluding the Secured New Capco Shares)), and a further authority to allot Capco Shares up to approximately a further one third of the Combined Group's expected issued share capital on Completion (excluding the Secured New Capco Shares) in connection with an offer by way of rights issue. The Investment Association ("**IA**") guidelines on directors' authority to allot shares state that IA members will regard as routine resolutions seeking authority to allot shares representing up to two-thirds of a company's issued share capital, provided that any amount in excess of one-third of the company's issued share capital is only used to allot shares pursuant to a fully pre-emptive rights issue. In light of these guidelines, the Directors consider it appropriate that the Directors be granted authority to allot shares in the capital of the Combined Group on the basis set out in this resolution. If this authority is passed, it will expire on the earlier of the date of the next Annual General Meeting of the Combined Group or 28 September 2023.
- Other than the allotment of shares pursuant to Resolution 2 above, and under the terms of employee share schemes operated by the Combined Group, the Directors have no present intention to undertake a rights issue or to allot new shares. However, the Directors consider it appropriate to maintain the flexibility that this authority provides. Capco does not hold any treasury shares as at the Latest Practicable Date;
- *Resolution 6* (*special resolution*): to grant the Board authority to allot:
    - equity securities for cash and sell treasury shares representing two-thirds of the Combined Group's expected issued share capital on Completion (excluding the Secured New Capco Shares) on an offer to existing shareholders on a pre-emptive basis, with one-third being available only in connection with a rights issue;
    - equity securities for cash and sell treasury shares representing approximately 5% of the expected issued ordinary share capital of the Combined Group on Completion (excluding the Secured New Capco Shares) otherwise than in connection with a pre-emptive offer to existing shareholders;
- *Resolution 7* (*special resolution*): to grant the Board authority to allot additional equity securities and sell treasury shares up to an aggregate nominal amount of £22,812,485 representing approximately a further 5% of the expected issued share capital of the Combined Group on Completion (excluding the Secured New Capco Shares) otherwise than in connection with a pre-emptive offer to existing shareholders for the purposes of financing or refinancing a transaction.

These disapplication authorities are within UK institutional shareholder guidance, and in particular with the Pre-Emption Group's Statement of Principles (the "**Pre-Emption Principles**"). The Pre-Emption Principles were revised in March 2015 to allow the authority for an issue of shares for cash otherwise than in connection with a pre-emptive offer to include: (i) an authority over 5% of a company's issued share capital for use on an unrestricted basis; and (ii) an additional authority over a further 5% of a company's issued share capital for use in connection with an acquisition or specified capital investment announced contemporaneously with the issue, or which has taken place in the six month period preceding the announcement of the issue. The maximum amount of equity securities which could be allotted if both of the authorities conferred by Resolution 6(ii) and Resolution 7 were used in full would represent approximately 10% of the expected issued share capital of the Combined Group on Completion (excluding the Secured New Capco Shares).

The Directors and the Proposed Directors consider that it is in the best interests of the Combined Group and its shareholders generally that the Combined Group should seek the maximum authority permitted by the Pre-Emption Principles and have the flexibility conferred by Resolutions 6 and 7 to conduct pre-emptive offerings without complying with the strict requirements of the statutory pre-emption provisions and to finance business opportunities quickly and efficiently when they arise. The Directors also confirm that, in accordance with the Pre-Emption Principles, they do not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period to those who are not existing shareholders (save in accordance with Resolution 7) without prior consultation with shareholders. As noted in relation to Resolution 5 above, the Directors have no present intention to allot new shares, other than pursuant to Resolution 2 above, and the allotment of shares under the terms of the employee share schemes operated by the Combined Group. If these authorities are passed, they will expire on the earlier of the date of the next Annual General Meeting of the Combined Group or 28 September 2023;

Share Buyback

- *Resolution 8* (*special resolution*): authority for the Combined Group to buy back its own shares in the market up to an aggregate nominal amount of £45,624,970 representing approximately 10% of the Combined Group's expected issued share capital on Completion (excluding the Secured New Capco Shares). The authority sets minimum and maximum prices. If this authority is passed, it will expire on the earlier of the date of the next Annual General Meeting of the Combined Group or 28 September 2023.

  The Directors and the Proposed Directors have no present intention of exercising the authority to purchase the Combined Group's ordinary shares (other than in connection with Resolution 4 above) but consider it prudent to obtain the flexibility this resolution provides. In considering whether to use this authority, the Directors and the Proposed Directors will take into account factors including (without limitation) the financial resources of the Combined Group, the Combined Group's share price, and future investment and funding opportunities.

  Any shares purchased would be cancelled or held as treasury shares which may, at the discretion of the Directors and the Proposed Directors, be resold for cash, transferred in connection with an employee share scheme, or cancelled. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares. If Resolution 8 is passed, it is the Directors' and the Proposed Directors' current intention that of any shares repurchased under this authority, sufficient shares will be held in treasury to meet the Combined Group's requirements, including of its share incentive arrangements, with the remainder being cancelled. However, the Directors and the Proposed Directors will reassess at the time of each repurchase programme whether to hold the shares in treasury or cancel them, depending on the circumstances at the time.

  For information, as at the Latest Practicable Date, options and awards in respect of 11,632,475 ordinary shares of £0.25 each in Capco were outstanding under the Capco Share Plan (described in paragraph 9 of Part XVI (Additional Information) of the Prospectus), representing approximately 1.37% of Capco's issued ordinary share capital at the Latest Practicable Date, of which options and awards in respect of a maximum of 6,410,625 ordinary shares of £0.25 each in Capco (excluding CSOP Options) are expected to vest or

become exercisable before Completion (with the remaining options and awards lapsing), representing approximately 0.75% of Capco's issued ordinary share capital at the Latest Practicable Date.

The buyback authority relates to the position of the Combined Group following Completion. Assuming the maximum number of New Capco Shares (including the Secured New Capco Shares) for which shareholder authority is being sought are issued on Completion, the entire issued share capital of the Combined Group would be 1,953,191,868 ordinary shares of £0.25 each, including the Secured New Capco Shares or 1,824,998,781 ordinary shares of £0.25 each (excluding the Secured New Capco Shares). Assuming no further shares are issued or repurchased between Completion and the date on which the buyback of shares pursuant to Resolution 8 occurs, if the buyback authority being sought at Resolution 8 were to be exercised in full, the outstanding options and awards over Capco Shares under the Capco Share Plan, being in respect of 11,632,475 ordinary shares of £0.25 each in Capco as at the Latest Practicable Date (see above), would represent approximately 0.64% of the Combined Group's issued ordinary share capital (excluding the Secured New Capco Shares) at the relevant date and the maximum of 6,410,625 ordinary shares of £0.25 each in Capco (excluding CSOP Options) in respect of which such options and awards are expected to vest or become exercisable before Completion (with the remaining options and awards lapsing) would represent 0.35% of the Combined Group's issued ordinary share capital (excluding the Secured New Capco Shares) at the relevant date.

(together, resolutions 5, 6, 7 and 8 being the "**Share Capital Resolutions**").

The Share Capital Resolutions reflect the current authorisations in place for Capco which were approved by Capco Shareholders at the Annual General Meeting of Capco held on 28 June 2022, and which are to be increased to reflect the expected issued share capital of the Combined Group on Completion (taking into account that the Secured New Capco Shares are already held by members of the Capco Group). Following Completion, the Combined Group will be listed in London and Johannesburg, and a proportion of the Combined Group's shares will be held by South African investors who sometimes have different market expectations particularly regarding the level of authority to issue new shares that shareholders expect to grant to boards. The Directors feel that, to preserve flexibility and competitive positioning, it is appropriate to seek a level of authority more closely aligned with the expectations of UK shareholders. The Board therefore recommends that you vote in favour of the Share Capital Resolutions, all of which align with UK investor guidance.

Regardless of whether the Share Capital Resolutions are passed, the current authorisations in place for Capco which were approved by Capco Shareholders at the Annual General Meeting of Capco held on 28 June 2022 will remain in place for the Combined Group on Completion. However, the Directors believe that it is in the best interests of the Company and the Combined Group to ensure that the Combined Group, following Completion, has the flexibility to allot and repurchase shares based on the increased share capital of the Combined Group on Completion, given that there may be a period of time between Completion and the holding of an annual general meeting of the Combined Group at which such authorities would also be sought.

The Share Capital Resolutions are conditional on Completion of the Merger but are not conditions to the Merger.

Change of Name

- *Resolution 9 (special resolution)*: to approve the change of registered name of the Company to Shaftesbury Capital PLC (the "**Change of Name Resolution**"),

(together with the Merger Resolutions and the Share Capital Resolutions, the "**Resolutions**").

The Change of Name Resolution is conditional on Completion of the Merger but is not a condition to the Merger.

PART VIII

BUSINESS OVERVIEW OF THE CAPCO GROUP

1. Introduction

Capco is a REIT focused on properties within Central London, driving long-term value creation centred around its landmark Covent Garden estate. Capco has assembled a mixed-use portfolio representing over 1 million square feet of lettable space, rich in heritage, situated around the historic Covent Garden Market Building and the Piazza.

Capco places the customer at the heart of its approach, with an emphasis on understanding the relationship between leisure, experience, digital presence and shopping across a variety of different channels. As a result, Capco seeks to maximise the value and income potential of its portfolio, delivering long-term superior total returns, underpinned by driving rental growth and generating income. Capco expects to achieve its objective through creative asset management, a forward-thinking dynamic approach to brand selection, leasing, marketing and investment in properties through acquisitions and development.

The emphasis on the occupier ensures that the Covent Garden estate thrives as a leading destination for Londoners, domestic and international visitors as well as office workers and residents. The area is home to a vibrant mix of premium and contemporary, digitally native, global and British brands including Apple, Balthazar, Bucherer, Tiffany & Co, Glossier, Reformation, SushiSamba and Oystermen, with many choosing Covent Garden to be their flagship, first or only London presence.

The COVID-19 pandemic resulted in a significant reduction in levels of footfall and activity across Central London and the Covent Garden estate, lower levels of physical office occupation and changes in occupier and consumer behaviour. The enduring appeal of Covent Garden has been demonstrated by the gradual recovery in footfall and trade following the progressive lifting of measures from April 2021, with footfall for the second half of 2021 approximately 70% of 2019 levels, and overall sales in the second half of 2021 approaching 2019 levels within certain categories such as premium and luxury.

The Covent Garden Estate, in Central London, comprises substantially all of Capco's property value. The Covent Garden estate was externally valued at £1,729 million at 31 December 2021. The total valuation decline since 31 December 2019 was 31% (like-for-like). As at 31 March 2022, the external property valuation of Capco's Covent Garden Estate Capco's property value had increased to approximately £1,769 million, an increase of 2.1% (like-for-like) since 31 December 2021. As at 30 June 2022, the external property valuation of Capco's Covent Garden Estate Capco's property value had increased to approximately £1,817 million, an increase of 5% (like-for-like) since 31 December 2021.

As at 31 March 2022, the independent property valuation of Capco's 50% share of property assets held in the Lillie Square Joint Venture and related assets was approximately £85 million. As at 30 June 2022, the independent property valuation of Capco's 50% share of property assets held in the Lillie Square Joint Venture and related assets was approximately £84 million.

The Directors believe that Capco's Central London property portfolio will continue to provide a source of long-term growth in income and capital value.

2. History and development

The Capco business was founded in 1933 as the Capital & Counties Property Company Limited and began developing its portfolio to include property in London and the home counties. In 1992, Capco merged with Transatlantic Holdings plc, which changed its name to Liberty International Holdings Limited in 1996, and which subsequently became Liberty International PLC.

Capco made its initial investment in Covent Garden in 2006 which included the Market Building and has assembled the portfolio over a period of 16 years totalling approximately 1 million square feet of lettable space. This investment was driven by a long-term value creation strategy to reposition the Covent Garden estate as a world-class destination with a clear investment strategy centred on creative asset management. In May 2010, Capco de-merged from Liberty International PLC and re-registered as a public limited company with the name Capital & Counties Properties PLC, listing on

the premium list of the Official List of the London Stock Exchange and with a secondary listing on the Main Board of the JSE. Since the demerger, Capco has made several property investments and has successfully recycled capital from disposals to expand the Covent Garden estate. Capco is one of the largest listed property companies in Central London and is a constituent of the FTSE-250 Index.

3. Purpose and values

Capco's purpose is to invest in and create world class places, focusing on Central London. Using its vision, long-term approach and responsible stewardship, Capco delivers economic and social value which generates benefits for its stakeholders.

Capco operates under a set of values which guide Capco's decisions as it implements its strategy, creating economic and social value for its stakeholders, focusing on:

- ***Collegiate, supportive and inclusive***: collaboration, creativity and treating employees with respect, including providing a wide range of benefits and initiatives to support employee wellbeing. Capco also promotes a range of programmes to increase inclusivity and diversity across its industry;
- ***Environmentally and socially responsible***: setting ambitious targets to make Covent Garden a UK leader in sustainability for heritage environments and has a comprehensive Environment, Sustainability and Community ("**ESC**") strategy to address climate change, improve air quality, drive innovation, and support communities and people. Capco supports the communities in and around its properties through collaboration, projects and financial support;
- ***High performance and entrepreneurial***: a high-performing and entrepreneurial culture, setting ambitious targets for its business and employees. Capco has a clear business model and strategy which explain how they deliver value to their investors. Capco also provides training and development opportunities to encourage its employees to reach their full potential;
- ***Innovative and creative***: taking an innovative approach to the management of its property assets, seeking creative opportunities to deliver value for our stakeholders; and
- ***Professional***: holding itself to the highest standards across its business, from health and safety, professional ethics and corporate governance, to management of its property portfolio. Capco has a range of policies that set out its expectations to ensure its employees, suppliers, partners and stakeholders understand its standards.

4. Portfolio

The Capco property portfolio was carefully assembled over a period of 15 years, comprising retail, dining, leisure and cultural space complemented by high quality offices and residential apartments. As a long-term steward of the Covent Garden estate, Capco has taken a creative approach with strategic investment to establish a world-class estate rich in heritage and culture. Capco's ambitious and creative culture promotes value creation opportunities whilst maintaining financial and investment discipline. The Covent Garden Estate, in Central London, comprise substantially all of Capco's property value, which was externally valued at £1,769 million at 31 March 2022, as well as the Shaftesbury investment which is valued at £599 million as at 31 March 2022.

Capco has adopted a flexible approach to commercial arrangements with occupiers within the Covent Garden and broader Capco estate, including features such as turnover related and shorter leases, which has enabled Capco to drive change and continue to reposition its property portfolio. A selection of these short-term concepts have transitioned into longer term occupation, including Kick Game, Floozie and The Gentlemen Baristas. The new concepts introduced continue to include both long and shorter-term arrangements, including 60 leasing transactions representing £11 million contracted income in the 2021 financial year, an increase of 77% from £6.2 million in 31 December 2020, and the introduction of 16 new brands to the Covent Garden estate.

4.1 Key financial information

The Capco Group has a conservative financing structure underpinned by a strong balance sheet, with net debt to gross assets of 24.3% and access to cash and undrawn facilities of £629 million as at

31 December 2021. The Covent Garden estate had net debt of £254 million and a loan to value ratio of 15% as at 31 December 2021, which compares with a debt covenant level of 60%. Whilst covenant waivers were in place for 2021, the interest cover ratio in relation to the Covent Garden debt for the year ended 31 December 2021 was 225.1%, comfortably ahead of the covenant level of 120%. As at 31 December 2021, the estimated rental value ("**ERV**") of the Covent Garden portfolio was £76.2 million. The underlying net rental income and gross income (passing rent plus sundry non-leased income) was £52.1 million and £57.4 million, respectively, for the year ended 31 December 2021.

The total property valuation of the Capco Group as at 31 December 2021 was 1.3% (like-for-like) lower as compared to the year ended 31 December 2020. The total property valuation as at 30 June 2021 of the Covent Garden portfolio was 31% (like-for-like) lower as compared to the year ended 31 December 2019, comprising a 26% ERV decline and 28 basis point outward yield movement. The valuation of the Covent Garden portfolio increased by 4.6% (like-for-like) to £1.7 billion in the second half of the year ended 31 December 2021 and the valuation of the Covent Garden portfolio was 0.6% (like-for-like) lower as at 31 December 2021 as compared to 31 December 2020. The main contributor to the growth in the second half of 2021 was an ERV increase of 3% on a like-for-like basis to £76.2 million, reflecting the positive leasing activity and high occupancy levels across the Covent Garden estate.

Underlying net rental income for the year ended 31 December 2021 increased by 20.4% (like-for-like) compared with the year ended 31 December 2020. In the year ended 31 December 2021, EPRA vacancy reduced to 2.6% (2020: 3.5%).

Against this backdrop, Capco is well-positioned to create long-term value from its property investment business centred around Central London, underpinned by its strong financial position. With net debt to gross assets of 24.3% and access to substantial cash and undrawn facilities, totalling £629 million as at 31 December 2021, Capco has the ability to withstand market volatility, capitalise on investment opportunities and deliver long-term value creation.

4.2 Valuation analysis

4.2.1 31 December 2021

A table setting out the valuation analysis as at 31 December 2021 for the Capco Group's property assets by property use is set out below.

	Valuation		Annualised gross income		ERV	
Property Type	**£ millions**	**%**	**£ millions**	**%**	**£ millions**	**%**
Hospitality and leisure	481	28	18	32	20	26
Retail	851	49	29	51	36	47
Offices	273	16	7	12	16	21
Residential	124	7	3	5	4	5
Total	**1,729**	**100**	**57**	**100**	**76**	**100**

4.2.2 31 March 2022

A table setting out the valuation analysis as at 31 March 2022 for the Capco Group's property assets by property use is set out below.

	Valuation		Annualised gross income		ERV	
Property Type	**£ million**	**%**	**£ millions**	**%**	**£ millions**	**%**
Hospitality and leisure	498	28	18	31	21	27
Retail	868	49	28	48	36	47
Offices	280	16	9	16	16	21
Residential	123	7	3	5	4	5
Total	**1,769**	**100**	**58**	**100**	**77**	**100**

4.2.3 **30 June 2022**

The valuation analysis as at 30 June 2022 for the Capco Group's property assets are set out in the paragraph 6.2 (*Capco trading update*) in Part VII (*Information on the Merger*) of this document.

4.3 **Valuation Reports**

The 2021 Annual Report, which has been incorporated by reference into this document as set out in Part XVII (*Documentation Incorporated by Reference*) of this document, includes valuations of the Capco Group's properties as at 31 December 2021.

The valuation reports prepared by CBRE and JLL which have been incorporated by reference into this document as part of the Announcement relate to valuations of the Capco Group's properties as at 31 March 2022. The Announcement is incorporated by reference as set out in Part XVII (Documentation Incorporated by Reference) of this document.

Property valuations as at 30 June 2022 are set out in the Valuation Reports in Appendix 2 (*Valuation Reports*) of this document. There has been no material change to the value of the Capco Group's property assets since 30 June 2022.

4.4 **Covent Garden**

4.4.1 **Overview**

The Covent Garden estate represents a carefully assembled portfolio in the heart of London's West End, comprising retail, dining, leisure and cultural space complemented by high quality offices and residential apartments. Through creative asset management and disciplined investment, Covent Garden has been established as an exceptional mixed-use portfolio of approximately 1.0 million square feet of lettable space, across 71 buildings and 503 units as at 31 December 2021.

Covent Garden provides a broad range of unit sizes and price points for occupiers, ensuring it attracts a wide spectrum of retail, hospitality, office and residential occupiers. Capco has transformed Covent Garden into a global destination having curated attractive retail and dining line-ups within a heritage setting.

4.4.2 **Retail**

The Covent Garden estate has a unique blend of premium and contemporary, global and British stores, with a broad mix of occupiers, including Apple, Tiffany & Co., Tom Ford, Glossier and Reformation, many of whom continue to choose Covent Garden as their flagship, first or only London presence. Capco has continued to strengthen the offering of gifting and luxury accessories, with a line-up of premium retailers including Bucherer, Vashi, Mulberry and TAG Heuer.

Retailers continue to adapt to changes in consumer shopping behaviour. Following the success of Glossier's Floral Street pop-up store in 2019, the digital-first beauty company signed a long-term lease and opened its flagship store on King Street in 2021. The Board believes successful retailers will continue to need physical stores to build brand awareness, consumer capture and retention. Retailers are more focused on fewer stores, placing more emphasis on global destinations, consumer experience, service and flagship retailing with better digital engagement.

Covent Garden provides a broad range of unit sizes and price points for occupiers, ensuring it attracts a wide spectrum of retail, hospitality, office and residential occupiers. The Directors believe that Capco's emphasis on the consumer is essential to ensuring that the estate is positioned as a leading destination for visitors. Capco's retail strategy is to focus on concepts relevant to their occupier's consumers across targeted categories with a strong omni-channel presence. These targeted categories include luxury, jewellery, digitally native and sustainable.

Covent Garden offers a unique consumer experience, utilising the historic Piazza through events and cultural installations to drive estate recognition and brand engagement. There continues to be strong demand for Covent Garden from a broad mix of occupiers including independent and global brands.

Retail use represented £851 million by value, £29 million by Annualised Gross Income and had an ERV of £36 million, in each case, as at 31 December 2021. There are 120 retail units covering approximately 0.4 million square feet and retail use accounts for 49% of the overall portfolio by value.

Retail use represented £868 million by value, £28 million by Annualised Gross Income and had an ERV of £36 million, in each case, as at 31 March 2022.

4.4.3 **Hospitality and leisure**

The estate offers a diverse range of high-quality innovative food concepts, from casual to premium, and is one of London's best dining destinations. The majority of restaurants offer a high-quality experience, often with an all-day offer, with many brands choosing Covent Garden as their first global or UK presence rather than standard chain restaurants. As restaurateurs tend to invest significant capital fitting out a premises, leases in this category tend to be longer than for retail units.

The Covent Garden estate offers an open-air pedestrianised environment, and during the year ended 31 December 2021, Capco collaborated with a range of stakeholders to successfully deliver an extension of the al fresco dining scheme, which was originally implemented in 2020. As a result, 1,000 outdoor dining seats are available at hospitality occupiers across the estate. The al fresco dining scheme includes over 55 restaurants and spans six pedestrianised streets as well as the historic Piazza. The extended al fresco dining scheme delivers direct benefits to the Capco Group's occupiers, visitors and the local community. Capco believes Covent Garden's extensive al fresco offering was integral to supporting the recovery of hospitality in Covent Garden.

Hospitality and leisure use represented £481 million by value, £18 million by Annualised Gross Income and had an ERV of £20 million, in each case, as at 31 December 2021. There are 122 hospitality units covering approximately 0.3 million square feet and accounting for 28% of the overall portfolio by value.

Hospitality and leisure use represented £498 million by value, £18 million by Annualised Gross Income and had an ERV of £21 million, in each case, as at 31 March 2022.

4.4.4 **Office**

Covent Garden has a contemporary office portfolio ranging from warehouses to newly refurbished space, offering both multi-tenanted and single occupancy workspace. The portfolio attracts financial services, technology, creative industries and SMEs. There continues to be increased demand for 'plug and play' space in the London office sector, and a number of these spaces have been introduced across the estate in recent years. Businesses will continue to require high quality space in desirable mixed-use destinations to attract staff to the office. This is one of the strengths of the Covent Garden estate, which is surrounded by high quality retail and hospitality options as well as offering a secure environment.

Office use represented £273 million by value, £7 million by Annualised Gross Income and had an ERV of £16 million, in each case, as at 31 December 2021. There are 63 office units covering approximately 0.2 million square feet and office use accounts for 16% of the overall portfolio by value.

Office use represented £280 million by value, £9 million by Annualised Gross Income and had an ERV of £16 million, in each case, as at 31 March 2022.

4.4.5 **Residential**

Covent Garden is established as a premium residential address. During the COVID-19 pandemic, there had been an increased level of vacancy across the portfolio with many overseas residential tenants in particular, not renewing their assured shorthold tenancies. However, there remains strong leasing demand for residential accommodation across the estate in the second half of 2021, with the portfolio fully let as at 31 December 2021.

Residential assets represented £124 million by value, £3 million by Annualised Gross Income and had an ERV of £4 million, in each case, as at 31 December 2021. There are 198 let units covering approximately 0.1 million square feet and residential use accounts for 7% of the overall portfolio by value.

Residential assets represented £123 million by value, £3 million by Annualised Gross Income and had an ERV of £4 million, in each case, as at 31 March 2022.

4.5 Occupiers

Capco has a diverse occupier base within its portfolio, managing a curated line-up of complementary brands across targeted categories including luxury and premium. During the COVID-19 pandemic, Capco remained in regular dialogue with its occupier base and was able to provide support where appropriate.

Rental support has mainly been provided to retail and hospitality occupiers experiencing cash flow pressures, with rental agreements being adjusted on a case-by-case basis to include deferrals and turnover-linked arrangements where appropriate. As a long-term investor in the Covent Garden and broader estate, occupier support was provided in the first half of 2021 on a case-by-case basis and extended into the second half for a selection of occupiers where appropriate, but on a reduced basis.

4.6 Other Investments

4.6.1 Ownership of 25.2% of Shaftesbury Shares

In May 2020, Capco agreed to acquire a significant shareholding in Shaftesbury across two tranches for a total consideration of £436 million, at a price of 540 pence per Shaftesbury Share. The investment comprised the acquisition of 64.4 million Shaftesbury Shares for £347.7 million in cash, representing 20.94% of Shaftesbury's share capital, which completed on 3 June 2020 and the acquisition of a subsequent tranche of approximately 16.3 million Shaftesbury Shares for £88.2 million in cash, representing 5.31% of Shaftesbury's share capital.

In October 2020, Shaftesbury announced its intention to raise up to £307 million of gross proceeds through a firm placing, placing and open offer and an offer for subscription (the "**Capital Raising**"). Capco committed to subscribe for £65 million of new Shaftesbury Shares at the placing price of 400 pence, resulting in a shareholding in Shaftesbury following completion of the Capital Raising of 25.2%, comprising 96.97 million Shaftesbury Shares. Capco's blended entry price (before associated costs) for its investment in Shaftesbury is 517 pence per Shaftesbury Share at a cost of £501 million.

Capco's investment in Shaftesbury Shares was valued at £596 million based on the Shaftesbury Share price of 615 pence on 31 December 2021.

On 2 July 2021, Shaftesbury paid an interim dividend of 2.4 pence per share, generating £2.3 million of dividend income, on 11 February 2022, Shaftesbury paid a final dividend of 4.0 pence per share, generating £3.9 million dividend income, and on 1 July 2022, Shaftesbury paid an interim dividend of 4.8 pence per share, generating £4.7 million of dividend income.

4.6.2 Lillie Square Joint Venture

Capco owns 50% of the Lillie Square Joint Venture, a one million square foot residential development located in West London. The property valuation was £84.1 million (Capco share) as at 31 December 2021. The valuation of Capco's 50% share of property assets held in the Lillie Square Joint Venture and related assets as at 31 March 2022 was approximately £85 million. The valuation of Capco's 50% share of property assets held in the Lillie Square Joint Venture and related assets as at 30 June 2022 was approximately £84 million. The joint venture was in a cash position of £44.6 million (£22.3 million Capco share) as at 31 December 2021.

5. Environment, Sustainability and Community

Capco launched its new ESC strategy in 2021, which set out its vision for the future, focusing on the themes of the environment, sustainability, community and its people (the "**ESC Strategy**"). Capco's ESC Strategy is underpinned by four pillars which align with the UN's Sustainable Development Goals. Activities undertaken by the Capco Group are underpinned by a commitment to the highest standards of health and safety and ethical practices.

5.1 Environment and Sustainability

Capco has committed to being net zero carbon by 2030 which requires the reduction of carbon emissions across its property portfolio. This will require working collaboratively with its stakeholders, making effective improvements to its buildings through prioritising refurbishments that use sustainable materials, reducing energy demand and using certified schemes to offset residual emission. Capco will continue to work to enhance air quality by reducing traffic and congestion and working with partners to

enhance the quality of green space. For the first time in 2021, Capco fully offset its scope 1 and scope 2 emissions.

Capco is also subject to the Minimum Energy Efficiency Standards ("**MEES**") regulations which set out the minimum level energy performance certification ("**EPC**") required for all new lettings on an accelerating basis from 2023. Capco is committed to transparent environmental reporting alongside aiming to improve its EPC performance. Capco has set accelerated EPC targets as part of its 'Net Zero Carbon' pathway. Capco's long-term management of its properties EPC performance means it is are well-placed to meet targets ahead of statutory regulation timelines.

As a long-term steward of the Covent Garden estate, Capco aims to make Covent Garden a UK leader in sustainability by delivering positive environmental and social outcomes that enhance value for stakeholders while protecting the unique character and heritage of the estate. Capco continues to support programmes which benefit the communities in which it operates including the provision of financial aid supporting homelessness, food banks and the elderly directly in its community. Capco further supports as hospitality, cultural heritage and retail foundations particularly in the context of post-pandemic recovery and collaborates and supports key estate initiatives with relevant partners including the delivery of enhanced pedestrianisation, an extended al fresco dining scheme and extensive greening and biodiversity programmes.

5.2 **Community**

Capco has co-ordinated initiatives to promote a greener, more biodiverse and culturally rich estate at Covent Garden for the benefit of the local community. This includes supporting local community-focused programmes and being one of the main sponsors of the Covent Garden food bank, making significant contributions and providing assistance throughout the year.

In 2022, Capco is intending to launch the 'Covent Garden Community Charter', for the benefit of the community and in consultation with the local community on its plans. The Covent Garden Community Charter will be a voluntary code of conduct aimed at all Covent Garden occupiers to help engender a neighbourly approach to living and working in Covent Garden, whilst helping to support implementation of Capco's ESC Strategy.

5.3 **People**

The well-being of Capco's people is of the upmost importance. Capco has supported its employees during periods when government guidance advised working from home during COVID-19 and took measures to enhance its lifestyle programme for employees, with a focus on resilience and healthy home working.

Prior to the return to the office, Capco re-consulted with its employees and refreshed individual and office risk assessments. Additional measures have been adopted to ensure Capco offices remain COVID-19 secure and in line with governance guidance, including installing plasma air ionisers to air conditioning filters and adding additional greenery to enhance the working environment.

6. Acquisition opportunities, asset management and developments

Capco continues to make improvements to its buildings, adapting to changing requirements and enhancing environmental performance. From 2022, Capco intends to increase investment in the estate across a number of asset management initiatives. As at 31 December 2021, space held for, or under, refurbishment extended to 71,500 square feet and represented 5.8% of total ERV.

Acquisition opportunities have remained limited with assets in the West End area tightly held, highlighting the enduring appeal of London's property market. Capco is actively tracking a number of properties on or around the Covent Garden estate for repositioning opportunities. Capco has a strong balance sheet and access to significant liquidity to take advantage of such opportunities. Capco's extensive knowledge of the district, close network of contacts and proven track record mean Capco is often the best positioned to acquire properties, frequently off-market.

7. Rental income

7.1 Net rental income

Underlying net rental income for the Covent Garden portfolio was £52.1 million for the year ending 31 December 2021, compared with £44.1 million for the year ending 31 December 2020. Underlying net rental income for the Capco Group portfolio was £52.3 million for the year ending 31 December 2021, compared with £43.6 million for the year ending 31 December 2020.

7.2 Occupancy

The occupancy rate of the Capco Group's property portfolio was 97.4% as at 31 December 2021. Over the COVID-19 pandemic period, Capco successfully maintained high occupancy levels by working closely with its occupier base to provide bespoke solutions to address the impact of COVID-19 on a case-by-case basis. This engagement minimised occupier failures, ensuring high occupancy levels across the Capco property portfolio.

8. Market dynamics

The Capco Group operates a real estate investment portfolio in the Central London retail, hospitality, office, residential and leisure sectors. London is a global city attracting talent and investment from around the world. Its growing population is expected to reach 9.6 million by 2031 from 9 million in 2019.

It is estimated that London's West End attracts around 200 million domestic and international visits annually, providing a 7-days-a-week economy. The Directors and the Proposed Directors believe such characteristics underpin resilience in occupier demand in Central London, and in particular, for retail, hospitality and leisure accommodation which is reflected in stable occupancy and rental levels.

Despite the current uncertain economic and political environment, including the impact of the COVID-19 pandemic, the performance of retail and dining operators in Central London has proved to be more resilient in general than the wider UK market. The roll out of the vaccination and subsequent booster programme and lifting of COVID-19 restrictions by the UK Government have enabled the gradual return of footfall, resulting in a return of consumer and business confidence as well as more normal patterns of activity. This has been achieved in a period with limited international travel and office occupation which has been offset by a significant rise in the number of domestic tourists and Londoners. The Directors and the Proposed Directors believe that this domestic demand and expected return to more normal international footfall provides confidence as to further rental growth prospects.

Future rental growth may be tempered by increases to rising operational costs, however retailer and food and beverage demand for world-class shopping and dining destinations such as Covent Garden is expected to remain well supported, given high quality footfall location and global brand awareness.

With the emergence of the internet and online shopping, retailers are adapting to changes in consumer shopping behaviour and evolving their physical retail offers, to place more emphasis on consumer experience, service and flagship retailing with better digital engagement. A balance of uses, to include shops, restaurants and leisure, is becoming increasingly important to ensure thriving destinations.

9. Employees and employee relations

As at 31 December 2021, Capco Group had 72 employees, excluding Non-executive Directors and the Chairman. In 2021, Capco conducted an employee survey, which received both very high engagement scores and a very high response rate of over 90%, as well as high scores in most areas. The Directors believe that the employee survey results demonstrate Capco's entrepreneurial and dynamic culture with strong and positive performance. Several employee-led working groups have been established to consider matters highlighted in the survey results and recommendations will be brought forward for implementation as appropriate.

During the COVID-19 pandemic, Capco did not furlough any of its employees and Capco did not take up any other UK Government support measures.

10. Insurance

The Capco Group has insurance policies that provide coverage relating to the Capco Group's operations, activities, and assets. This includes property owner's insurance, public liability and terrorism insurance.

The Capco Group also has customary commercial insurance policies, commensurate with the size and scope of the business, including Directors' and Officers' liability insurance, which is reviewed annually.

11. Legal and regulatory framework

In the United Kingdom, contracts for the lease of property are governed partly by the Landlord and Tenant Act 1954 and other legislation, but the terms of the relevant contract or lease are also important. A typical lease for Capco retail properties are for a duration of 10 to 15 years, and 10 to 15 years for hospitality occupiers, with rent payable quarterly in advance and with rent reviews at the end of each five-year period. Rent reviews are nearly always "upward only" whereby the rent is increased to the market rent at the review date, unless the market rent is lower than the annual rental income, in which case it will not change. Occupiers typically bear the responsibility for repairing and insuring the property.

A more recent trend in the United Kingdom is for a more flexible approach by property owners, which may include shorter leases, rent which is partly related to a tenant's turnover and monthly rents. Capco has also adopted a flexible approach to commercial arrangements with occupiers including turnover related and shorter leases, which has enabled Capco to drive change and continue to reposition the estate. A selection of these short-term concepts have transitioned into longer term occupation, including Kick Game, Floozie and The Gentlemen Baristas.

12. Taxation of the Capco Group

The Capco Group benefits from certain tax exemptions under the REIT tax regime and as a result bears minimal current tax.

The Capco Group is treated for UK corporation tax purposes as a REIT. REITs are listed property investment companies or groups which are not liable to pay UK corporation tax on their income profits from qualifying activities or on capital gains on disposals of assets (including properties) used for their qualifying property rental business and of shares in certain UK property-rich companies. To qualify as and continue to be a REIT, such companies or groups must meet a number of conditions including minimum levels of interest cover and the proportion of total income profits and value of assets that relate to their qualifying property rental business.

To remain a REIT there are a number of conditions to be met in respect of the principal company of the group, the group's qualifying activity and its balance of business which are set out in the REIT legislation in the Finance Act 2006 and the Corporation Tax Act 2010, and regulations made thereunder. These include various tests relating to a number of factors, including the structure, ownership and residence of Capco, the nature of Capco's business, the percentage of profits derived from, and assets involved in, Capco's property rental business, the terms of loans to Capco and the level of distribution to shareholders.

As the principal company of a group REIT, Capco is required to distribute to shareholders at least 90% of the profits arising from the Capco Group's tax-exempt business as Property Income Distributions ("**PIDs**"). PIDs are generally paid after deduction of basic rate UK income tax, currently at the rate of 20%. Certain classes of shareholder, for example UK tax resident companies, can receive PIDs gross or (where gross payment has not been made) can offset the tax deducted against any liability to UK corporation tax. Non-UK resident shareholders may be able to apply for the repayment (in whole or in part) of tax deducted pursuant to the application of a relevant double taxation convention.

Although REITs do not pay UK corporation tax on income profits and capital gains from their UK qualifying rental business, they remain liable to UK corporation tax on profits from any non-qualifying activities including rental income from properties held as trading stock. The tax-exempt profits that are required to be distributed are not a REIT's accounting profits. HMRC requires various tax adjustments to be made including in respect of tax-deductible allowances on qualifying capital spend.

Disposals of shares in a REIT are subject to UK capital gains tax or corporation tax on chargeable gains, including in the case of a disposal by a person who is not resident in the UK subject to any applicable exemption or relief (including exemption under the terms of an applicable double taxation convention).

Although REIT status affords the Capco Group certain tax advantages while it continues to qualify as a REIT, the operation of the REIT rules subjects the Capco Group to tax charges in certain circumstances, including where the Capco Group does not satisfy the PID requirements.

PART IX

BUSINESS OVERVIEW OF THE SHAFTESBURY GROUP

1. Introduction

Shaftesbury is a FTSE 250 REIT which invests exclusively in the heart of London's West End. Focused on hospitality, retail and leisure, Shaftesbury's portfolio extends to approximately 16.5 acres and is clustered mainly in Carnaby, Seven Dials and Chinatown, but also includes substantial ownerships in east and west Covent Garden, Soho and Fitzrovia. In addition, the Shaftesbury Group has a 50% interest in the Longmartin Joint Venture, which has a long leasehold interest in an area extending to 1.9 acres at St Martin's Courtyard in Covent Garden.

As at 30 September 2021, the Shaftesbury Group's portfolio comprised approximately 600 buildings extending to 1.9 million sq. ft. of commercial and residential lettable space with an independent valuation of £3.0 billion. As at 31 March 2022, the Shaftesbury Group's property portfolio had increased to £3.3 billion, following a valuation growth since 30 September 2021 of 7.5% (like-for-like).

As at 30 September 2021, the annualised current income and ERV of the Shaftesbury Group portfolio were £107.8 million and £131.7 million respectively, compared with £107.2 million and £140.9 million respectively as at 31 March 2022.

The table below sets out the Shaftesbury Group's wholly owned portfolio by use as at 31 March 2022:

	Valuation		Area		Annualised current income		ERV	
Property Type	**£ billion**	**%**	**sq. ft. millions**	**%**	**£ millions**	**%**	**£ millions**	**%**
Hospitality and leisure	1.2	37	0.7	37	42.9	40	52.9	38
Retail	0.9	27	0.4	21	30.1	28	39.3	28
Offices	0.6	18	0.4	21	18.3	17	30.0	21
Residential	0.6	18	0.4	21	15.9	15	18.7	13
Total	3.3	100	1.9	100	107.2	100	140.9	100

Post 31 March 2022, Shaftesbury acquired a 200-year ungeared leasehold interest in the lower floors of 92-104 Berwick Street, Soho, for £27.5 million (excluding purchase costs). The interest comprises approximately 15,600 sq. ft. of retail accommodation and approximately 3,600 sq. ft. which is suitable for restaurant use.

Shaftesbury is a REIT, which enables it to operate largely on a tax-exempt basis in relation to rental income and gains on disposals of properties. Additional information about Shaftesbury's REIT status is set out in paragraph 10 of this Part IX *(Business overview of the Shaftesbury Group)*.

2. Incorporation and registered office

Shaftesbury is a public limited company limited by shares, incorporated in England and Wales, with registered number 01999238 and registered office at 22 Ganton Street, Carnaby, London W1F 7FD.

Shaftesbury operates under the Companies Act 2006. Shaftesbury's telephone number is +44 20 7333 8118 and its Legal Entity Identifier is 213800N7LHKFNDKAT98. Shaftesbury has a premium listing of shares on the Official List maintained by the FCA and those shares are admitted to trading on the Main Market of the LSE trading under the "SHB" ticker symbol.

3. Purpose and values

Shaftesbury's purpose is to contribute to the success of London's West End by curating lively and thriving villages where people live, work and visit.

Shaftesbury has five core values—Responsible, Long-term, Community minded, Original and Human. These guide its behaviours and ways of working, which demonstrate its commitment to doing the right thing—for its business, its stakeholders, and employees.

These values are a critical part of Shaftesbury's success. They help make Shaftesbury a great place to work and enable it to achieve its strategic priorities. These values are an important aspect when hiring new people and Shaftesbury ensures they are embedded in every aspect of the employee journey.

4. Portfolio

4.1 Portfolio summary and valuation analysis

A table setting out the valuation analysis as at 31 March 2022 for the Shaftesbury Group's property assets by property use is set out above in paragraph 1.

4.2 Key financial information

Shaftesbury funds investment in its property portfolio through a combination of equity and debt, with equity providing the permanent capital to support its long-term strategy. Under REIT rules, Shaftesbury is required to distribute the majority of its recurring earnings (as set out in paragraph 10 of this Part IX (*Business overview of the Shaftesbury Group*)). Furthermore, the importance of ownership clusters in long-term value creation means that opportunities to recycle capital are limited.

Shaftesbury adopts a prudent approach to its capital structure, seeking to minimise financing risk.

Key aspects of Shaftesbury's financing policy include conservative leverage, diversified sources of finance and a spread of debt maturities. The core of its debt finance is secured, long-term arrangements, consistent with the long-term nature of its business model, investment strategy and income streams, with the majority of interest fixed. Working capital is provided through a secured revolving credit facility.

In managing financing risk, Shaftesbury aims to maintain:

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

At 30 September 2021, Shaftesbury had £211.3 million of cash and access to a £100 million undrawn revolving credit facility. It had debt of £959.8 million. The loan to value ratio, based on net debt, was 24.9% and the weighted average maturity of debt facilities was 8.0 years with the earliest maturity being its £100 million Shaftesbury 2018 RCF in February 2023.

At 31 March 2022, Shaftesbury had £203.9 million of cash and access to a £100 million undrawn revolving credit facility. It had debt of £959.8 million. The loan to value ratio, based on net debt, was 23.2%, having decreased since 30 September 2021 largely due to the property revaluation set out in 1 above. The weighted average maturity of debt facilities was 7.5 years with the earliest maturity being its £100 million Shaftesbury 2018 RCF in February 2023.

For the year ended 30 September 2021, the Shaftesbury Group's net property income was £64.7 million, having decreased compared with the year ended 30 September 2019 (pre-COVID-19 pandemic) when net property income was £98.0 million. For the six months ended 31 March 2022, the Shaftesbury Group's net property income was £41.1 million, with a recovery in operating conditions leading to lower vacancy, improved rent collections and reduced charges for expected credit losses and impairments.

4.3 Valuation Reports

Property valuations of the Shaftesbury Group as at 31 March 2022 are set out in the Valuation Reports in Appendix 2 (*Valuation Reports*) of this document. There has been no material change to the value of the Shaftesbury Group's property assets since 31 March 2022.

4.4 Portfolio locations

4.4.1 Carnaby

The Shaftesbury Group's largest Village, extending to 4.8 acres, is centred on Carnaby Street and extends to 13 surrounding streets, the majority of which are pedestrianised for most of the day.

Carnaby is an iconic shopping and dining destination, a few minutes from both Oxford Circus and Piccadilly Circus. Famous for its history as the centre of "Swinging Sixties London", Carnaby has

reinvented itself throughout the decades. Today, its 14 streets showcase international and British labels, from flagships to independent brands and new concepts. It is also home to a lively cluster of restaurants, cafés and bars, centred on Kingly Court, Kingly Street and Ganton Street.

4.4.2 **Chinatown**

Chinatown is a bustling Village with a large far-eastern community at the heart of London's West End entertainment district, next to Leicester Square and Shaftesbury Avenue, and close to Piccadilly Circus. Its large concentration of restaurants and cafés, in predominantly pedestrianised streets, offers an evolving mix of traditional and modern Chinese and pan-Asian culture and cuisines. The Shaftesbury Group's ownerships extend to 3.8 acres.

4.4.3 **Soho**

Soho is home to many independent boutiques, iconic restaurants, cafés, bars, and clubs. By day, it offers a wide variety of independent, quirky shops and is a hub for creativity with many small businesses, typically in the media, tech and fashion sectors. In the evening and night-time, its distinctive atmosphere and proximity to the West End's main leisure and cultural attractions, makes it a popular destination for visitors and the large local working population. The Shaftesbury Group's ownerships extend to 1.8 acres and are largely centred on Berwick Street and Brewer Street.

4.4.4 **Seven Dials, Opera Quarter and Coliseum**

The Shaftesbury Group's wholly-owned properties in the Seven Dials, the Opera Quarter and the Coliseum areas extend to 5.2 acres. Seven Dials comprises a seventeenth century network of streets, courtyards and warehouse buildings radiating from the central sundial monument which have a mix of shops, restaurants, bars, theatres and hotels. To the east and west of the Covent Garden Piazza, the Opera Quarter and Coliseum holdings have a high concentration of restaurants, cafés, pubs and bars reflecting their close proximately to major theatres, cinemas and hotels.

4.4.5 **Fitzrovia**

To the north of Oxford Street and close to Tottenham Court Road, Fitzrovia is London's oldest dining district, renowned for its abundance of small restaurants, bistros, cafés, pubs and bars. Its large residential, student and working populations add to the area's buzz and cosmopolitan feel. The Shaftesbury Group's ownerships extend to 0.9 acres on, or close to, Charlotte Street and Goodge Street.

4.4.6 **Longmartin Joint Venture**

The Longmartin Joint Venture, in which the Shaftesbury Group owns 50%, owns a long leasehold interest in a 1.9-acre cluster of mixed-use buildings, centred on St Martin's Courtyard at the junction of Long Acre and Upper St Martin's Lane near Seven Dials. This offers a range of hospitality and retail concepts, alongside over 100,000 sq. ft. of office space and 75 apartments.

4.5 **Portfolio uses**

Providing a diversified mix of income streams, the Shaftesbury Group's mixed-use portfolio generally comprises restaurants, shops, cafés, bars and pubs over lower floors with offices and residential on upper floors. At 30 September 2021, the portfolio's 1.1 million sq. ft. of hospitality, retail and leisure space provided 69% of the Shaftesbury Group's annualised current income and 66% of ERV. At that date, the portfolio comprised 325 restaurants, cafés and pubs and 283 shops, mostly of medium or small size. At 31 March 2022, the portfolio's 1.1 million sq. ft. of hospitality, retail and leisure space provided approximately 68% of the Shaftesbury Group's annualised current income and approximately 66% of portfolio ERV. At that date, the portfolio comprised 322 restaurants, cafés and pubs and 291 shops, mostly of medium or small size.

4.5.1 **Hospitality and leisure**

At the centre of London's food scene, London's West End has a wide choice of creative and accessible dining experiences, from breakfast through to late night dining. The Shaftesbury Group curates high-profile and busy hospitality destinations such as Chinatown, Kingly Court, Neal's Yard and the Opera Quarter. In the Shaftesbury Group's experience, a strong hospitality offering has a halo

effect on footfall, attracting visitors, increasing dwell time and driving improved trading in the Shaftesbury Group's Villages.

The majority of the Shaftesbury Group's occupiers provide casual dining, with a focus on ambience, quality and experience, often with an all-day offer. The Shaftesbury Group favours mid-market and distinctive formats, often supporting new independent concepts or international entrants, rather than formulaic chains.

Restaurant tenants invest considerable sums fitting out their space and, therefore, the Shaftesbury Group grants longer leases than for shops, to provide an extended period over which occupiers can amortise this cost.

Historically, leases were often granted over whole buildings and provided tenants with renewal rights on expiry. In recent years, the Shaftesbury Group has also reduced the term of leases it grants, with new lease terms typically 15 years, introduced more flexibility at expiry and included turnover-related rental top-ups, giving it the higher of market rent and a percentage of sales.

As at 30 September 2021, the Shaftesbury Group's hospitality and leisure space extended to 0.7 million sq. ft. and was valued at £1.1 billion. The ERV at this date of £49.9 million represented approximately 38% of the total ERV of the Shaftesbury Group's property portfolio.

As at 31 March 2022, the Shaftesbury Group's hospitality and leisure space was valued at £1.2 billion. The ERV at this date of £52.9 million represented approximately 38% of the total ERV of the Shaftesbury Group's property portfolio.

4.5.2 **Retail**

A key element of the character of the Shaftesbury Group's Villages is the wide range of shop sizes across the buildings and streets, from boutiques to larger flagships, which allows the Shaftesbury Group to provide a variety of rental levels and retail formats, from start-ups to more established operators, while offering retailers flexibility to expand or introduce new concepts within its Villages. Ensuring the Shaftesbury Group's Villages have a fresh and differentiated retail mix is fundamental in ensuring the Shaftesbury Group creates and maintains distinctive locations. The Shaftesbury Group targets mid-market, innovative, independent brands with new concepts, or first stores and flagships, rather than predictable national chains.

The Shaftesbury Group continues to reconfigure some of its larger shops, reflecting the acceleration of retailer demand for smaller, more-affordable space to showcase their brands. Where space is released, Shaftesbury seeks to introduce alternative uses, such as restaurants, live entertainment space or offices, where possible.

The Shaftesbury Group adopts a flexible approach to leasing. Its typical retail leases are relatively short, often 3 to 5 years, encouraging occupier demand and providing opportunities to constantly evolve the occupier mix to bring fresh and interesting consumer experiences. The Shaftesbury Group trials new concepts through pop-ups and short-term leases. As well as adding interest to the Shaftesbury Group's Villages, this provides the opportunity to assess performance and the value they add to the Shaftesbury Group's streets.

As at 30 September 2021, the Shaftesbury Group's shops extended to 0.4 million sq. ft. and were valued at £0.8 billion. The ERV was £36.7 million at that date, representing approximately 28% of the total ERV of the Shaftesbury Group's property portfolio.

As at 31 March 2022, Shaftesbury's retail was valued at approximately £0.9 billion. The ERV was £39.3 million, representing approximately 28% of the total ERV of the Shaftesbury Group's property portfolio.

4.5.3 **Offices**

Offices are an intrinsic part of the mix of uses in the Shaftesbury Group's Villages, bringing a working population which is an important source of consumers for the Shaftesbury Group's restaurants, cafés, pubs, bars and shops.

The Shaftesbury Group's office space is generally small, flexible and relatively affordable, mostly situated on floors above its hospitality, retail and leisure units. A range of office sizes provides opportunities for occupier expansion. Typically, the Shaftesbury Group's office space is occupied by

small and medium-sized businesses in the media, creative, fashion and tech sectors. These have traditionally found their natural home in Carnaby, Soho and Covent Garden, and are attracted by the vibrant locations, flexibility and relative affordability provided by the Shaftesbury Group, together with the community of similar businesses in this creative part of London. The typical lease term is 2 to 5 years. During the year ended 30 September 2021, the Shaftesbury Group also introduced fitted options and a digital leasing capability.

As at 30 September 2021, the Shaftesbury Group's office accommodation extended to 0.4 million sq. ft. and was valued at £0.5 billion. The ERV was £28.3 million at that date, representing approximately 21% of the total ERV of the Shaftesbury Group's property portfolio.

As at 31 March 2022, Shaftesbury's office space was valued at £0.6 billion. The ERV was £30.0 million, representing approximately 21% of the total ERV of the Shaftesbury Group's property portfolio.

4.5.4 **Residential**

The Shaftesbury Group's residential portfolio comprises primarily mid-market flats—mainly studios and one or two-bedroom apartments, many of which have been created from the conversion of small office accommodation back to its original residential use.

The Shaftesbury Group typically lets its apartments unfurnished, on three-year Assured Shorthold Tenancies. These leases are flexible, including rolling mutual break options after six months, and provide for annual RPI rent increases. It is currently planning to trial a furnished residential product to widen the appeal of its apartments and allow it to satisfy a growing demand for turnkey apartments.

Most of the value of the Shaftesbury Group's buildings is in the commercial uses on the lower floors. Consequently, the Shaftesbury Group prefers to lease, rather than sell, apartments in order to retain control over whole buildings to realise the long-term potential in those valuable lower floors.

The Shaftesbury Group has a rolling programme to upgrade its apartments, in order to ensure their specification remains competitive and to maintain its high occupancy rates.

As at 30 September 2021, the Shaftesbury Group's apartments extended to 0.4 million sq. ft. and were valued at £0.5 billion. The ERV was £16.8 million at that date, representing approximately 13% of the total ERV of the Shaftesbury Group's property portfolio.

As at 31 March 2022, Shaftesbury's residential space was valued at £0.6 billion and the ERV was £18.7 million, representing approximately 13% of the total ERV of the Shaftesbury Group's property portfolio.

4.6 **Occupiers**

The largest contributor to the Shaftesbury Group's annualised current income as at 31 March 2022 contributed less than 1.5% of that annualised current income. The top ten contributors to annualised current income contributed less than 10% of that annualised current income.

5. Acquisitions, capital expenditure and disposals

5.1.1 **Acquisitions**

During the year ended 30 September 2020, faced with the potential for an extended period of COVID-19 uncertainties, Shaftesbury placed a moratorium on new schemes and acquisitions, other than by exception.

During the second half of the year ended 30 September 2021, with the revival of London's West End firmly established, and strong occupier demand across each of its uses, Shaftesbury Group relaxed its moratorium on new schemes and acquisitions.

While long-term private owners of buildings in London's West End are in the Shaftesbury Group's experience traditionally reluctant to sell, the Shaftesbury Group was able to acquire four buildings within its core ownership clusters during the year ended 30 September 2021, at a total cost of £13.2 million. These each offer medium-term asset management opportunities and will benefit the Shaftesbury Group's adjoining holdings.

During the six months ended 31 March 2022, Shaftesbury acquired five buildings in Covent Garden, Chinatown and Fitzrovia for a total cost of £19.6 million. In May 2022, Shaftesbury acquired a 200-year ungeared leasehold interest in the lower floors of 92-104 Berwick Street, Soho, for £27.5 million (excluding purchase costs).

5.1.2 **Capital expenditure**

The Shaftesbury Group continues to improve and repurpose its buildings to adapt to ever-changing occupier requirements, enhance environmental performance and augment its portfolio's long-term income prospects. In normal times, Shaftesbury often seeks to secure vacant possession of space to create asset management opportunities.

Whilst a moratorium on new schemes other than by exception was put in place during the year ended 30 September 2020, as noted in 5.1.1, existing schemes continued to completion, and where space became vacant, Shaftesbury continued to ensure it was refurbished appropriately to enhance letting prospects.

In the year ended 30 September 2021, Shaftesbury continued to prioritise protecting existing income, and concentrated on progressing existing schemes and carrying out improvements on space that became available, rather than actively seeking to increase scheme activity. The reconfiguration of some of its larger shops continued, reflecting the acceleration of retailer demand for smaller, more-affordable space to showcase their brands.

However, given the recent recovery in footfall and spending, and with portfolio occupancy continuing to improve towards Shaftesbury's long-term, pre-pandemic average, Shaftesbury is now considering pro-actively taking back space, providing opportunities to accelerate schemes to improve the space, introduce new concepts and create new rental evidence, including ideas that were put on hold whilst the moratorium was in place.

Capital expenditure in the years ended 30 September 2020 and 30 September 2021 amounted to £34.8 million and £37.4 million respectively, which included expenditure on its largest development scheme at 72 Broadwick Street, Carnaby. Capital expenditure in the six months ended 31 March 2022 amounted to £16.6 million.

5.1.3 **Disposals**

With the Shaftesbury Group's strategy to establish and extend ownership clusters, disposals are rare. However, the Shaftesbury Group keeps its portfolio under review to identify and sell individual buildings which, through change of circumstances, it no longer considers to be of core importance to its long term strategy, and where disposals will not damage the integrity and long-term value of its portfolio.

In the year ended 30 September 2021, the Shaftesbury Group sold one building which it no longer considered to be part of its longer term investment strategy, realising net proceeds of £5.2 million. In the six months ended 31 March 2022, the Shaftesbury Group sold two buildings, realising net proceeds of £11.2 million.

The Shaftesbury Group intends to continue the selected disposal of the limited number of buildings that no longer meet its investment criteria.

6. Environment and Sustainability

The Shaftesbury Group has adopted a comprehensive environmental and sustainability policy. Shaftesbury is committed to operating in an environmentally sustainable manner and to minimise the environmental impact of the Shaftesbury Group's operations, including on climate change.

In November 2021, Shaftesbury announced its net zero carbon strategy and action plan. Its aim is to be carbon neutral for its own emissions by 2025 and to commit to net zero carbon across the business by 2030. The strategy includes a roadmap of actions Shaftesbury will be implementing to achieve its goals as well as signposting the challenges it expects to face along the way.

Engaging with its 800+ commercial occupiers, to help them reduce the carbon and other environmental impacts of their business, will make an important contribution to achieving Shaftesbury's own goals. Shaftesbury's Board believe the close and supportive relationship Shaftesbury has with its occupiers underpins its actions and results.

A Board-level Sustainability Committee monitors progress against Shaftesbury's sustainability strategy and net zero carbon commitment and makes recommendations, as appropriate, to the Board. An Executive Sustainability Committee, chaired by the CEO, involves employees from across the business and considers all aspects of sustainability, including reviewing Shaftesbury's ESC policies. The Sustainability Committee meets quarterly.

Shaftesbury's sustainability strategy for the next three years is to focus on three key areas:

- Sustainable building re-use: preserving the heritage of London's West End is crucial to its long-term success. The protection and re-use of buildings to extend their useful lives minimises the embodied carbon emissions associated with construction, help to achieve Shaftesbury's net zero carbon aspirations and improve the long-term resilience of its portfolio.
- Supporting our local community: London's West End has a vibrant community, but the boroughs of Westminster and Camden have some of the highest levels of inequality in the country. Shaftesbury is seeking to create more employment opportunities for local people and address the lack of diversity in the property sector. It will continue its support for young people and its local communities through the partnerships that it has developed with grassroots local organisations.
- Influence, motivate and collaborate: Shaftesbury's most significant environmental impact comes from the activities of its occupiers and supply chain. By supporting and partnering with them, Shaftesbury can maximise its positive impact and help to promote positive sustainability actions. Shaftesbury's Board believes that collaborating with the local community groups ensures that its investment is directed to projects that most effectively meet local needs.

The Shaftesbury Group aims to extend the useful lives of its buildings through refurbishment, changes of use and reconfiguration and, wherever possible, seeks to exceed minimum compliance with all legal and regulatory sustainability requirements. Shaftesbury's rolling programme of improving its buildings, which has averaged approximately 11% of its floor space annually over the past nine years, will bring incremental energy performance improvements in the period to 2030 and beyond. The overriding aim is to deliver real improvement rather than rely on carbon offsetting to achieve its net zero target.

In order to ensure that the Shaftesbury Group meets environmental standards for good building design and operation, it follows BREEAM (Building Research Establishment Environmental Assessment Method) principles for all refurbishment projects with a value over £1 million, where it aims to achieve a minimum BREEAM certification of Very Good. By 30 September 2021, since the Shaftesbury Group introduced this requirement, it has had 23 schemes certified, extending to approximately 11% of the portfolio by floor area.

Under the MEES regulations, from 2023, all new lettings are required to have an Energy Performance Certificate ("**EPC**") of grade E or above to demonstrate their energy efficiency. As of 30 September 2021, 93% of properties were A to E grade (1,453 demises). As at the date of this document, some properties are omitted as they do not require an EPC; for example, the buildings are currently under development, the applicable lease pre-dates the 2007 regulations, or the properties are demises such as sub-stations and are not subject to the MEES regulations. Further, a small number are exempted under the regulations, as the costs of doing the works are prohibitive and would be too disruptive to occupiers. As part of its ongoing refurbishment programme, Shaftesbury intends to undertake works to improve EPC ratings as the demises become vacant, or will work with tenants to meet the requirements of the regulations.

Shaftesbury is also considering its longer-term approach to effectively meeting or exceeding future EPC requirements, as MEES regulations become more stringent.

7. Employees and employee relations

As at 31 March 2022, the Shaftesbury Group had 54 employees.

In 2021, Shaftesbury conducted an all-employee survey, to which there was a high level of engagement from staff. The results were very positive, particularly in responses relating to overall employee engagement. Over 90% of respondents agreed with the statements "I am proud to work for

Shaftesbury" and "I would recommend Shaftesbury as a great place to work". Another measure of positive employee engagement was Shaftesbury's 100% permanent employee retention rate in the year ended 30 September 2021, reflecting Shaftesbury's commitment to look after employees and make Shaftesbury a great place to work. The Shaftesbury Group employs a diverse team of talented people, united by a shared ambition to making a positive, long-lasting contribution to the success of London's West End by curating lively and thriving Villages where people live, work and visit to long-term social and economic value for the benefit of its stakeholders.

The Shaftesbury Group's culture is one of respecting tradition but bringing innovation, acting with courtesy, respect and integrity, not being afraid to embrace change, seeking challenge, trying new things and evolving. Shaftesbury is inclusive, encouraging difference and welcoming new people, ideas and perspectives to enable everyone to be themselves, have a voice, and contribute to the delivery of its goals. Shaftesbury has a culture group, which comprises a cross section of employees representing different departments and levels of experience within the business. This is a useful way for Shaftesbury to further listen to its employees.

The Shaftesbury Board has a policy to promote diversity and inclusivity, both in its membership, and Shaftesbury's employees. The Shaftesbury Board feels that a group that is diverse in nature, irrespective of visible and non-visible differences, backgrounds, gender, experience and orientation is able to provide differing perspectives and challenge.

Shaftesbury strives for an inclusive culture with a collaborative environment that is open to different ideas and styles of thinking, where all of its people feel they can be themselves and contribute to the Shaftesbury Group's success; everyone has a voice. Shaftesbury treats its people with fairness, respect and openness, and encourages its people to share ideas, develop their skills and reach their potential. Shaftesbury's commitment extends to the standards it expects of the businesses with whom it partners and works.

Diversity is considered at every level of recruitment. All appointments are made on merit and based on objective criteria. Shaftesbury also supports initiatives to promote diversity within the real estate sector. It is a member of the 30% Club, which is a campaign to achieve a minimum of 30% representation of women on FTSE 350 boards.

The FTSE Women Leaders: Hampton-Alexander Review, which is an independent, business-led initiative supported by the Government, aims to increase the number of women in leadership positions in FTSE 350 companies. In 2020, for the fourth year running, Shaftesbury was top of the FTSE 250 in the FTSE Women Leaders: Hampton-Alexander Review for the highest female representation on the executive committee and direct reports.

8. Insurance

The Shaftesbury Group has insurance policies that provide coverage relating to the Shaftesbury Group's operations, activities and assets. This includes property owner's insurance, business interruption, public/product liability and terrorism insurance.

The Shaftesbury Group also has in place customary commercial insurance policies, commensurate with the size and scope of its business.

9. Legal and regulatory framework

In the United Kingdom, commercial leases of property are governed partly by the Landlord and Tenant Act 1954 and other legislation, but the terms of the relevant lease are also important and it is possible to contract out of key parts of the Landlord and Tenant Act 1954, which the Shaftesbury Group typically does when granting new leases. The Shaftesbury Group prefers shorter lease terms, varying depending on lease type, for example retail lease lengths typically being 5 years or less and restaurant leases typically being 10 to 15 years in length. From 1 October 2020, the Shaftesbury Group implemented a policy of rent payments monthly in advance for the majority of its tenants, moving away from the more typical quarterly in advance payment terms. Rent reviews, on a five yearly review pattern (for leases longer than five years) are nearly always "upward only" whereby the rent is increased to the market rent at the review date, unless the market rent is lower than the Passing Rent, in which case it will not change. Occupiers typically bear the responsibility for repairing and insuring the property.

The use of the Shaftesbury Group's properties must be in accordance with the UK's planning regime and the general rule is that planning permission is required for any change of use of any property. There is an exception to the need for planning permission in the case of changes of use to another use within the same use class which do not require planning permission, and in some instances permitted development rights may also be able to be relied upon. Whether or not planning permission, where required for a change of use, will be granted depends upon whether the application accords with the relevant planning authority's planning policies.

10. Taxation of the Shaftesbury Group

The Shaftesbury Group benefits from certain tax exemptions under the REIT tax regime and as a result bears minimal current tax.

The Shaftesbury Group is treated for UK corporation tax purposes as a REIT. REITs are listed property investment companies or groups which are not liable to pay UK corporation tax on their income profits from qualifying activities or on capital gains on disposals of assets (including properties) used for their qualifying property rental business and of shares in certain UK property-rich companies. To qualify as and continue to be a REIT, such companies or groups must meet a number of conditions including minimum levels of interest cover and the proportion of total income profits and value of assets that relate to their qualifying property rental business.

To remain a REIT there are a number of conditions to be met in respect of the principal company of the group, the group's qualifying activity and its balance of business which are set out in the REIT legislation in the Finance Act 2006 and the Corporation Tax Act 2010, and regulations made thereunder. These include various tests relating to a number of factors, including the structure, ownership and residence of Shaftesbury, the nature of Shaftesbury's business, the percentage of profits derived from, and assets involved in, Shaftesbury's property rental business, the terms of loans to Shaftesbury and the level of distribution to shareholders.

As the principal company of a group REIT, Shaftesbury is required to distribute to shareholders at least 90% of the profits arising from the Shaftesbury Group's tax-exempt business as PIDs. PIDs are generally paid after deduction of basic rate UK income tax, currently at the rate of 20%. Certain classes of shareholder, for example UK tax resident companies, can receive PIDs gross or (where gross payment has not been made) can offset the tax deducted against any liability to UK corporation tax. Non-UK resident shareholders may be able to apply for the repayment (in whole or in part) of tax deducted pursuant to the application of a relevant double taxation convention.

Although REITs do not pay UK corporation tax on income profits and capital gains from their UK qualifying rental business, they remain liable to UK corporation tax on profits from any non-qualifying activities including rental income from properties held as trading stock. The tax-exempt profits that are required to be distributed are not a REIT's accounting profits. HMRC requires various tax adjustments to be made including in respect of tax-deductible allowances on qualifying capital spend.

Disposals of shares in a REIT are subject to UK capital gains tax or corporation tax on chargeable gains, including in the case of a disposal by a person who is not resident in the UK subject to any applicable exemption or relief (including exemption under the terms of an applicable double taxation convention).

Although REIT status affords the Shaftesbury Group certain tax advantages while it continues to qualify as a REIT, the operation of the REIT rules subjects the Shaftesbury Group to tax charges in certain circumstances, including where the Shaftesbury Group does not satisfy the PID requirements.

PART X

DIRECTORS, PROPOSED DIRECTORS AND CORPORATE GOVERNANCE

1. Directors

The Directors of the Company as at the date of this document and their respective roles are set out below:

Name	Position
Henry Staunton	Chairman
Ian Hawksworth	Chief Executive
Situl Jobanputra	Chief Financial Officer
Michelle McGrath	Executive Director
Anthony Steains	Senior Independent Director
Charlotte Boyle	Independent Non-executive Director
Jonathan Lane	Independent Non-executive Director

The business address of each Director is Regal House, 14 James Street, London, WC2E 8BU, United Kingdom.

A short biography for each Director is set out below. Further information on the Directors, including the companies of which each of the Directors has been a director at any time in the past five years, is set out in paragraph 7.1 of Part XVI (*Additional Information*) of this document.

Henry Staunton, Chairman

Henry Staunton is currently the Chairman of Capco. Henry was appointed as Chairman in 2018, having joined the Board in 2010. A Chartered Accountant, Henry has extensive financial and commercial experience. His previous roles include Finance Director of Granada and ITV, Chairman of Phoenix Group Holdings and Ashtead Group, and Vice Chairman of Legal & General. Henry is Chairman of WH Smith plc.

Henry will retire from the Board following completion of the Merger.

Ian Hawksworth, Chief Executive

Ian Hawksworth is currently the Chief Executive of Capco. Ian has led the Capco business since 2006, shaping strategy and driving performance. He has over 35 years' experience in global real estate investment, development, asset and corporate management, having been an Executive Director of Hongkong Land Ltd and Liberty International PLC and is a non-executive director of Chancerygate Limited. Ian is a Chartered Surveyor and a member of leading international industry bodies. Ian will become Chief Executive of the Combined Group following completion of the Merger.

Situl Jobanputra, Chief Financial Officer

Situl Jobanputra is currently the Chief Financial Officer of Capco. Situl leads the Capco finance function (which includes reporting, treasury, corporate finance and tax) and works closely with the Chief Executive on strategy, capital allocation, investment and transactions. He is also currently responsible for the management of Capco's investment in Shaftesbury. Having joined Capco in 2014, he undertook a number of senior roles in the business and was appointed as CFO in 2017. Situl is an experienced corporate financier, having led Deutsche Bank's UK real estate investment banking team before joining Capco.

Situl will become Chief Financial Officer of the Combined Group following completion of the Merger.

Michelle McGrath, Executive Director

Michelle McGrath is currently an Executive Director of Capco. Michelle leads the Capco Group's asset management and leasing teams as well as asset acquisitions and disposals. Michelle works closely with the Chief Executive on strategy and investment and was appointed to the Board in 2020. Having joined Capco in 2014, she has undertaken a number of senior roles across the business. Michelle is an experienced corporate broker having previously been at UBS Investment Bank focusing on the UK listed real estate sector.

On completion of the Merger, Michelle will join the Executive Committee, with responsibility for the leadership and investment performance of the combined Covent Garden portfolio.

Anthony Steains, Senior Independent Director

Anthony Steains is currently the Senior Independent Director of Capco. He was appointed a Non-executive Director of Capco in 2016. Anthony is the chief executive officer of Comprador Limited, a strategic corporate finance advisory firm based in Hong Kong, and has over 25 years of corporate finance experience. A Chartered Accountant, prior to founding Comprador Anthony was a senior managing director and head of Blackstone Advisory Partners in Asia and held senior positions in Asia at Lehman Brothers, Deutsche Bank and ING Barings. Anthony is a director of Twelve Seas Investment Company II, which is listed on NASDAQ.

Anthony will become an Independent Non-executive Director of the Combined Group following completion of the Merger. Anthony will no longer act as Senior Independent Director following Completion.

Charlotte Boyle, Independent Non-executive Director

Charlotte Boyle is currently an independent Non-executive Director of Capco. Charlotte was appointed a Non-executive Director of Capco in 2017. Charlotte is a former partner of The Zygos Partnership, an international search and board advisory firm. Prior to this, Charlotte worked for Goldman Sachs International and Egon Zehnder International. Charlotte is a Non-executive Director of Coca-Cola HBC AG, and Thatchers Cider Company Limited, a Non-executive adviser to Knight Frank LLP, and a Trustee of Alfanar, the venture philanthropy organisation. Charlotte is also Chair of UK for UNHCR.

Charlotte will become an Independent Non-executive Director of the Combined Group following completion of the Merger.

Jonathan Lane OBE, Independent Non-executive Director

Jonathan Lane is currently an independent Non-executive Director of Capco. Jonathan was appointed a Non-executive Director of Capco in 2019. He was chief executive and then Non-executive chairman of Shaftesbury until September 2016, and was Non-executive chairman of EasyHotel plc until October 2019. His current charitable roles include The National Trust and The Royal Theatrical Support Trust, where he is a trustee. He is a Fellow of the Royal Institution of Chartered Surveyors.

Jonathan will retire from the Board following completion of the Merger.

2. Proposed Directors

The following table lists the names, proposed and current positions of the Shaftesbury Directors who are expected to join the Combined Group's Board upon completion of the Merger.

Name	Proposed Position	Current Position within Shaftesbury
Jonathan Nicholls	Chairman	Chairman
Chris Ward	Chief Operating Officer	Chief Financial Officer
Richard Akers	Senior Independent Director	Senior Independent Director
Ruth Anderson	Independent Non-executive Director	Independent Non-executive Director
Helena Coles	Independent Non-executive Director	Independent Non-executive Director
Jennelle Tilling	Independent Non-executive Director	Independent Non-executive Director

The business address of each Proposed Director is 22 Ganton Street, Carnaby, London W1F 7FD.

A short biography for each Proposed Director is set out below. Further information on the Proposed Directors, including the companies of which each of the Proposed Directors has been a director at any time in the past five years, is set out in paragraph 7.1 of Part XVI (*Additional Information*) of this document.

Jonathan Nicholls, Shaftesbury's Chairman, Proposed Combined Group Chairman

Jonathan Nicholls joined the Shaftesbury Board as chair in 2016. Jonathan was non-executive director and chair of the audit committee of Great Portland Estates plc, SIG plc and DS Smith plc. He was also Senior Independent Director of Great Portland Estates plc and DS Smith plc. Prior to this, Jonathan

was finance director of Hanson plc and of Old Mutual plc. Jonathan has over 20 years' experience of public company boards and their operations. He also has over 21 years of experience in the property sector and is a member of the Institute of Chartered Accountants in England and Wales. Jonathan is also Chairman of Ibstock plc.

Jonathan will become the Non-executive Chairman of the Combined Group following completion of the Merger.

Chris Ward, Shaftesbury's Chief Operating Officer, Proposed Combined Group Chief Operating Officer

Chris Ward joined the Shaftesbury Group in 2012 as Finance Director, having previously spent nine years with Redevco UK Limited as Finance Director of the UK and Nordic countries. Chris has significant financial and real estate experience contributing to Shaftesbury Group strategy, is responsible for Shaftesbury's finance, accounting, tax and IT and is a member of the Institute of Chartered Accountants in England and Wales.

Chris will become the Chief Operating Officer of the Combined Group following completion of the Merger.

Richard Akers, Shaftesbury's Senior Independent Director, Proposed Combined Group Senior Independent Director

Richard Akers joined the Shaftesbury Board in 2017 and was appointed Senior Independent Director and designated non-executive director for employee engagement in February 2019. Previously, Richard was a non-executive director, senior independent director and chairman of the remuneration committee and safety, health and environmental committee of Barratt Developments PLC, and non-executive director of Unite Group plc. Prior to this, Richard was a senior executive of Land Securities Group PLC from 1995 and joined the main board in 2005 as managing director of the retail portfolio until 2014 and is a member of the Royal Institution of Chartered Surveyors. Richard is also Chairman of Redrow plc.

Richard will become the Senior Independent Director of the Combined Group following completion of the Merger.

Ruth Anderson, Shaftesbury's Independent Non-executive Director, Proposed Combined Group Independent Non-executive Director

Ruth Anderson joined the Shaftesbury Board in 2020 and has over 30 years' experience advising UK and global businesses. Previously non-executive director and chair of the audit committee at Ocado Group plc, Travis Perkins plc and Coats Group plc. Prior to her non-executive career Ruth was with KPMG LLP for 33 years, where she was a partner for 20 years, including being a UK board member from 1998 to 2004 and a vice chairman from 2005 to 2009. Ruth is a member of the Institute of Chartered Accountants.

Ruth will become an Independent Non-executive Director of the Combined Group following completion of the Merger.

Helena Coles, Shaftesbury's Independent Non-executive Director, Proposed Combined Group Independent Non-executive Director

Helena Coles joined the Shaftesbury Board in 2021 and has over 25 years' experience in emerging markets and Asian equity investment, which included co-founding a specialist investment boutique part-owned by State Street Global Advisors. In addition, Helena has held roles with Fidelity International and the Bank of England, focusing on ESG and banking supervision, respectively. Helena is also a non-executive director of JPMorgan Emerging Markets Investment Trust Plc, a non-executive director of Schroder Japan Growth Fund plc and an Independent Investment Advisor to the Joseph Rowntree Charitable Trust.

Helena will become an Independent Non-executive Director of the Combined Group following completion of the Merger.

Jennelle Tilling, Shaftesbury's Independent Non-executive Director, Proposed Combined Group Independent Non-executive Director

Jennelle Tilling joined the Shaftesbury Board in 2019, and has over 25 years' experience of consumer marketing, digital and innovation within food retail brands. Jennelle held a variety of senior marketing roles over 17 years at Yum! Restaurants, is the Founder and Chief Brand Strategist at Marketing with Insight Limited and is a Fellow of The Marketing Society.

Jennelle is also a non-executive director of Camelot UK Lotteries Limited, a non-executive director of Yorkshire Building Society and a trustee of the Guide Dogs for the Blind Association.

Jennelle will become an Independent Non-executive Director of the Combined Group following completion of the Merger.

3. Directors' Interests

Details of the interests of each Director and each Proposed Director are set out in paragraph 7.2 of Part XVI (*Additional Information*) of this document.

4. Corporate governance

4.1 Compliance with the UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance and complies in full with the UK Corporate Governance Code other than provision 19, which requires that the chair of a company should not remain in post beyond nine years from the date of their first appointment to the board, although this will no longer be relevant post-Completion, and provision 36, as the early vesting of PSP Options held by the Executive Directors in connection with the Merger will result in a total vesting and holding period for those PSP Options of less than five years. The Board also takes account of institutional shareholder and governance rules and guidance on disclosure and shareholder authorisation. The Board meets at least five times a year and may meet at other times at the request of one or more of the Directors.

4.2 Board composition

The Capco Group is controlled through the Board, which currently comprises seven Directors and the Combined Group will following the Completion, comprise 10 Directors. The Board is collectively responsible for the long-term success of the Company, and for its leadership, purpose, strategy, culture, values, standards, control and management.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company, excluding its chair, should comprise non-executive directors determined by the board to be independent. As at the date of this Prospectus, the Board consists of three Executive Directors, the Chairman and three Non-executive Directors. Following completion of the Merger, the Board will consist of three Executive Directors, the Chairman and six Non-executive Directors. The Company regards all of the Non-executive Directors, both as at the date of this Prospectus and following completion of the Merger, as "independent non-executive directors" within the meaning of the UK Corporate Governance Code. The Board also considers that the chair of the Company was independent on appointment.

The UK Corporate Governance Code further recommends that the board of directors of a company with a premium listing on the Official List should appoint one of the non-executive directors to be the Senior Independent Director to provide a sounding board for the chair and to serve as an intermediary for the other directors when necessary. As at the date of this Prospectus, the Senior Independent Director is Anthony Steains and following completion of the Merger, the Senior Independent Director will be Richard Akers. The Senior Independent Director serves as an additional point of contact for shareholders if they have concerns which contact through the normal channels of the chairman or the chief executive officer has failed to resolve or for which such contact is inappropriate.

4.3 Board committees

As required by the UK Corporate Governance Code, the Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee, with formally delegated duties and responsibilities and with written terms of reference. In December 2020, the Board also established

an Environment, Sustainability and Community Committee (the "**ESC Committee**") to monitor the implementation of the Company's ESC Strategy.

The members of each committee of the Capco Board are as follows:

Name	Chair	Members
Audit	Anthony Steains	Charlotte Boyle Jonathan Lane
Remuneration	Jonathan Lane	Charlotte Boyle Henry Staunton Anthony Steains
Nomination	Henry Staunton	Charlotte Boyle Ian Hawksworth Jonathan Lane Anthony Steains
ESC	Charlotte Boyle	Ian Hawksworth Jonathan Lane Henry Staunton Anthony Steains

Following completion of the Merger, the composition of each committee of the Combined Group will be as follows:

Name	Chair	Members
Audit	Ruth Anderson	Richard Akers Charlotte Boyle Helena Coles Anthony Steains Jennelle Tilling
Remuneration	Jennelle Tilling	Richard Akers Ruth Anderson Charlotte Boyle Helena Coles Anthony Steains
Nomination	Jonathan Nicholls	Richard Akers Ruth Anderson Charlotte Boyle Helena Coles Anthony Steains Jennelle Tilling
ESC	Charlotte Boyle	Richard Akers Helena Coles Ian Hawksworth Anthony Steains

4.3.1 **Audit Committee**

The Audit Committee is appointed by the Board and comprises at least three members, all of whom must be independent Non-executive Directors. The quorum is any two members of the committee. At least one member must have recent and relevant financial experience. This experience is provided by Anthony Steains and following Completion, will be provided by Ruth Anderson and Anthony Steains. The committee chair is appointed by the Board and in the absence of the committee chair the members present elect one of their number to chair the meeting. The committee meets at least three times a year at appropriate times in the reporting and audit cycle and at such other times as any of its members, the external or internal auditors or the Board may request. Following Completion, the Audit Committee will be chaired by Ruth Anderson.

The Audit Committee is responsible for monitoring the integrity of the financial statements and other financial reporting, and for reporting to the Board on the effectiveness of risk management, internal controls and compliance. It is also responsible for making recommendations to the Board on the appointment of, and fees to be paid to, the Company's external auditors.

4.3.2 **Remuneration Committee**

The Remuneration Committee is appointed by the Board and comprises at least three members, all of whom must be independent Non-executive Directors. The quorum is any two members of the committee. The committee chair is appointed by the Board and in the absence of the committee chair its members present elect one of their number to chair the meeting. The committee meets at least twice a year and at such other times as the committee chair or any member of the committee may request. Following Completion, the Remuneration Committee will be chaired by Jennelle Tilling.

The Remuneration Committee is responsible for determining the remuneration of the Chairman and Executive Directors, Executive Committee members and the Company Secretary. The Chairman and Executive Directors set the remuneration of the Non-executive Directors.

4.3.3 **Nomination Committee**

The Nomination Committee is appointed by the Board and comprises at least three members, a majority of whom must be independent Non-executive Directors (including the Chairman). The quorum is any two members of the Committee both of whom must be independent Non-executive Directors. The committee chair is either the Chairman or the Senior Independent Director. The committee meets at least once a year and at such other times as a the committee chair or any member of the committee may request. Following Completion, the Nomination Committee will be chaired by Jonathan Nicholls.

The Nomination Committee is responsible for making recommendations on suitable candidates for appointment to the Board, ensuring that it has the appropriate balance of skills, experience, knowledge, diversity and independence.

4.3.4 **ESC Committee**

The ESC Committee is appointed by the Board and comprises at least two members, one whom must be an independent Non-executive Director. The quorum is any two members of the committee, one of whom must be the committee chair or the Chairman. The committee chair is either the independent Non-executive Director with responsibility for engaging with the Capco Group's workforce, or, in their absence, the Chief Executive. The committee meets as often as required, with an expected minimum of three meetings a year. Following Completion, the ESC Committee will be chaired by Charlotte Boyle.

The ESC Committee is responsible for overseeing the management of Capco's ESC Strategy, including sustainability, carbon reduction commitment, environmental management, community engagement, and community support fund.

PART XI

HISTORICAL FINANCIAL INFORMATION OF THE CAPCO GROUP

The Capco Annual Report 2021, which has been previously published and filed with the FCA and which is available for inspection in accordance with paragraph 23 of Part XVI (*Additional Information*) of this document and is incorporated by reference into this document as set out in Part XVII (*Documentation Incorporated by Reference*) of this document, contains information which is relevant to this Part XI:

Reference	Information incorporated by reference	Page number(s)
Capco Annual Report 2021	Independent Audit Report	125–132
Capco Annual Report 2021	Income Statement	133
Capco Annual Report 2021	Statement of Comprehensive Income	134
Capco Annual Report 2021	Balance Sheet	135
Capco Annual Report 2021	Statement of Changes in Equity	136
Capco Annual Report 2021	Cash Flow Statement	137
Capco Annual Report 2021	Notes to the Financial Statements	138–188

PART XII

HISTORICAL FINANCIAL INFORMATION OF THE SHAFTESBURY GROUP

The audited consolidated financial statements of the Shaftesbury Group for the years ended 30 September 2021, 30 September 2020 and 30 September 2019, together with the independent audit reports in respect of those financial statements, and the unaudited interim consolidated financial statements of the Shaftesbury Group for the six months ended 31 March 2022 are included in Appendix 3 *(Shaftesbury Financial Statements)* of this document.

This information, including the relevant audit opinions, has been extracted without material adjustment from the audited financial statements for the year ended 30 September 2021, as set out in the Shaftesbury Annual Report 2021, the audited financial statements for the year ended 30 September 2020, as set out in the Shaftesbury Annual Report 2020, and the audited financial statements for the year ended 30 September 2019, as set out in the Shaftesbury Annual Report 2019 and the unaudited financial statements for the six months ended 31 March 2022, as set out in the Shaftesbury Half Year Report 2022. The audit reports in the Shaftesbury Annual Report 2021, the Shaftesbury Annual Report 2020 and Shaftesbury Annual Report 2019 were unqualified.

As described above, each of these financial statements has been extracted without material adjustment (in each case, as originally published) and reproduced in Appendix 3 (*Shaftesbury Financial Statements*) of this document. Consequently, page numbers and other references may no longer be valid (in particular, there may be references to other parts of the annual reports not reproduced in Appendix 3). The terms used in the Shaftesbury historical financial information have the meaning given to them in the relevant annual reports and accounts and not the meaning given to that term in this Prospectus.

The Directors and the Proposed Directors confirm that no material adjustment needs to be made to the financial information of the Shaftesbury Group for the years ended 30 September 2021, 30 September 2020 and 30 September 2019 and the six months ended 31 March 2022 to achieve consistency with the Capco Group's accounting policies for the year ended 31 December 2021. The Shaftesbury Group's accounting policies under which this financial information was prepared are not materially different to the Capco Group's accounting policies.

PART XIII

CAPITALISATION AND INDEBTEDNESS

1. The Capco Group

The following tables show the capitalisation of the Capco Group as at 31 December 2021 and the indebtedness of the Capco Group as at 31 May 2022.

1.1 Capitalisation

The following figures have been extracted from the Capco Group's financial statements as at 31 December 2021. There has been no material change in the capitalisation of the Capco Group since 31 December 2021.

	As at 31 December 2021 (£ millions)
Shareholders' equity:	
Share capital	212.8
Legal reserves	—
Other reserves	535.1
Total shareholders' equity(1)	**747.9**

(1) Total figure does not include the retained earnings reserve.

1.2 Indebtedness

The following figures have been extracted without material adjustment from the Capco Group's unaudited accounting records as at 31 May 2022.

	As at 31 May 2022(1)(2) (£ millions)
Current debt:	
Guaranteed	—
Secured	0.7
Unguaranteed / Unsecured	—
Total current debt	0.7
Non-current debt:	
Guaranteed	—
Secured	405.4
Unguaranteed / Unsecured	475.0
Total non-current debt	880.4
Total gross indebtedness	881.1

(1) The amounts shown are the nominal value of debt.

(2) The Capco Group's indebtedness table excludes the Capco Group's share of joint ventures.

1.3 Net Financial Indebtedness

The following table sets out the net financial indebtedness of the Capco Group and has been extracted without material adjustment from the Capco Group's unaudited accounting records as at 31 May 2022.

	As at 31 May 2022 (£ millions)
A. Cash	2.1
B. Cash equivalent	251.3
C. Trading securities	—
D. Liquidity (A+B+C)	**253.4**
E. Current financial receivables	**—**
F. Current bank debt	—
G. Other current portion of non-current debt	(0.7)
H. Other current financial debt	—
I. Current financial debt (F+G+H)	**(0.7)**
J. Net current financial assets (D+E+I)	**252.7**
K. Non-current bank loans	(125.0)
L. Bonds issued	(275.0)
M. Other non-current loans	(480.4)
N. Non-current Financial Indebtedness (K+L+M)	**(880.4)**
O. Net Financial Indebtedness (J+N)	**(627.7)**

The Capco Group has no indirect or contingent liabilities.

On 20 June 2022 using cash equivalents held the Capco Group repaid its £125,000,000 secured loan (the "**Secured Loan**"). There has been no material change to net financial indebtedness.

The Capco Group also has derivative financial instruments not reflected in the above analysis which had an estimated asset at fair value of £6.2 million on 31 May 2022. This excludes cash held within the Lillie Square Joint Venture.

2. The Shaftesbury Group

The following tables show the capitalisation of the Shaftesbury Group as at 31 March 2022 and the indebtedness of the Shaftesbury Group as at 31 May 2022.

2.1 Capitalisation

The following figures have been extracted from the Shaftesbury Group's unaudited financial statements as at 31 March 2022. There has been no material change in the capitalisation of the Shaftesbury Group since 31 March 2022.

	As at 31 March 2022 (£ millions)
Shareholders' equity:	
Share capital	96.1
Legal reserves	—
Other reserves	655.4
Total shareholders' equity[(1)]	751.5

(1) Total figure does not include the retained earnings reserve.

2.2 Indebtedness

The following figures have been extracted without material adjustment from the Shaftesbury Group's unaudited accounting records as at 31 May 2022.

	As at 31 May 2022 (£ millions)
Current debt:	
Guaranteed	—
Secured	—
Unguaranteed / Unsecured	—
Total current debt	—
Non-current debt:	
Guaranteed	—
Secured[(1)]	959.8
Unguaranteed / Unsecured	—
Total non-current debt	959.8
Total gross indebtedness	**959.8**

(1) Comprises mortgage bonds, secured bank facilities and secured term loans net of unamortised loan issue costs of £9.1 million. Shaftesbury's debt facilities are secured by fixed charges over certain investment properties held by its subsidiaries.

2.3 Net Financial Indebtedness

The following table sets out the net financial indebtedness of the Shaftesbury Group and has been extracted without material adjustment from the Shaftesbury Group's unaudited accounting records as at 31 May 2022.

	As at 31 May 2022 (£ millions)
A. Cash	184.9
B. Cash equivalent	—
C. Trading securities	—
D. Liquidity (A+B+C)	**184.9**
E. Current financial receivables	**—**
F. Current bank debt	—
G. Other current portion of non-current debt	—
H. Other current financial debt	—
I. Current financial debt (F+G+H)	**—**
J. Net current financial assets (D+E+I)	**184.9**
K. Non-current bank loans	(384.8)
L. Bonds issued	(575.0)
M. Other non-current loans	—
N. Non-current Financial Indebtedness (K+L+M)	**(959.8)**
O. Net Financial Indebtedness (J+N)	**(774.9)**

The Shaftesbury Group has no material indirect or contingent liabilities.

PART XIV

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Section A—Unaudited Pro Forma Financial Information

The unaudited pro forma income statement of the Combined Group (the "**Unaudited Pro Forma Income Statement**") has been prepared on the basis of the audited consolidated income statement of the Capco Group for the year ended 31 December 2021 and the audited consolidated income statement of the Shaftesbury Group for the year ended 30 September 2021 to illustrate the effect on the income statement of the Capco Group of the Merger as if it had taken place on 1 January 2021.

The unaudited pro forma statement of net assets of the Combined Group (the "**Unaudited Pro Forma Statement of Net Assets**") has been prepared on the basis of the audited consolidated balance sheet of the Capco Group as at 31 December 2021 and the unaudited consolidated balance sheet of the Shaftesbury Group as at 31 March 2022 to illustrate the effect on the net assets of the Capco Group of the Merger as if it had taken place on 31 December 2021.

The Unaudited Pro Forma Income Statement and the Unaudited Pro Forma Statement of Net Assets (the "**Unaudited Pro Forma Financial Information**"), which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and, therefore, does not represent the Capco Group's, the Shaftesbury Group's or the Combined Group's actual financial position or results. Such information may not, therefore, give a true picture of the Capco Group's, the Shaftesbury Group's or the Combined Group's financial position or results of operations nor is it indicative of its future results.

The Unaudited Pro Forma Financial Information is presented on the basis of the accounting policies adopted by Capco in preparing the audited consolidated financial statements for the year ended 31 December 2021 and in accordance with Annex 20 of the Prospectus Delegated Regulation.

The Unaudited Pro Forma Financial Information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part XIV.

1. Unaudited pro forma statement of net assets relating to the Combined Group as at 31 December 2021

		Adjustments				
	Capco Group as at 31 December 2021[1]	Shaftesbury Group as at 31 March 2022[2]	Adjustment for elimination of investment in Shaftesbury via reserves[3]	Adjustment for Capco revaluation of investment property to 31 March 2022[4]	Adjustment for Transaction costs[5]	Combined Group pro forma[6]
	£m	£m	£m	£m	£m	£m
Non-current assets						
Investment and development property	1,694.5	3,216.6	—	37.2	—	4,948.3
Property, plant and equipment	0.6	0.9	—	—	—	1.5
Investments in joint ventures	0.3	90.9	—	—	—	91.2
Financial assets at fair value through profit or loss	596.4	—	(596.4)	—	—	—
Derivative financial assets	1.1	—	—	—	—	1.1
Deferred tax	6.1	—	—	—	—	6.1
Trade and other receivables	120.8	50.0	—	—	—	170.8
Total non-current assets	2,419.8	3,358.4	(596.4)	37.2	—	5,219.0
Current assets						
Trade and other receivables	59.2	32.3	—	—	—	91.5
Tax assets	0.5	—	—	—	—	0.5
Cash and cash equivalents	319.0	203.9	—	—	(78.8)	444.1
Total current assets	378.7	236.2	—	—	(78.8)	536.1
Total assets	2,798.5	3,594.6	(596.4)	37.2	(78.8)	5,755.1
Liabilities						
Non-current liabilities						
Borrowings, including lease liabilities	(940.3)	(952.9)	—	—	—	(1,893.2)
Derivative financial liabilities	(32.1)	—	—	—	—	(32.1)
Total non-current liabilities	(972.4)	(952.9)	—	—	—	(1,925.3)
Current liabilities						
Borrowings, including lease liabilities	(0.7)	—	—	—	—	(0.7)
Tax liabilities	—	—	—	—	—	—
Trade and other payables	(39.0)	(36.9)	—	—	—	(75.9)
Total current liabilities	(39.7)	(36.9)	—	—	—	(76.6)
Total liabilities	(1,012.1)	(989.8)	—	—	—	(2,001.9)
Net assets	1,786.4	2,604.8	(596.4)	37.2	(78.8)	3,753.2
EPRA NTA[7]	1,809.7	2,615.9	(596.4)	37.2	(78.8)	3,787.6

Notes:

(1) The net assets of the Capco Group as at 31 December 2021 have been extracted without material adjustment from its audited consolidated financial statements as at 31 December 2021.

(2) This adjustment includes the assets and liabilities of the Shaftesbury Group, which were extracted without material adjustment from the unaudited consolidated balance sheet of the Shaftesbury Group as at 31 March 2022.

(3) Capco's investment in Shaftesbury has been eliminated to present the pro forma net assets of the Combined Group.

(4) The investment and development property of Capital & Counties Properties PLC has been adjusted to 31 March 2022 to reflect the valuations by the Capco Group's external third party valuers at that date.

(5) This adjustment reflects estimated transaction costs and stamp duty on the purchase of Shaftesbury Shares.

(6) No adjustment has been made to reflect the trading results of the Capco Group since 31 December 2021, the Shaftesbury Group since 31 March 2022 or any other change in either group's financial position in the respective periods to the date of this document with the exception of the investment and development property of Capital & Counties Properties PLC as described in note 4.

(7) EPRA NTA includes EPRA required adjustments to reported IFRS net assets. The adjustments, which have been extracted without material adjustment from the Capco Group audited consolidated financial statements as at 31 December 2021 and from the Shaftesbury Group unaudited consolidated balance sheet as at 31 March 2022, were £23.3 million and £11.1 million respectively, a total of £34.4 million. EPRA NTA per share for the Combined Group, which is calculated as EPRA NTA of £3,787.6 million divided by 1,825 million Combined Group diluted number of shares in issue, is 208 pence.

(8) This unaudited pro forma net asset statement does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

2. Unaudited pro forma income statement relating to the Combined Group for the year ended 31 December 2021

		Adjustments			
	Capco Group for the 12 months ended 31 December 2021[1]	Shaftesbury Group for the 12 months ended 30 September 2021[2]	Adjustment for elimination of investment in Shaftesbury via reserves[3]	Adjustment for Transaction costs[4]	Combined Group pro forma[4][5][6][7]
	£m	£m	£m	£m	£m
Revenue	68.0	112.7	—	—	180.7
Cost of sales	(21.8)	(30.3)	—	—	(52.1)
Gross profit	46.2	82.4	—	—	128.6
Other income/(costs)	3.0	—	—	—	3.0
Administrative expenses	(22.8)	(21.6)	—	(78.8)	(123.2)
Expected credit loss	—	(16.4)	—	—	(16.4)
Loss on revaluation and sale of investment and development property	(15.8)	(196.8)	—	—	(212.6)
Change in value of investments and other receivables	11.6	(1.3)	—	—	10.3
Fair value gain on financial assets at fair value through profit or loss	44.6	—	(44.6)	—	—
Operating profit/(loss)	66.8	(153.7)	(44.6)	(78.8)	(210.3)
Finance income	0.5	0.7	—	—	1.2
Finance costs	(31.7)	(30.9)	—	—	(62.6)
Other finance income	8.1	—	—	—	8.1
Other finance costs	(1.8)	—	—	—	(1.8)
Change in fair value of derivative financial instruments	(11.9)	—	—	—	(11.9)
Net finance costs	(36.8)	(30.2)	—	—	(67.0)
Share of post-tax loss from joint venture	—	(11.0)	—	—	(11.0)
Profit/(loss) before tax	30.0	(194.9)	(44.6)	(78.8)	(288.3)
Current tax	—	—	—	—	—
Deferred tax	(0.7)	—	—	—	(0.7)
Taxation	(0.7)	—	—	—	(0.7)
Profit/(loss) for the year	29.3	(194.9)	(44.6)	(78.8)	(289.0)

Notes:

(1) The income statement of the Capco Group for the year ended 31 December 2021 has been extracted without material adjustment from its audited consolidated financial statements for the year ended 31 December 2021.

(2) This adjustment includes the income statement of the Shaftesbury Group, which have been extracted without material adjustment from the audited consolidated income statement of the Shaftesbury Group for the year ended 30 September 2021.

(3) This adjustment eliminates the revaluation movement of Capco's current investment in Shaftesbury to demonstrate the pro forma trading results of the Combined Group.

(4) This adjustment reflects estimated transaction costs and stamp duty on the purchase of Shaftesbury Shares.

(5) No adjustment has been made to reflect the trading results of the Capco Group since 31 December 2021, the Shaftesbury Group since 30 September 2021 or any other change in its financial results the respective periods to the date of this document.

(6) No adjustment has been made to align property revaluation periods due to the availability of information. As a result, the "loss on revaluation and sale of investment property" does not reflect the increase in the value of the portfolio for Capco since 31 December 2021 or Shaftesbury since 30 September 2021. Details of the valuations are set out in the Prospectus.

(7) The Combined Group pro forma income statement includes non-concurrent periods, both of which have been significantly affected by the impact of the pandemic on the real estate industry. It is not indicative of the past performance of periods unaffected by the significant impact of the pandemic.

(8) The Combined Group pro forma income statement is not illustrative of potential results for the year ending 31 December 2022 as under IFRS the acquirer will only include the acquiree within its income statement for the period of ownership.

(9) The Combined Group pro forma income statement is not necessarily indicative of results in future years due to the non-concurrent periods and the impact of the pandemic.

(10) This unaudited pro forma income statement does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

(11) Each of the adjustments in Notes (3) and (4) are non-recurring items.



The Directors and the Proposed Directors
Capital & Counties Properties PLC
Regal House
14 James Street
London WC2E 8BU
United Kingdom

7 July 2022

Ladies and Gentlemen

Capital & Counties Properties PLC ("Capco Group")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part XIV of the prospectus dated 7 July 2022. This report is required by Section 3 of Annex 20 of the UK version of Commission Delegated Regulation (EU) 2019/980 (the "PR Regulation") and is given for the purpose of complying with that section and for no other purpose.

Opinion

In our opinion:

the Pro forma financial information has been properly compiled on the basis stated; and such basis is consistent with the accounting policies of the Capco Group.

Responsibilities

It is the responsibility of the directors of the Capco Group to prepare the Pro forma financial information in accordance with Annex 20 of the PR Regulation.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the PR Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 1.3 of Annex 3 of the PR Regulation, consenting to its inclusion in the prospectus.

Basis of Preparation

The Pro forma financial information has been prepared on the basis described in Section A of Part XIV of the prospectus, for illustrative purposes only, to provide information about how the Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Capco Group in preparing the financial statements for the period ended 31 December 2021.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom (the "FRC"). We are independent, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements of the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Capco Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Capco Group.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the prospectus in compliance with Item 1.2 of Annex 3 of the PR Regulation.

Yours faithfully

KPMG LLP

PART XV

TAXATION

Section A—UK Taxation

1. General

The following statements do not constitute tax advice and are intended as a general guide only to the UK tax position under current UK legislation and HM Revenue & Customs ("HMRC") published practice as at the date of this document, both of which are subject to change at any time, possibly with retrospective effect. These statements deal only with the position of Capco Shareholders who are resident (and, in the case of individuals only, domiciled) solely in the United Kingdom for tax purposes (except where the position of a non-UK tax resident Capco Shareholder is expressly referred to) and who hold their New Capco Shares and Existing Capco Shares as an investment and who are the absolute beneficial owners of their New Capco Shares and Existing Capco Shares and of all dividends of any kind paid in respect of them. The statements do not address all possible tax consequences relating to an investment in New Capco Shares. The statements are not addressed to: (i) special classes of Capco Shareholders such as, for example, dealers in securities, broker-dealers, insurance companies and collective investment schemes; (ii) Capco Shareholders who hold their New Capco Shares or Existing Capco Shares as part of hedging or conversion transactions; (iii) Capco Shareholders who have (or are deemed to have) subscribed for or acquired their New Capco Shares or Existing Capco Shares by virtue of an office or employment or who are officers or employees; or (iv) Capco Shareholders who hold their New Capco Shares or Existing Capco Shares in connection with a trade, profession or vocation carried on in the United Kingdom (whether through a branch or agency or, in the case of a corporate Shareholder, through a permanent establishment or otherwise). Capco Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult their own professional advisers immediately.

1.1 Taxation of chargeable gains

1.1.1 UK Tax Resident Shareholders

Capco Shareholders who dispose of all or some of their New Capco Shares may be subject to UK taxation on any chargeable gain which arises on the disposal. Alternatively, an allowable loss may arise. In the case of UK resident individual Capco Shareholders, subject to any annual exemption of £12,300 for the tax year 2022/2023, UK capital gains tax will apply to gains above the annual exempt amount of £12,300 at a rate of 10% or 20% depending on the total amount of the individual's taxable income.

For a corporate Capco Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of New Capco Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Capco Shareholder (currently 19% and, from 1 April 2023, generally 25%) or an allowable loss for the purposes of UK corporation tax.

1.1.2 Non-UK Tax Resident Shareholders

Capco Shareholders who are not resident in the United Kingdom may be subject to UK tax on chargeable gains arising on a sale or other disposal of shares that derive at least 75% of their value from UK land where the person making the disposal has a "substantial indirect interest" in the UK land. It is expected that the New Capco Shares will derive at least 75% of their value from UK land for this purpose and, on the assumption that the Company is a REIT at the time of any relevant disposal, all Capco Shareholders will be regarded as having a substantial indirect interest in UK land, irrespective of the size of their shareholding. Were the Company not to be a REIT or other collective investment vehicle (within the meaning of Schedule 5AAA to the Taxation of Chargeable Gains Act 1992) at the time of any relevant disposal, then (broadly) a Capco Shareholder will only be regarded as having a substantial indirect interest in UK land if they hold 25% or more of the Capco Shares in the Company.

Accordingly, a non-UK resident Capco Shareholder may be liable to UK tax on chargeable gains in respect of a sale or other disposal of New Capco Shares depending on the Capco Shareholder's circumstances (including the availability of any exemption or relief, including exemption under the terms of an applicable double taxation agreement).

1.2 Taxation of Dividends

The Company, as the principal company of a group REIT, may pay dividends as either a PID or a normal dividend ("**Non-PID**"), or a combination of both.

1.2.1 Taxation of PIDs

Subject to certain exceptions summarised below, the Company is required to withhold income tax at source at the basic rate (currently 20%) from its PIDs (whether paid in cash or in the form of a scrip dividend). The Company will provide Capco Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

Capco Shareholders should note that, in certain circumstances, the Company is not required to withhold income tax at source from a PID. These circumstances include where the Company reasonably believes that the person beneficially entitled to the PID is: (i) a company resident for tax purposes in the United Kingdom; (ii) a company resident for tax purposes outside the United Kingdom which carries on a trade through a permanent establishment in the United Kingdom and which is required to bring the PID into account in computing the chargeable profits of that permanent establishment for UK corporation tax purposes; or (iii) an entity which falls within an exempt category, such as a charity or local authority. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a UK registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account manager of an individual savings account, the plan manager of a personal equity plan, or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for purposes of the relevant scheme, account, plan or fund in respect of which the recipient has duties. In order to pay a PID without withholding tax, the Company will need to be satisfied that the Capco Shareholder concerned is entitled to that treatment. For that purpose, the Company will require such Capco Shareholders to submit a valid claim form. Capco Shareholders should note that the Company may seek recovery from Capco Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of a Capco Shareholder turns out to have been mistaken.

Where tax has been withheld at source by the Company from the payment of a PID, Capco Shareholders who are individuals may, depending on their particular circumstances, be liable to further tax on their receipt of a PID at their applicable marginal rate, incur no further liability on their receipt of a PID, or be entitled to claim repayment of some or all of the tax withheld on their receipt of a PID. Capco Shareholders who are corporate entities within the charge to UK corporation tax will generally be liable to pay corporation tax in respect of their receipt of a PID and, in the unlikely event that income tax is withheld at source, the tax withheld can be set against their liability to corporation tax in the accounting period in which the PID is received.

For Capco Shareholders that are not resident in the United Kingdom, it is not possible to make a claim under a double taxation convention for a PID to be paid by the Company gross or at a reduced rate. The right of a Capco Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double taxation convention between the UK and the country in which the Capco Shareholder is resident and the ability of the Capco Shareholder to secure the benefits of the relevant articles of the relevant double taxation convention. Capco Shareholders who are not resident for tax purposes in the United Kingdom should obtain their own tax advice concerning tax liabilities on PIDs received from the Company.

Individual Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Capco Shareholders who are individuals as the profit of a UK property business for income tax purposes (as defined in Part 3 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any PID from any other company to which Part 12 of the Corporation Tax Act ("**CTA**") 2010 applies (i.e. any other REIT), treated as a separate UK property business. Income from any other UK property business carried on by the relevant Capco Shareholder must be accounted for separately. This means that any surplus expenses from a Capco Shareholder's separate UK property business cannot be offset against a PID as part of a single calculation of the profits of the Capco Shareholder's UK property business. A Capco Shareholder who is subject to income tax at the basic rate will be liable to pay income tax at 20% on the PID. Higher rate and additional rate taxpayers will be taxable at the respective prevailing

rates (currently 40% and 45%, respectively). A credit will be available in respect of the basic rate withheld by the Company on the PID (see further above).

Currently, neither the Nil Rate Amount (as defined below) nor any property income allowance is available in respect of income tax on PIDs.

Corporate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as the profit of a property business (as defined in Part 4 of the CTA 2009). A PID is, together with any PID from any other company to which Part 12 of CTA 2010 applies (i.e. any other REIT), treated as a separate Part 4 property business. Income from any other Part 4 property business carried on by the relevant Capco Shareholder must be accounted for separately. This means that any surplus expenses from a Capco Shareholder's different Part 4 property business cannot be offset against a PID as part of a single calculation of the relevant Capco Shareholder's property business profits.

A Capco Shareholder within the charge to corporation tax will generally be subject to corporation tax at the prevailing rates applicable to the respective investor. The current rate of UK corporation tax is 19% and the main rate of corporation tax is expected to be 25% from 1 April 2023.

Where a Capco Shareholder who is not resident for tax purposes in the United Kingdom and not otherwise within the charge to corporation tax receives a PID, the PID will generally be chargeable to UK income tax under Part 3 of the Income Tax (Trading and Other Income) Act 2005, as a profit of a UK property business and this tax will generally be collected by way of a withholding tax (see further above). Under section 548(7) of the CTA 2010, this income is expressly not non-resident landlord income for the purposes of regulations under section 971 of the Income Tax Act 2007.

Prospective non-UK tax resident Shareholders should consult their own professional advisers on any non-UK tax implications of receiving PIDs which may arise in their relevant jurisdiction.

1.2.2 Taxation of Non-PIDs

The Company is not required to withhold tax at source from any Non-PIDs that it makes in respect of New Capco Shares.

A UK resident Capco Shareholder's liability to tax on such dividends received will depend on the individual circumstances of that Capco Shareholder:

Individual Shareholders

The general tax treatment of Non-PIDs paid by the Company to Capco Shareholders who are individuals resident and domiciled in the United Kingdom for UK tax purposes is as follows:

- Non-PIDs paid by the Company do not carry a tax credit.
- All Non-PIDs received by an individual Capco Shareholder from the Company (or from other sources) will, except to the extent that they are earned through an individual savings account (ISA), self- invested pension plan (SIPP) or other regime which exempts the dividends from tax, form part of the Capco Shareholder's total income for income tax purposes and will represent the highest part of that income.
- A nil rate of income applies to the first £2,000 (for the tax year 2022-2023) of taxable dividend income (including from Non-PIDs) received by an individual Capco Shareholder in a tax year (the "**Nil Rate Amount**"), regardless of what tax rate would otherwise apply to that dividend income.
- Any taxable dividend income received by an individual shareholder in a tax year in excess of the Nil Rate Amount is taxed at special rates, as set out below.
- Where a Capco Shareholder's taxable dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the "**Relevant Dividend Income**") will be subject to income tax:
- at the rate of 8.75% to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;

- at the rate of 33.75% to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- at the rate of 39.35% to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Capco Shareholder's total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the Capco Shareholder's total income for income tax purposes.

Corporate Shareholders

A Capco Shareholder within the charge to UK corporation tax which is a "small company" (for the purposes of UK taxation of dividends) will not generally be subject to tax on Non-PIDs from the Company, provided certain conditions are met, including an anti-avoidance condition.

Other Capco Shareholders within the charge to UK corporation tax will not be subject to tax on Non-PIDs from the Company so long as the dividends fall within an exempt class and certain conditions are met. Examples of dividends that are within an exempt class include: (i) dividends paid on shares that are "ordinary shares" (that is, shares that do not carry any present or future preferential right to dividends or to the payer's assets on its winding up) and which are not redeemable, and (ii) dividends paid to a person holding less than 10% of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made) and who is entitled to less than 10% of the profits available for distribution and would be entitled to less than 10% of the assets available for distribution on a winding-up. These exemptions are subject to anti-avoidance rules.

Any dividends declared by the Company if at the time of such dividend it has ceased to be a REIT will be taxed in the manner described above for Non-PIDs.

Each Capco Shareholder should obtain professional advice on its own position as it will depend on its own individual circumstances.

1.3 UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The following statements are intended as a general and non-exhaustive guide to the current UK stamp duty and SDRT position and apply regardless of whether or not a Capco Shareholder is resident in the United Kingdom for UK tax purposes.

1.3.1 The Merger

No stamp duty or SDRT should generally be payable on the issue of New Capco Shares pursuant to the Merger, provided that the New Capco Shares are not issued or transferred to a nominee or person whose business includes the provision of clearance services or the nominee or agent for a person whose business is or includes issuing depository receipts.

1.3.2 Subsequent transfers

Any subsequent conveyance or transfer on sale of New Capco Shares (other than a transfer to a nominee or person whose business includes the provision of clearance services or the nominee or agent for a person whose business is or includes issuing depository receipts) will usually be subject to stamp duty, at the rate of 0.5% (rounded up to the nearest multiple of £5) of the amount or value of the consideration paid in the form of cash, shares or the assumption, satisfaction or release of debt (transfers to connected companies will be subject to stamp duty and/or SDRT based on the higher of the consideration paid or provided and the market value of the shares at the time of the transfer). Stamp duty is normally paid by the purchaser. There is an exemption where the consideration for a transfer is £1,000 or less and that transfer does not form part of a larger transaction or a series of transactions where the combined consideration exceeds £1,000 and this is certified on the instrument of transfer.

A charge to SDRT at the rate of 0.5% of the amount or value of the consideration paid in money or money's worth will also arise in relation to an unconditional agreement to transfer New Capco Shares.

SDRT is also normally a liability of the purchaser. However, if within six years of the date of the agreement (or, if the agreement was conditional, the date on which the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and is duly stamped (unless it is exempt), the stamping of the instrument of transfer will normally cancel the SDRT liability and, provided a claim for repayment is made, any SDRT already paid should be refunded.

1.3.3 Shares held through CREST

A transfer of New Capco Shares effected through CREST will generally be subject to SDRT (rather than stamp duty) at the rate of 0.5% of the amount or value of the consideration paid in money or money's worth. Euroclear will ordinarily collect SDRT on relevant transactions settled through CREST and will account for the SDRT to HM Revenue and Customs.

There will be no stamp duty or SDRT on a transfer of New Capco Shares into or out of CREST where such a transfer is made for no consideration.

1.4 New Capco Shares registered on the SA Register

The New Capco Shares will, when issued, be registered on the UK Register. Stamp duty or SDRT may arise on a transfer of New Capco Shares between the UK Register and the SA Register and if New Capco Shares are registered on the SA Register, different stamp duty and SDRT treatment from that described above may apply to any transfer or agreement to transfer such New Capco Shares.

Prospective New Capco Shareholders should consult their own professional advisers on any tax implications (including any taxation imposed in South Africa) of such transfers and agreements to transfer.

PART XVI

ADDITIONAL INFORMATION

1. Responsibility

The Company, the Directors and the Proposed Directors, whose names appear in paragraphs 1 and 2 of Part X (*Directors, Proposed Directors and Corporate Governance*) of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

2. Incorporation and registered office

The Company was incorporated and registered in England and Wales on 3 February 2010 as a public limited company limited by shares with the name Capital & Counties Properties PLC, registered number 07145051 in England and Wales and registered as an external company with registration number 2010/003387/10 in South Africa.

The principal legislation under which the Company operates, and pursuant to which the Existing Capco Shares have been created, and the New Capco Shares will be created, is the Companies Act 2006 and the regulations made thereunder.

The Company is domiciled in the United Kingdom with its registered office and principal place of business at Regal House, 14 James Street, London, WC2E 8BU United Kingdom. The telephone number of the Company's registered office is +44 (0) 20 3214 9150 and its Legal Entity Identifier is 549300TTXXZ1SHUI0D54.

The Company's website is www.capitalandcounties.com. The information on the Company's website does not form part of this document unless that information is incorporated by reference into this document, as set out in Part XVII (*Documentation Incorporated by Reference*) of this document.

3. Organisational structure

The Company is the ultimate holding company of the Capco Group. Following Completion, the Company will be the ultimate holding company of the Combined Group.

3.1 Capco Group

The Company's principal subsidiaries and associated undertakings as at the Latest Practicable Date (each of which are considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position or the profits and losses of the Capco Group) are as follows:

Name of subsidiary undertaking	Country of incorporation	Proportion of voting rights held (%)
20 The Piazza Limited	England and Wales	100
20 The Piazza Management Limited	England and Wales	100
22 Southampton Street Limited	England and Wales	100
22 Southampton Street Management Limited	England and Wales	100
34 Henrietta Street Limited	England and Wales	100
34 Henrietta Street Management Company Limited	England and Wales	100
C & C Management Services Limited[1]	England and Wales	100
C&C Properties UK Limited[1]	England and Wales	100
Capital & Counties CG (No. 1) Limited	Jersey	100
Capital & Counties CG (No. 2) Limited	Jersey	100
Capco Covent Garden Limited[1]	England and Wales	100
Capco Covent Garden Residential Limited	England and Wales	100
Capco Group Treasury Limited[1]	England and Wales	100
Capco Investment London Limited[1]	England and Wales	100
Capco Investment London 2 Limited[1]	England and Wales	100
Capco Investment London (No.1) Limited	England and Wales	100
Capco Investment London (No.2) Limited	England and Wales	100
Capco Investment London (No.3) Limited	England and Wales	100

Name of subsidiary undertaking	Country of incorporation	Proportion of voting rights held (%)
Capco Investment London (No.4) Limited	England and Wales	100
Capco Investment London (No.5) Limited	England and Wales	100
Capco Investment London (No.6) Limited[6]	Scotland	100
Capco Investment London (No.7) Scottish Limited Partnership[7]	Scotland	100
Capco London Limited	England and Wales	100
Capital & Counties CG Limited	England and Wales	100
Capital & Counties CGP	England and Wales	100
Capital & Counties CG Nominee Limited	England and Wales	100
Capital & Counties Limited[1][2]	England and Wales	100
Capital & Counties Properties (Jersey) 3 Limited[1]	Jersey	100
Capvestco 2 Limited[1]	Jersey	100
Capvestco 3 Limited[1]	Jersey	100
Capvestco 3 Holdings Limited	Jersey	100
Capvestco Earls Court Limited	Jersey	100
Capvestco Limited[1]	Jersey	100
CG Treasury Limited[1]	England and Wales	100
Covent Garden (43 Management) Limited	England and Wales	100
Covent Garden (49 Wellington Street) Limited	England and Wales	100
Covent Garden Group Holdings Limited	England and Wales	100
Covent Garden Holdings (No.1) Limited	England and Wales	100
Covent Garden Holdings (No.2) Limited	England and Wales	100
Covent Garden Limited	Jersey	100
Covent Garden LP Limited	Jersey	100
Covent Garden Management Services Limited[1]	England and Wales	100
Floral Court Collection Management Limited	England and Wales	100
Floral Court Limited	England and Wales	100
Great Capital Partnership (G.P.) Limited[3][4]	England and Wales	50
Great Capital Property Limited[3][5]	England and Wales	50
Innova Investment Partnership GP Limited[3]	England and Wales	50
Innova Investment Limited Partnership[3]	England and Wales	50
Innova Investment Group Holdings GP Limited	England and Wales	100
Innova Investment Group Holdings LP	England and Wales	100
Innova Investment Group Holdings LP Limited	Jersey	100
Innova Investment Group Holdings Nominee Limited	England and Wales	100
Innova Investment Holdings Limited	Jersey	100
Innova Investment Management Limited	England and Wales	100
Lillie Square Clubhouse Limited[3]	England and Wales	50
Lillie Square Developments Limited[3]	England and Wales	50
Lillie Square GP Limited[3]	England and Wales	50
Lillie Square LP[3]	England and Wales	50
Lillie Square LP Limited	Jersey	100
Lillie Square Management Limited[3]	England and Wales	50
Lillie Square Nominee Limited[3]	England and Wales	50
The Great Capital Partnership[3][5]	England and Wales	50

(1) Direct undertakings of the Company

(2) Non-voting deferred shares

(3) Equity accounted joint ventures

(4) Undergoing striking off process

(5) Dissolved since 31 December 2021

(6) Incorporated on 24 June 2022

(7) Registered on 28 June 2022

4. Share capital

4.1 Issued share capital

The issued and fully paid share capital of the Company as at the Latest Practicable Date consists of 851,274,235 Capco Shares of 25 pence each, with an aggregate nominal value of £212,818,558.75.

If Completion occurs, it will result in the issue of up to 1,095,507,008 New Capco Shares to Shaftesbury Shareholders (including up to 128,193,087 New Capco Shares in respect of the Secured New Capco Shares). In accordance with the Exchangeable Bond Conditions, the Secured New Capco Shares will replace the Secured Existing Capco Shares as the Exchange Property and will be subject to security in favour of the Exchangeable Bond Secured Parties. The maximum number of shares expected to be issued in respect of the Secured New Capco Shares is based on the existing number of Secured Existing Capco Shares, being 38,008,138 Shaftesbury Shares as at the Announcement Date, multiplied by the Exchange Ratio, with additional headroom of 0.5% (which is contained within the shareholder authority to allot shares in the Share Issue Resolution) to account for the fact that the amount of Secured Existing Capco Shares is capable of increasing in accordance with the terms and conditions of Capco's Exchangeable Bonds. This will result in Shaftesbury Shareholders owning approximately 53% of the Combined Group and Existing Capco Shareholders of the Company suffering an immediate dilution following which they will own approximately 47% of the Combined Group (in each case, assuming: (i) no other Capco Shares are issued by the Company prior to Admission other than in respect of shares issued pursuant to the exercise or vesting of options and awards under the Capco Share Plan, and excluding the effect of any Capco Shares that may be issued in respect of the exercise of CSOP Options under the Capco Share Plan; (ii) no other Shaftesbury Shares are issued by Shaftesbury prior to Admission other than in respect of shares issued pursuant to the exercise or vesting of options and awards under the Shaftesbury Share Plans, and excluding the effect of any Shaftesbury Shares that may be issued in respect of the exercise of options under the Shaftesbury Sharesave Scheme; and (iii) such options and awards are exercised to the fullest extent possible (where applicable) and settled prior to Admission, in the case of options and awards under the Capco Share Plan, and prior to the Scheme Record Time, in the case of options and awards under the Shaftesbury Share Plans) and excluding any Capco Shares already held by Shaftesbury Shareholders.

Immediately following the issue of the maximum number of New Capco Shares on Admission, the issued and fully paid share capital of the Company will consist of 1,953,191,868 Capco Shares of 25 pence each, with an aggregate nominal value of £488,297,967 (assuming no other Capco Shares are issued by the Company prior to Admission other than in respect of shares issued pursuant to the exercise or vesting of options and awards under the Capco Share Plan, and excluding the effect of any Capco Shares that may be issued in respect of the exercise of CSOP Options under the Capco Share Plan; and that such options and awards are exercised to the fullest extent possible (where applicable) and settled prior to Admission).

4.2 Existing Shareholder authorities

It was resolved by the existing Shareholders at the Company's AGM held on 28 June 2022 that:

- the Directors are authorised to allot shares that are equity securities (within the meaning of section 560(1) of the Companies Act 2006) up to an aggregate amount representing approximately one third of the issued share capital of Capco;
- up to a further amount representing approximately a further third of the issued share capital of Capco, provided they are offered by way of a rights issue to shareholders of ordinary shares;
- the pre-emption rights are disapplied to permit Directors to allot shares up to an aggregate nominal value representing 5% of the nominal amount of the total issued share capital of the Company for use on an unrestricted basis and to allot additional shares up to an aggregate nominal value representing 5% of the nominal amount of the total issued share capital of the Company for use only in connection with an acquisition or specified capital investment;
- the allotment authority shall expire on the earlier of (i) the 2023 AGM of Capco renewing this authority; or (ii) 28 September 2023.

4.3 Shareholder authorities to be proposed at the General Meeting

Pursuant to the Merger, up to 1,095,507,008 New Capco Shares will be issued including up to 128,193,087 New Capco Shares in respect of the Secured New Capco Shares (assuming no other Shaftesbury Shares are issued by Shaftesbury prior to Admission other than in respect of options and awards under the Shaftesbury Share Plans, and excluding the effect of any Shaftesbury Shares that may be issued in respect of the exercise of options under the Shaftesbury Sharesave Scheme, and assuming the maximum number of Secured New Capco Shares accounted for in the authority to allot contained in the Share Issue Resolution are issued).

New authorities are being sought as part of the Merger to enable the Combined Group to allot shares, to disapply pre-emption rights and permit buybacks updated only to reflect the increased issued share capital of the Combined Group on Completion.

Details of the resolutions, authorisations and approvals by virtue of which the New Capco Shares will be issued are set out in the Notice of General Meeting set out at the end of the Circular, which is incorporated by reference into, and forms part of, this Prospectus.

4.4 Details of the New Capco Shares

The New Capco Shares will, when issued, be in registered form and, subject to the provisions of the CREST Regulations and Strate, the Directors may permit the holding of New Capco Shares in uncertificated form and title to the New Capco Shares may be transferred by means of a relevant system (as defined in the CREST Regulations) and uncertificated Capco Shares on the SA Register will be transferred by means of the Strate system. The New Capco Shares will be issued to CREST and initially held on the UK Register.

Where the Capco Shares are held in certificated form, share certificates will be sent to the registered share owners by first class post in respect of Shareholders on the UK Register and by registered post in respect of Shareholders on the SA Register.

The New Capco Shares will have the same rights in all respects as the Existing Capco Shares (including the right to receive all dividends and other distributions (other than, if applicable, any Permitted Capco Dividends) made or paid by reference to a record date falling after the Scheme Record Time).

No temporary documents of title have been or will be issued in respect of the Capco Shares.

The Capco Shares are currently listed on the premium listing segment of the Official List and traded on the LSE's Main Market for listed securities. Capco Shares have a secondary inward listing, and are traded, on the Main Board of the JSE.

No application has been made or is currently intended to be made by Capco for the New Capco Shares to be admitted to listing or trading on any other exchange.

The New Capco Shares will be ordinary shares of 25 pence each, in registered form and denominated in sterling.

The ISIN for New Capco Shares will be GB00B62G9D36.

There are no acquisition rights or obligations in relation to the issue of any Capco Shares in the capital of the Company or an undertaking to increase the capital of the Company.

There are no convertible securities, exchangeable securities or securities with warrants in the Company, save in respect of the Capco Share Plan and Capco's Exchangeable Bonds. Information on the Capco Share Plan is set out in paragraph 9 of this Part XVI (*Additional Information*) below.

Rights attaching to the New Capco Shares are summarised in paragraph 5 of this Part XVI (*Additional Information*) below.

Other than in connection with Admission, no commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any share capital of the Company.

5. Rights attached to New Capco Shares

The rights attaching to the New Capco Shares will be the same as those attached to the Existing Capco Shares. See paragraph 6 of this Part XVI (*Additional Information*) of this document.

6. Memorandum and Articles of Association

The Memorandum and Articles of Association are available for inspection as described in paragraph 23 of this Part XVI.

The Articles of Association, which were adopted pursuant to a special resolution on 11 May 2021, contain (among others) provisions to the following effect:

6.1 Share Capital

6.1.1 *Liability of members*

The liability of the members is limited to the amount, if any, for the time being unpaid on the shares held by them. (*Article 3*)

6.1.2 *Further issues and rights attaching to shares*

New shares may be allotted or issued with or have attached to them such special rights or restrictions, whether in regards to voting, participation in profits or assets, or otherwise, as the Company may from time to time by ordinary resolution determine, or, if no such resolution has been passed so far as the resolution does not make specific provision, as the Board may determine. The rights of any new shares can take priority over the rights of existing shares, rank equally with existing shares or be subordinate to the rights of existing shares. *(Article 4)*

6.1.3 *Changes to the share capital*

The Company may by ordinary resolution:

- consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- classify any unclassified shares; and
- sub-divide its shares, or any of them, into shares of smaller amount than its existing shares. *(Article 8)*

6.1.4 *Redemption of shares*

Any new share may be issued to include rights to have them redeemed at the option of the Company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such share. *(Article 4)*

6.1.5 *Odd-lot offers*

The Company may by ordinary resolution be given specific authority for an offer to be made by the Company to odd-lot holders, being persons who have holdings in aggregates of less than 250 ordinary shares in the Company, to purchase all their shares in the Company on the terms and conditions set out in such offer. *(Article 147)*

6.2 Rights attaching to the shares of the Company

6.2.1 *Dividends*

A person who is automatically entitled to a share by law is entitled to any dividends or other money relating to the share, even though he/she is not registered as the holder of that share. The directors can withhold the dividend and other money until a person who is automatically entitled by law provides any evidence of their entitlement which is reasonably required by the directors. They can also withhold the dividend or other moneys if the person who was previously entitled to the share could have had their dividend or such other moneys withheld. *(Article 40)*

The Company may by ordinary resolution declare dividends but no dividends shall exceed the amount recommended by the directors. The directors may pay interim dividends or dividends payable at a fixed rate, if it appears to them that they are justified by the profits of the Company available for distribution. If the directors act in good faith they shall not incur any liability to the holders of shares for any loss they may suffer because a lawful dividend has been paid on other shares which rank equally with or behind their shares. (*Articles 112, 113*)

Except as otherwise provided by the Articles of Association or the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares during any of the period for which the dividend is paid. If the rights of any share say that it will be entitled to a dividend as if it were a fully paid-up, or partly paid-up, share from a particular date (in the past or the future), it will be entitled to a dividend on that basis. In any other case, dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion(s) of the period in respect of which the dividend is paid. (*Article 116*)

A general meeting declaring a dividend may, upon the recommendation of the directors, pass an ordinary resolution to direct that it shall be satisfied wholly or partly by the distribution of specific assets and, where any difficulty arises in regard to the distribution, the directors may settle the same as they think fit. *(Article 114)*

The directors can, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive new ordinary shares, credited as fully paid, instead of some or all of the cash in respect of any dividend specified by the ordinary resolution. The ordinary resolution can apply to a particular dividend or dividends. Alternatively, it can apply to some or all of the dividends which may be declared or paid in the period up to and including the third annual general meeting which follows the passing of the ordinary resolution. *(Article 130)*

Any dividend on any share can be paid to the holder or holders of the shares shown on the Register, at whatever time on whatever day is stated in the resolution passed for payment of the dividend. It will be based on the number of shares registered at that time. (*Article 119*)

No dividend or other sum payable by the Company on or in respect of a share carries a right to interest against the Company, unless otherwise provided by the rights attached to the share. *(Article 118)*

Any dividend or other sum payable in cash relating to a share shall be paid by such method as the directors decide. *(Article 118)*

The Company may cease to send any payment in respect of any dividend payable in respect of a share by cheque or other payment order if, in respect of at least two consecutive dividends payable on that share, the cheque or other payment order has been returned or remains uncashed. The Company must start paying dividends in this way again if the shareholder or a person automatically entitled to the shares by law: (i) claims those dividends (before they are forfeited to the Company); and (ii) does not tell the Company to start paying dividends in some other way. *(Article 120)*

The directors may decide to pay unclaimed dividends into a separate account, but the Company will not be a trustee of the money. Any dividend which has remained unclaimed for six years after the passing of the resolution for payment of that dividend it will be forfeited and cease to remain owing by the Company. *(Article 120)*

6.2.2 ***Voting rights***

Subject to any rights or restrictions attached to any shares:

- on a show of hands:
    - every member who is present in person has one vote; and
    - every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote, except that if the proxy has been duly appointed by more than one member entitled to vote and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) they have one vote for and one vote against the resolution;
    - a proxy shall not be entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had they been present in person;
    - every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation would be entitled to; and

- on a poll every member present in person or by duly appointed proxy or corporate representative has one vote for every share of which they are the holder or in respect or which their appointment as proxy or corporate representative has been made. (*Articles 59, 67*)

For the purposes of determining which persons are entitled to attend or vote at a general meeting and how many votes such persons may cast, the Company may specify in the notice convening the meeting a time, not more than 48 hours before the time fixed for the meeting (not including any part of a day that is not a working day), by which a person must be entered on the Register in order to have the right to attend or vote at the meeting. *(Article 59)*

In the case of joint holders, the vote of the joint holder whose name appears first on the Register in respect of the joint holding shall be accepted to the exclusion of the votes of the other joint holders. *(Article 62)*

No member shall have the right to vote at any general meeting, either in person or by proxy, in respect of any share they hold unless all amounts presently payable by them in respect of that share have been paid. *(Article 60)*

6.2.3 *Transfer of the Shares*

A share in certificated form may be transferred by an instrument of transfer which may be in any usual form or in any other form approved by the directors, executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. Every transfer of shares in certified form must be in writing. A share in uncertificated form may be transferred by means of the relevant system concerned. The transfer may not be in favour of more than four transferees. *(Articles 32, 33)*

The directors may refuse to register any transfer of shares in certificated form unless:

- the instrument of transfer is lodged, duly stamped (if required), at the registered office of the Company accompanied by the relevant share certificate(s) or such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer or, if the instrument of transfer is executed by some other person on their behalf, the authority of that person to do so;
- the instrument of transfer is in respect of only one class of share; and
- it is fully paid. (*Article 34*)

No fee is payable to the Company for transferring shares or registering changes relating to the ownership of shares. *(Article 33)*

6.2.4 *Restrictions on rights: failure to respond to a section 793 notice*

If a shareholder, or any other person appearing to be interested in shares held by that shareholder, has been properly served with a notice under section 793 of the Companies Act 2006 by the Company in relation to their interest in shares and has failed for a period of 14 days from the date of giving the notice to supply the Company the information required by notice, then, unless the directors decide otherwise, for so long as the failure continues, the shareholder is not entitled to attend or vote (either personally or by proxy) at a shareholders' meeting or to exercise any other right in relation to shareholders' meetings as holder of the shares in relation to which the default occurred (the "**Default Shares**"), any further shares which are issued in respect of default shares, and any other shares held by the shareholder holding the default shares. Where the Default Shares represent at least 0.25% of a class, the directors can in their absolute discretion by notice direct to the shareholder of the withholding of any dividend payable in respect of those shares and the restriction of the transfer of any shares (subject to certain exceptions). *(Article 61)*

6.2.5 *Untraced members*

The Company may sell any shares at the best price reasonably obtainable if:

- during the 12 years before the earliest of the advertisements referred to in the next point, at least three dividends have been paid and none have been claimed in respect of those shares;

- after this 12-year period, the Company announces that it intends to sell the shares by placing an advertisement in a national newspaper and in a newspaper appearing in the area which includes the address held by the Company for serving notices relating to the shares; or
- during this 12-year period, and for three months after the advertisements appear, the Company has not heard from the shareholder or any person who is automatically entitled to the shares by law.

To sell any shares in this way, the Company may authorise any person to transfer the shares. The net sale proceeds belong to the Company until claimed, but it must pay these to the shareholder who could not be traced, or to the person who is automatically entitled to his/her shares by law if that shareholder, or that other person, claims it. The Company must record the name of that shareholder, or the person who was automatically entitled to the shares by law, as a creditor for this money in its accounts. No trust or duty to account shall arise and no interest shall be payable in respect of the proceeds of sale and any money earned on the proceeds of sale may be kept by the Company and used in the business of the Company or invested in any way that the directors may decide. The money cannot be invested in the Company's shares, or in the shares of any holding company of the Company. (*Article 41*)

6.3 Variation of rights

If the share capital of the Company is divided into different classes of shares, the special rights which are attached to any of these classes may be varied or abrogated, either while the Company is a going concern, or during or in contemplation of a winding up, or with the sanction of a special resolution passed at a separate meeting of the holders such shares. (*Article 30*)

To every such separate meeting the provisions of the Articles of Association relating to general meetings shall apply, except that the quorum for any such meeting shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question. At an adjourned meeting the quorum shall be one person holding shares of the class in question or their proxy. *(Article 30)*

Unless otherwise expressly provided by the rights attached to any class of shares, those rights shall not be regarded as varied:

- if new shares are created, or issued, which rank equally with, or after, any other existing shares in sharing profits or assets of the Company; or
- if the Company buys back or redeems its own shares. (*Article 31*)

6.4 Substantial Shareholders

A "**Relevant Registered Shareholder**" means a shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not a Substantial Shareholder).

A "**Substantial Shareholder**" means any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the Capco Group to be liable to pay tax under Regulation 10 of The Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) on or in connection with the making of a dividend or other distribution to or in respect of such person including any holder of excessive rights as defined in The Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time). *(Article 123)*

A "Substantial Shareholding" means the shares in the Company in relation to which or by virtue of which (in whole or in part) a person is a Substantial Shareholder. (*Article 123*)

Each shareholder and any other relevant person shall serve notice in writing on the Company at the registered office of the Company by the end of the second Business Day after the day on:

- they become a Substantial Shareholder or they are a Substantial Shareholder on the date Article 124 comes into effect (together with the percentage of voting rights, share capital or dividends they control or are beneficially entitled to, details of the identity of the shareholder(s) who hold(s) the relevant Substantial Shareholding and such other information, certificates or declarations as the directors may require from time to time);

- they become a Relevant Registered Shareholder or they are a Relevant Registered Shareholder on the date Article 124 comes into effect (together with such details of the relevant Substantial Shareholder and such other information, certificates or declarations as the directors may require from time to time); and
- there is any change to the particulars contained in any such notice, including on the relevant person ceasing to be a Substantial Shareholder or a Relevant Registered Shareholder. (*Article 124*)

In respect of any distribution, if the directors determine that, in relation to any shares in the Company:

- the directors believe that such shares comprise all or part of a Substantial Shareholding of a Substantial Shareholder; and
- the directors are not satisfied that such Substantial Shareholder would not be beneficially entitled to the distribution if it was paid,

the directors may withhold payment of such distribution on or in respect of such shares. *(Article 125)*

6.5 Directors of the Company

6.5.1 *Appointment*

Unless the Company determines otherwise by ordinary resolution, the number of directors (disregarding alternate directors) shall not be less than four and not more than twenty. *(Article 69)*

The Company may by ordinary resolution appoint a person to be a director, either to fill a vacancy or as an additional director within the limit on the total number of directors. *(Article 81)*

The directors may appoint a person to be a director, either to fill a vacancy or as an additional director, provided that the appointment does not cause the number of directors to exceed any number fixed as the maximum number of directors. Any director appointed in this way shall automatically retire at the next AGM after their appointment and shall be eligible for reappointment. *(Article 81)*

6.5.2 *Retirement*

All directors shall retire at each AGM, except directors appointed by the Board after the notice of AGM has been given and prior to the AGM being held. *(Article 77)*

If the Company, at the general meeting at which a director retires under any provision of the Articles of Association, does not fill the vacancy the retiring director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and not passed. A director retiring at an AGM retires at the end of that meeting or, if earlier, when a resolution is passed to appoint someone in their place or when a resolution to reappoint such person as a director is lost. (*Article 79)*

6.5.3 *Removal*

In addition to any power of removal under the Acts, the Company may remove a director before the expiration of their period of office by ordinary resolution. *(Article 82)*

A person automatically ceases to be a director in any of the following circumstances:

- a bankruptcy order is made against that person; or
- an arrangement or composition is made with that person's creditors or that person applies for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act; or
- if that person becomes of unsound mind and a court which claims jurisdiction to protect people who are unable to manage their own affairs has made an order about that person; or
- that person is absent without permission of the other directors from meetings of the directors for more than six consecutive months and the other directors resolve that they should cease to be a director; or
- if that person is prohibited from being a director under the Companies Act 2006, the CREST Regulations or any other laws and regulations applying to the Company; or

- that person resigns in writing or offers to resign in writing and the directors resolve to accept such offer; or
- if all the other directors pass a resolution, or serve a notice in writing upon that person, requiring the director to resign, that person will cease to be a director when the notice is served on that person. (*Article 83*)

6.5.4 ***Powers of directors***

The business of the Company shall be managed by the directors who, subject to the provisions of the Articles of Association and to any regulations laid down by special resolution, may exercise all the powers of the Company. *(Article 101)*

The directors may appoint anyone their number as Chairman, deputy chairman or to any executive office of the Company they decide on and for such period and on such terms as they decide. Any such appointment shall terminate if such person ceases to be a director but without prejudice to any claim for breach of the contract of against the Company which may otherwise apply. *(Article 75)*

Subject to the provisions of the Articles of Association, the directors may delegate any of the powers which are conferred on them under the Articles of Association, to such person or local board, by such means (including by power of attorney), to such an extent, in relation to such matters or territories; and on such terms and conditions, as they think fit. *(Article 102, 103)*

Any director (other than an alternate director) may appoint any other director, or any other person approved by resolution of the directors and willing to act and permitted by law to do so, to be an alternate director and may remove such an alternate director appointed from office. *(Article 106)*

An alternate director shall be entitled to receive notices of meetings of the directors, to attend and vote at any such meeting at which the director appointing them is not present and generally to perform all the functions of their appointer as director in their absence. *(Article 106)*

The directors can present a petition to the Court in the name and on behalf of the Company for the Company to be wound up. *(Article 143)*

6.5.5 ***Borrowing powers***

The directors must limit the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to ensure (insofar as they can) that the total amount of all borrowings by the Capco Group outstanding (excluding intra group borrowings) shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the aggregate from time to time of:

- the amount paid up on the issued share capital of the Company; and
- the amount standing to the credit of the capital and revenue reserves of the Company and its subsidiaries as shown by latest audited consolidated balance sheet of the Capco Group,

but adjusted as may be necessary in respect of any variation in the interests of the Capco Group since the date of that balance sheet and further adjusted as the directors may reasonably consider to be appropriate to reflect any change since that date in the companies comprising the Capco Group. *(Article 105)*

6.5.6 ***Provisions for employees on cessation or transfer of business***

The directors may make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary. *(Article 104)*

6.5.7 ***Voting at board meetings***

A meeting at which a quorum is present can exercise all the powers and discretions of the directors and the quorum may be fixed by the directors. A director shall not be counted in the quorum present in relation to a matter or resolution on which they are not entitled to vote (or when their vote cannot be counted) but shall be counted in the quorum present in relation to all other matters or resolutions

considered or voted on at the meeting. An alternate director, who are not themselves a director shall, if their appointer is not present, be counted in the quorum. (*Articles 87, 96, 106*)

Matters for decision arising at a meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote. *(Article 89)*

A resolution in writing agreed to by all the directors who together meet the quorum will be as valid and effective as if it had been passed at a meeting of those directors, duly convened and held. *(Article 92)*

6.5.8 ***Restrictions on voting***

Subject to the provisions of the Articles of Association, a director shall not vote or be counted in the quorum at a meeting of the directors on any resolution concerning a matter in which they have, directly or indirectly, an interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) unless their interests arise only because the case falls within one or more of the following sub-paragraphs:

- the resolution relates to an interest the director does not know about;
- the resolution relates to an interest in which it is unreasonable to expect will result in a conflict of interest;
- the resolution relates to them giving a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by the director or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings, or a debt or other obligation which is owed by the Company or any of its subsidiary undertakings to that person if the director has taken responsibility for all or any part of that debt or obligation by giving a guarantee, security or indemnity;
- the resolution relates to circumstances where the Company or any of its subsidiary undertakings is offering any shares, debentures or other securities for subscription or purchase, in which offer the director is or may be entitled to participate as a holder of security or in the underwriting or sub-underwriting of which the director is to participate;
- the resolution relates to a transaction or arrangement with any other company in which they are interested, directly or indirectly (whether as director or shareholder or otherwise), provided that they are not the holder of or beneficially interested in 1% or more of any class of the equity share capital of that company and not entitled to exercise 1% or more of the voting rights available to members of the relevant company;
- the resolution relates to an arrangement for the benefit of the employees or former employees of the Company or any of its subsidiary undertakings which only gives the directors benefits which are also generally given to the employees or former employees to whom the arrangement relates;
- the resolution relates to the purchase or maintenance for any director or directors of insurance against any liability;
- the resolution concerns the giving of indemnities in favour of the directors;
- the resolution concerns the funding of expenditure by any director or directors on defending criminal, civil or regulatory proceedings or actions against the director or directors, or in connection with an application to the court for relief, or defending the director or directors in any regulatory investigations; and
- the director's interest, or the interests of the directors generally, has been authorised by ordinary resolution. (*Article 96*)

6.5.9 ***Directors' interests***

Provided that they have disclosed to the directors the nature and extent of any material interest they have, a director notwithstanding their office:

- may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested; and

- may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is interested,

  and (i) they shall not, by reason of their office, be accountable to the Company for any benefit which they derive from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate; (ii) they shall not infringe their duty to avoid a situation in which they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company as a result of any such office or employment or any such transaction or arrangement or any interest in any such body corporate; (iii) they shall not be required to disclose to the Company, or use in performing their duties as a director of the Company, any confidential information relating to such office or employment if to make such a disclosure or use would result in a breach of a duty or obligation of confidence owed by them in relation to or in connection with such office or employment; (iv) they may absent themselves from discussions, whether in meetings of the directors or otherwise, and exclude themselves from information, which will or may relate to such office, employment, transaction, arrangement or interest; and (v) no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. *(Articles 94, 95, 97, 98)*

The directors may authorise, to the fullest extent permitted by law, any matter which would otherwise result in a director infringing their duty to avoid a situation in which they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interests. Such authorisation is only effective if any requirement as to quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director and the matter was agreed to without their voting (or would have been agreed to if their votes had not been counted). (*Articles 96, 98*)

Where a director has an interest which it is reasonable to expect will result in a conflict of interest, the director may be required, if requested by the directors, take such additional steps as are necessary or desirable for the purpose of managing such conflict of interest, including compliance with any procedures laid down by the directors for the purpose of managing conflicts of interest generally and/or any specific procedures approved by the directors for the purpose of or in connection with the situation or matter in question, including (without limitation), absenting themselves from meetings of the directors at which the relevant situation or matter falls to be considered and not reviewing documents or information made available to the directors generally in relation to such situation or matter. (A*rticle 98*)

6.5.10 ***Directors' remuneration and expenses***

The directors shall be entitled to decide on the amount, timing, and manner of payment of fees for their services as directors, subject to the aggregate annual sum of the fees paid not exceeding £750,000, or such larger sum as the Company may decide by ordinary resolution, excluding any special remuneration. Such sum may be divided between some or all of the directors (other than alternative directors) as they may determine, or, failing such determination, equally. *(Article 71)*

Any director who holds any executive post, serves on any committee of the directors, who acts as Chairman or deputy chairman, or who otherwise performs services which the directors consider go beyond the ordinary duties of a director, may be paid such special remuneration by way of salary, commission or otherwise as the directors may determine. *(Article 72)*

Each director shall be entitled to be repaid all reasonable expenses properly incurred by them in the performance of their duties as director, including travel expenses incurred to attend and return from directors' meetings, meetings of committees of the directors or general meetings. *(Article 73)*

6.5.11 ***Directors' gratuities and benefits***

The directors may provide benefits, whether by the payment of pensions, annual payments, gratuities or other allowances or benefits, to any people who are, or were, directors. The directors can also decide to contribute to any scheme or fund or to pay premiums for the purchase or provision of any such benefit from third parties. *(Article 74)*

6.5.12 ***Indemnity***

The Company may:

- indemnify to any extent any person who is or was a director, or a director of any associated company, directly or indirectly (including by funding any expenditure incurred or to be incurred by him) against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by them or otherwise, in relation to the Company or any associated company;
- indemnify to any extent any person who is or was a director of an associated company that is a trustee of an occupational pension scheme, directly or indirectly (including by funding any expenditure incurred or to be incurred by them) against any liability they have incurred in connection with the company's activities as trustee of an occupational pension scheme; and
- purchase and maintain insurance for any person who is or was a director, or a director of any associated company, against any loss or liability or any expenditure they may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by them or otherwise, in relation to the Company or any associated company. (*Articles 145, 146*)

6.6 **General Meetings**

The directors may decide to call a general meeting at any time. *(Article 43)*

An AGM and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed or permitted under the Acts. *(Article 43)*

The notice shall specify the place, the date and the time of meeting and the general nature of the business to be transacted, and in the case of an annual general meeting shall specify the meeting as such. Subject to the provisions of the Articles of Association and to any rights or restrictions attached to any shares, notices shall be given to all members and to the directors and auditors of the Company. Any notice to be given to a member may be given by reference to the Register as it stands at any time within the period of 21 days before the notice is given; and no change in the Register after that time shall invalidate the giving of the notice. A member whose registered address is not within the United Kingdom shall not be entitled to receive any notice, document or information from the Company unless they give the Company an address (not being an electronic address) within the United Kingdom or South Africa at which notices, documents or information may be sent or supplied to him. (*Articles 44, 138)*

Where, by reason of any suspension or restriction of the postal service or electronic mail system, the Company is unable effectively to give notice of a general meeting, the board may call the meeting by publishing a notice in at least one United Kingdom national newspaper; notice published in this way will be treated as being properly served on members who are entitled to receive it on the day when the advertisement first appears. If it becomes possible to use the postal service or electronic mail system again more than seven days before the meeting, the Company must send confirmation of the notice through the post or by electronic mail. *(Article 44)*

No business shall be transacted at any meeting unless a quorum is present. Unless the Articles of Association say otherwise, three persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member (including for this purpose three persons who are proxies or corporate representatives of the same member), shall be a quorum. *(Article 49)*

A member is entitled to appoint another person as their proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. The appointment of a proxy shall be deemed also to confer authority to demand or join in demanding a poll. Delivery of an appointment of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of it. A proxy need not be a member. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. An appointment of proxy shall be in writing in any usual form or in any other form which the directors may approve and shall be executed by or on behalf of the appointer which in the case of a corporation may be either under its common seal or under the hand of a duly authorised officer or other person duly authorised for that purpose. Subject to the provisions of the Acts, any

corporation (other than the Company itself) which is a member of the Company may, by resolution of its directors or other governing body, authorise such person(s) to act as its representative(s) any meeting of the Company, or at any separate meeting of the holders of any class of shares. The Company may require such person(s) to produce a certified copy of the resolution before permitting them to exercise their powers. The directors may (and shall if and to the extent that the Company is required to do so by the Acts) allow an appointment of proxy to be sent or supplied in electronic form subject to any conditions or limitations as the directors may specify. *(Articles 59, 63, 64, 65, 66, 67)*

The directors may attend and speak at general meetings and at any separate meeting of the holders of any class of shares, whether or not they are members. *(Article 70)*

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is validly demanded. A poll on a resolution may be demanded either before a vote on a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared. A poll on a resolution may be demanded by:

- the Chairman of the meeting;
- at least three members at the meeting who are entitled to vote (including proxies for members entitled to vote);
- one or more members at the meeting who are entitled to vote and who have, between them, not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting (including proxies for members entitled to vote); or
- a member or members holding shares conferring a right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (including proxies for members entitled to vote). (*Article 53*)

The directors may make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting (including the use of satellite meeting places). The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues. *(Articles 46A, 48)*

7. Directors' interests

7.1 Other Directorships

Save as set out below, none of the Directors or Proposed Directors have been a member of any partnerships or held any directorships of any other company (other than subsidiaries of the company of which those persons are also directors), at any time in the last five years prior to the date of this document. Executive Directors may hold one or more non-executive directorships with the agreement of the Chairman:

Name	Current directorships and partnerships	Previous directorships and partnerships held in the previous five years
Directors		
Henry Staunton . . .	WH Smith PLC	Phoenix Group Holdings BrightHouse Group PLC BrightHouse TopCo Limited Caversham Finance Limited
Ian Hawksworth . . .	ChanceryGate Limited Hackplimco (No. 122) Limited Lillie Square Clubhouse Limited Lillie Square Developments Limited Lillie Square Management Limited Lillie Square GP Limited Lillie Square Nominee Limited Great Capital Partnership (G.P.) Limited	Great Capital Property Limited

Name	Current directorships and partnerships	Previous directorships and partnerships held in the previous five years
Situl Jobanputra . . .	Hackplimco (No. 122) Limited	Incognito Limited
	Innova Investment Partnership GP Limited	Great Capital Property Limited
	Lillie Square Clubhouse Limited	
	Lillie Square Developments Limited	
	Lillie Square Management Limited	
	Lillie Square Nominee Limited	
	Great Capital Partnership (G.P.) Limited	
Michelle McGrath . .	The Westminster Property Association	—
	British Fashion Council Advisory Board	
	British Beauty Council Advisory Board	
	Lillie Square Nominee Limited	
Anthony Steains . . .	Comprador Limited	FilmAid Asia Limited
	Comprador Holdings Limited	
	Comprador Advisors Limited	
	CH Vulcan Holdings Limited	
	Comprador Partners Limited	
	Twelve Seas Investment Company II	
	CH Pomegranate Holdings Limited	
	crXsspark Limited	
	crXsspark HK Limited	
	Entertainment Australia Pty Ltd	
	Australia Film Slate Pty Ltd	
	Nutrient Ltd	
	QH Business Pty Ltd	
	QH Estate Pty Ltd	
	SBBC Pty Limited	
	SMB Ltd	
	14FHK Limited	
	Sea Honour Limited	
	Spud Holdings HK Limited	
	LNS Networks Hong Kong Limited	
Charlotte Boyle . . .	Coca-Cola HBC AG	Pankhurst Holdings LLP
	Alfanar	
	Beacon Social Capital Limited	
	Knight Frank LLP	
	Spencer Stuart Associates	
	Thatchers Cider Company Limited	
	UK for UNHCR	
Jonathan Lane	The Royal Theatrical Support Trust	EasyHotel PLC
		Longmartin Properties Limited
		St Martin's Courtyard Limited
		Longmartin Investments Limited
		TF Enterprises Limited
Proposed Directors		
Jonathan Nicholls . .	Ibstock Plc	DS Smith plc
	Shaftesbury PLC	
Chris Ward	Shaftesbury PLC	Westway Trust
	Chinatown London Ltd	
	Shaftesbury Av Investment Limited	
	Shaftesbury Av Limited	
	Shaftesbury Investments 8 Limited	
	Shaftesbury Cl Investment Limited	
	Shaftesbury Investments 7 Limited	
	Shaftesbury Investments 4 Limited	
	Shaftesbury Investments 9 Limited	
	Shaftesbury Investments 6 Limited	
	Shaftesbury Investments 5 Limited	

Name	Current directorships and partnerships	Previous directorships and partnerships held in the previous five years
	Shaftesbury Investments 10 Limited	
	Shaftesbury Carnaby PLC	
	Shaftesbury Covent Garden Limited	
	Shaftesbury Chinatown PLC	
	Covent Garden Estate Holdings Limited	
	Chinatown Estate Holdings Limited	
	Shaftesbury Covent Garden Property Investments Limited	
	Carnaby Investments Limited	
	Carnaby Estate Holdings Limited	
	Shaftesbury Investments 2 Limited	
	Shaftesbury Soho Limited	
	Shaftesbury Cl Limited	
	Shaftesbury Charlotte Street Limited	
	Chinatown Property Investments Limited	
	Carnaby Property Investments Limited	
	Charlotte Street Estate Holdings Limited	
	Shaftesbury West End Limited	
Richard Akers	Redrow plc	Barratt Developments PLC
	Shaftesbury PLC	Unite Group plc
Ruth Anderson	Shaftesbury PLC	Ocado Group plc
		Travis Perkins plc
		Coats Group plc
		The Duke of Edinburgh's Award
		The Royal Parks Limited
Helena Coles	JPMorgan Emerging Markets Investment Trust Plc	—
	Schroder Japan Growth Fund plc	
	Shaftesbury PLC	
Jennelle Tilling	Camelot	—
	Yorkshire Building Society	
	Guide Dogs to the Blind	
	Shaftesbury PLC	

7.2 Interests of Directors in the share capital of Capco

Save as disclosed in this paragraph 7.2, none of the Directors or the Proposed Directors or their immediate families or connected persons have any interests (beneficial or non-beneficial) in the share capital of the Capco Group or its subsidiaries.

Save as disclosed in this paragraph 7.2 and paragraph 10 of this Part XVI (*Additional Information*), no other person involved in the Admission has an interest which is material to the Admission.

7.2.1 *Share interests*

The Directors and the Proposed Directors have the following interests in Capco Shares (including beneficial interests or interests of a person connected with a Director) as at the Latest Practicable Date, and expect to have up to the following interests immediately following Admission.

Name	Interests as at the Latest Practicable Date		Interests immediately following Admission[1][2]			
	No. of Capco Shares	% of total issued share capital[1]	No. of Capco Shares	No. of Capco Shares to be sold to cover income tax and/or employee social security contributions[3]	Net no. of Capco Shares after sales to cover income tax and/or employee social security contributions[3][5]	% of total issued and to be issued share capital
Directors						
Henry Staunton	350,000	0.04%	350,000	—	350,000	0.02%
Ian Hawksworth[4]	909,492	0.11%	3,263,457	1,135,789	2,127,668	0.12%
Situl Jobanputra[4]	100,000	0.01%	1,629,773	738,116	891,657	0.05%
Michelle McGrath	40,000	0.00%	1,104,483	513,614	590,869	0.03%
Anthony Steains	0	0.00%	—	—	—	0.00%
Charlotte Boyle	15,052	0.00%	15,052	—	15,052	0.00%
Jonathan Lane	250,000	0.03%	250,000	—	250,000	0.01%
Proposed Directors						
Jonathan Nicholls	—	—	192,970	—	192,970	0.01%
Chris Ward	—	—	1,532,654	377,648	1,155,006	0.06%
Richard Akers	—	—	49,990	—	49,990	0.00%
Jennelle Tilling	—	—	41,950	—	41,950	0.00%
Helena Coles	—	—	—	—	—	0.00%
Ruth Anderson	—	—	16,780	—	16,780	0.00%

Notes:

(1) Assuming: (i) that the holdings of such person in Capco at the Latest Practicable Date do not change prior to delivery of New Capco Shares under the Merger other than in connection with the exercise of options under the Capco Share Plan; (ii) the maximum number of New Capco Shares are issued in connection with the Merger (including in respect of Shaftesbury Shares issued pursuant to the vesting or exercise of awards and options under the Shaftesbury Share Plans (excluding options under the Shaftesbury Sharesave Scheme));(iii) that, save in respect of shares issued pursuant to the vesting or exercise of awards and options under the Capco Share Plan (excluding CSOP Options) or the Shaftesbury Share Plans (excluding the Shaftesbury Sharesave Scheme), no other issues of Capco Shares or Shaftesbury Shares occur between the Latest Practicable Date and Admission; and (iv) that such options and awards under Shaftesbury Share Plans and the Capco Share Plan are exercised to the fullest extent possible (where applicable) and settled prior to Admission (in the case of the Capco Share Plan) or the Scheme Record Time (in the case of the Shaftesbury Share Plans).

(2) Capco Shares acquired by the Executive Directors pursuant to the exercise of their options under the Capco Share Plan and Capco Shares received by Chris Ward in respect of the Shaftesbury Shares he acquires pursuant to the exercise of his options under the Shaftesbury Share Plans shall be subject to such arrangements as are required to effect any sell-to-cover or similar arrangements to satisfy any income tax and/or employee's National Insurance contributions liabilities (or any similar tax or employee's social security contribution in the UK or any other jurisdiction) arising in connection with the exercise of such options.

(3) Assuming: (i) a combined rate of income tax and/or employee's National Insurance contributions liabilities (or any similar tax or employee's social security contribution in the UK or any other jurisdiction) of 48.25%; (ii) that no dealing or other costs or expenses apply in respect of such sell-to-cover arrangements; and (iii) that all relevant options under the Capco Share Plan and the Shaftesbury Share Plans are exercised to the fullest extent. These calculations exclude the effect of fractional interests in Capco Shares and any fluctuations in the share price of Shaftesbury Shares and/or Capco Shares between the acquisition of Shaftesbury Shares and/or Capco Shares upon the exercise of options under the Shaftesbury Share Plans or the Capco Share Plan and the disposal of Capco Shares under sell-to-cover arrangements, which may result in a greater or fewer number of Capco Shares being sold in practice.

(4) Interests immediately following Admission include 176,403 Capco Shares and 87,275 Capco Shares subject to Bonus Deferral Awards granted to Ian Hawksworth and Situl Jobanputra respectively, which were vested but unexercised as at the Latest Practicable Date.

(5) Capco Directors are required: (a) to retain shares acquired pursuant to the exercise of Bonus Deferral Awards that vest in connection with the Merger (net of shares sold to fund the cost of tax and employee social security contributions) until the original vesting date; and (b) to retain at least 50% of shares acquired pursuant to the exercise of PSP Options that vest in connection with the Merger (net of shares sold to fund the cost of tax and employee social security contributions) for two years following Admission.

7.2.2 ***Share awards***

As at the Latest Practicable Date, the Executive Directors had the following options relating to the shares under the Capco Share Plan, as described in paragraph 9 of this Part XVI (*Additional Information*).

Name	Type of award	Year Granted	Option exercise price (pence) (if any)	No. of Capco Shares underlying share options held at the Latest Practicable Date
Directors				
Ian Hawksworth . .	Bonus Deferral Award[1]	2017	Nil	29,528
	Bonus Deferral Award[1]	2018	Nil	102,153
	Bonus Deferral Award[1]	2019	Nil	44,722
	PSP Option	2020	Nil	1,112,490
	Bonus Deferral Award	2020	Nil	192,450
	PSP Option	2021	Nil	1,143,129
	PSP Option	2022	Nil	1,221,945
	Bonus Deferral Award	2022	Nil	171,782
Situl Jobanputra . .	Bonus Deferral Award[1]	2018	Nil	58,289
	Bonus Deferral Award[1]	2019	Nil	28,986
	PSP Option	2020	Nil	738,763
	Bonus Deferral Award	2020	Nil	124,161
	PSP Option	2021	Nil	759,109
	PSP Option	2022	Nil	811,597
	Bonus Deferral Award	2022	Nil	114,074
Michelle McGrath .	PSP Option	2020	Nil	514,030
	PSP Option	2021	Nil	616,218
	PSP Option	2022	Nil	682,397
	Bonus Deferral Award	2022	Nil	92,601

Notes:

(1) Vested but unexercised at the Latest Practicable Date.

(2) On the vesting or exercise of options and awards under the Capco Share Plan, participants will receive an additional cash payment by way of dividend equivalent in accordance with the rules of the Capco Share Plan.

(3) Under the Capco Share Plan, Capco's executive directors have been granted nil-cost options over Capco Shares subject to performance conditions and nil-cost options over Capco Shares not subject to performance conditions representing the deferral of a proportion of bonuses earned under Capco's annual bonus arrangements.

7.3 **Confirmations and conflicts of interest**

7.3.1 ***Confirmations***

Save as disclosed under paragraph 7.1 of this Part XVI (*Additional Information*), at the date of this document, none of the Directors or the Proposed Directors has during at least the previous five years prior to the date of this document:

- any convictions in relation to fraudulent offences;
- been a member of the administrative, management, supervisory body or senior management of a company associated with any bankruptcies, receiverships or liquidations or a company been put into administration; or
- been subject to any official public incrimination or sanctions by any statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the Directors or the Proposed Directors.

7.3.2 ***Conflicts of interest***

None of the Directors or the Proposed Directors have any actual or potential conflicts of interest between any duties they owe to Capco and any private interests or other duties they may also have.

7.3.3 ***Transactions with Directors and the Proposed Directors***

No Director or Proposed Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or which is, or was, significant in relation to the business of the Capco Group and which was effected by any member of the Capco Group during the current or immediately preceding financial year, or during any earlier financial year, and remains in any respect outstanding or underperformed.

There are no outstanding loans granted by the Company or any Capco Group company to any of the Directors or Proposed Directors nor has any guarantee been provided by the Company or any Capco Group company for their benefit.

7.3.4 ***Director appointment arrangements***

There are no arrangements or understandings with major Shareholders, customers, suppliers or others pursuant to which any Director or Proposed Director was selected as a director.

8. Directors' terms and conditions

8.1 Executive Directors

Executive Directors are appointed under one-year rolling service contracts. The service contracts may be terminated by either party giving one year's notice to the other. It is the Company's policy that payments in lieu of notice should not exceed the Director's current salary and benefits (including pension contributions) for the notice period. Details of the service contracts entered into are set out below:

	Date of appointment	Notice period by Company (months)
Ian Hawksworth	17 May 2010	12
Situl Jobanputra	1 January 2017	12
Michelle McGrath	26 February 2020	12

All of the Executive Directors were re-elected by ordinary resolution at the annual general meeting of Capco on 28 June 2022.

Following the Effective Date, the basic salaries of Ian Hawksworth, Situl Jobanputra and Chris Ward will be set at £725,000, £520,000, and £520,000, respectively, which take into account the scope of their roles within the Combined Group, inflationary pressures and comparable market data.

8.2 Chairman and Non-executive Directors

The Chairman and the Non-executive Directors do not have service contracts with the Company but instead have letters of appointment. The letters of appointment of the Non-executive Directors are reviewed by the Board annually and contain a one-month notice period. The Chairman's letter of appointment contains a three-month notice period. Details of the current letters of appointment are set out below.

	Date of appointment	Notice period by Company (months)
Henry Staunton	2 June 2010	3
Anthony Steains	1 March 2016	1
Charlotte Boyle	1 October 2017	1
Jonathan Lane	1 March 2019	1

All of the Non-executive Directors were re-elected by ordinary resolution at the annual general meeting of Capco on 28 June 2022. The Non-executive Directors do not receive any pension, bonus or long-term incentive benefits from the Company.

8.3 Directors' indemnity

The Company provides indemnities to its Directors in accordance with the Company's Articles of Association and to the maximum extent permitted by law. As at the date of this document, such indemnities are in force in respect of the Directors, and following Completion, will be in force in respect of the Proposed Directors, covering any charges, losses, liabilities, and damages, as well as

any reasonable costs and expenses, that they may incur in or about the execution of their duties to the Company or to any parent undertaking or subsidiary undertaking of the Company (as such terms are defined in section 1162 of the Companies Act 2006), or as a result of duties performed by them on behalf of the Company or any such associated company.

As is customary, the Company has maintained director and officer liability insurance over an extended number of years.

9. Capco employee share schemes

The Company has established the Capco Performance Share Plan 2017 (the "**PSP**"), a discretionary share plan which provides for the grant of awards to employees of the Capco Group (including awards structured as options), including the executive directors, and which is operated from time to time by the Remuneration Committee or another authorised sub-committee of the Board (the "**Committee**").

The principal features of the PSP are summarised below. See also paragraph 7.2.2 of this Part XVI for details in relation to awards held by the Executive Directors under the PSP.

The Merger constitutes a reverse takeover by Capco of Shaftesbury for the purposes of the Takeover Code, which will bring together employees from each company. In determining the appropriate treatment of share awards under the Capco Share Plan and the Shaftesbury Share Plans, the remuneration committees of the boards of directors of Capco and Shaftesbury took their respective decisions based on the scope of each company's shareholder-approved directors' remuneration policy and the applicable share plan rules in order to provide employees, including executive directors, with an outcome that each considered appropriate and equitable as a result of the Merger.

Awards and options granted under each of the plans will vest or become exercisable prior to Admission (as permitted by the rules of the relevant share plan, including the time apportionment provisions, and by applying performance conditions, where applicable, and with post-vesting holding of shares by the directors of the Combined Group).

Details of the treatment of awards and options under the Shaftesbury Share Plans are set out in the Scheme Document. However, as described in the Co-operation Agreement, Capco has agreed to offer participants in the Shaftesbury Sharesave Scheme the opportunity to exchange their outstanding options under the Shaftesbury Sharesave Scheme for equivalent options over Capco Shares on and subject to the terms of the Shaftesbury Sharesave Scheme (the "**Rollover Sharesave Options**"). As a result, the Shaftesbury Sharesave Scheme will be operated by Capco from the Effective Date.

9.1 Overview of the PSP

The PSP provides for the grant of nil-cost options and conditional awards over Capco Shares subject to performance conditions ("**PSP Options**" and "**PSP Awards**"), nil-cost options and conditional awards over Capco Shares not subject to performance conditions representing the deferral of a proportion of bonuses earned under the Company's annual bonus arrangements ("**Bonus Deferral Awards**") and market-value options over Capco Shares under a schedule to the PSP which operates as an HM Revenue and Customs tax-advantaged Company Share Option Plan ("**CSOP Options**").

9.2 Satisfying awards and dilution limits

Options and awards under the PSP can be satisfied by a new issue of Capco Shares or by the transfer of Capco Shares, either from treasury or using Capco Shares purchased in the market in conjunction with the EBT (a trust established by the Company with an independent trustee based in Jersey).

The following limits apply to the number of Capco Shares that can be issued for the purposes of options and awards under the PSP (including, where required by the Investment Association, by the transfer of treasury shares, which will be treated as shares issued by the Company and shares in issue for the purposes of the issued share capital of the Company):

- in any 10 year period, the number of Capco Shares which may be issued under the PSP, and any other discretionary share or option scheme established by the Company, may not exceed 5% of the issued share capital of the Company from time to time; and

- in any 10 year period, the number of Capco Shares which may be issued under any employees' share or option scheme established by the Company may not exceed 10% of the issued share capital of the Company from time to time.

9.3 **Alterations to the PSP**

The Committee may, at any time, alter the PSP provided that:

- the Committee may not alter the terms of subsisting awards to the disadvantage of participants unless a majority of all participants (by reference to the number of shares subject to subsisting awards affected by the proposed alteration) approve the alteration; and
- no alteration to the advantage of participants shall be made to: (1) the provisions governing eligibility; (2) overall or individual limits; (3) the basis for determining the participant's entitlement to Capco Shares; (4) the ability to adjust on a variation of capital; or (5) the power of amendment, without the prior approval of Shareholders at a general meeting,

in each case, save for minor alterations to benefit the administration of the PSP or to take account of a change (including a proposed change) in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

9.4 **Terms common to all awards under the PSP**

Employees (including the executive directors) are eligible to participate in the PSP at the discretion of the Committee, subject to the Directors' Remuneration Policy, where applicable.

Other than in exceptional circumstances, the maximum value of Capco Shares that may be subject to awards granted under the PSP to an individual in any financial year is 350% of the participant's basic salary (or 300% of basic salary in the case of executive directors under the Directors' Remuneration Policy), in each case excluding any Bonus Deferral Awards.

Vesting of awards under the PSP is subject to continued employment and, in the case of PSP Options, PSP Awards and CSOP Options, performance against relevant metrics, usually over a period of at least three years. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate.

The rules of the PSP contain provisions covering cessation of employment and change of control scenarios. On a change of control of Capco, awards vest and, in the case of options, become exercisable, subject to performance measurement (where applicable) and, unless the Committee determines otherwise, time pro-rating. The Committee has discretion to determine that the same treatment should apply in the event of a reverse takeover of Capco (such as the Merger). On cessation of employment for a good leaver reason (including, but not limited to, redundancy, death, retirement, sale of the employer out of the Capco Group or any other reason at the discretion of the Committee), awards typically vest on a wait-and-see basis (subject to the Committee's discretion to allow awards to vest early) subject to performance measurement (where applicable) and time pro-rating (unless the Committee determines otherwise).

PSP Options, PSP Awards and CSOP Options may (and in the case of awards granted to executive directors under the Directors' Remuneration Policy will) be subject to a holding period (of up to two years from the date that the relevant award vests) during which any Capco Shares acquired on the vesting or exercise of such awards may not be transferred subject to certain permitted exceptions. In certain circumstances, including a change of control of the Company, the death of a participant, or (if the Committee so decides) a reverse takeover of the Company (including the Merger), the holding period will cease.

In the event of a material misstatement in the Company's audited accounts, the assessment of the satisfaction of a performance condition being based on error or inaccurate or misleading information, or the participant's gross misconduct (where such misconduct is considered to have had a material detrimental impact on the business of any Capco Group company or to have brought the business of any such company into significant disrepute), the Committee may, within periods specified in the rules, negatively adjust the award prior to vesting, negatively adjust or forfeit any other outstanding award and/or require the participant to make a repayment of the amount subject to the clawback, provided that Bonus Deferral Awards may only be subject to a clawback if they vest early following cessation of employment.

9.5 Terms specific to the PSP Options, PSP Awards and Bonus Deferral Awards

The Committee may determine that, to the extent a PSP Option, a PSP Award or a Bonus Deferral Awards vests, participants will be entitled to receive additional cash or Capco Shares equivalent to the dividends that would have been paid on the number of Capco Shares that vest between the grant of the award and the later of the vesting date and, in the case of options (if so determined by the Committee), the expiry of the holding period (if any).

On any variation of the share capital of the Company or a demerger, special dividend or similar event which materially affects the market price of the Capco Shares, the Committee may make such adjustments as it considers fair and reasonable to the number of Capco Shares comprised in an award and/or the exercise price payable (if any).

9.6 Terms specific to CSOP Options

CSOP Options are options to acquire Capco Shares at a price set at or above the market value of a Capco Share at the date of grant and are used to deliver a portion of awards under the PSP in a tax-efficient manner for employees below Executive Director level.

The maximum market value of Capco Shares that may be subject to outstanding CSOP Options is £30,000 per participant, measured at the time of grant.

On any variation of the Company's share capital, the Committee may make such adjustments as it considers to be fair and reasonable to the number of Capco Shares in respect of which any option may be exercised and/or the exercise price, provided that the aggregate values of Capco Shares under option and the exercise price per Capco Share remain substantially the same after such adjustment.

9.7 Outstanding awards

As at the Latest Practicable Date, options and awards outstanding under the PSP were as follows, which, as described in the Co-operation Agreement, the Capco Remuneration Committee has determined are or will become exercisable in respect of up to the following number of Capco Shares prior to Admission:

Award type	Number of Capco Shares subject to options or awards	Number of Capco Shares in respect of which options or awards will vest and/or be exercisable prior to Admission[2][6]
PSP Options and PSP Awards	10,265,495	5,451,879
Bonus Deferral Awards	958,746	958,746
CSOP Options	408,234	234,493
Total	**11,632,475**	**6,645,118**

Notes:

(1) The Merger constitutes a reverse takeover by Capco of Shaftesbury for the purposes of the Takeover Code, which will bring together employees from each company. In determining the appropriate treatment of share awards under the PSP, the Capco Remuneration Committee took its decisions based on the scope of the Directors' Remuneration Policy and the applicable share plan rules in order to provide employees, including the Executive Directors, with an outcome that it considered appropriate and equitable as a result of the Merger.

(2) Assuming that options and/or other awards under the PSP vest and become exercisable in line with the determination of the Capco Remuneration Committee of the vesting level for such options and/or other awards made in connection with setting the Exchange Ratio.

(3) Capco has agreed to offer participants who hold CSOP Options the opportunity of releasing their CSOP Options for a cash payment equivalent to the market value of one-third of the number of Capco Shares in respect of which such options vest on sanction of the Scheme by the Court.

(4) The unvested remainder of any CSOP Options, PSP Options and PSP Awards shall lapse on sanction of the Scheme by the Court and any unexercised vested PSP Options, CSOP Options and Bonus Deferral Awards shall lapse no more than one month following the sanction of the Scheme by the Court.

(5) On the vesting or exercise of options and awards under the PSP, participants will receive an additional cash payment by way of dividend equivalent in accordance with the rules of the PSP.

(6) Capco Shares acquired pursuant to the exercise or vesting of options and awards under the PSP shall be subject to such arrangements as are required to effect any sell-to-cover or similar arrangements to satisfy any income tax and/or

employee's National Insurance contributions liabilities (or any similar tax or employee's social security contribution in the UK or any other jurisdiction) arising in connection with the exercise and vesting of such options and awards.

9.8 Shaftesbury Sharesave Scheme

Subject to the Scheme becoming effective, participants in the Shaftesbury Sharesave Scheme who have elected to rollover their options will be granted Rollover Sharesave Options by Capco over Capco Shares which will have substantially the same value as the Shaftesbury Shares which were subject to the original option under the Shaftesbury Sharesave Scheme immediately before the Effective Date and substantially the same aggregate exercise price.

The terms of the Shaftesbury Sharesave Scheme which will govern these Rollover Sharesave Options are as follows. No new options will be granted under the Shaftesbury Sharesave Scheme.

9.8.1 Exercise price

The exercise price of each Rollover Sharesave Option will be set to ensure that the total exercise price payable to acquire the Capco Shares subject to the Rollover Sharesave Option will be substantially the same as the total exercise price that would have been payable to acquire the Shaftesbury Shares under the original options they are replacing.

In order to generate the exercise price funds, optionholders contribute monthly through a contractual savings arrangement. The maximum amount an optionholder may contribute is £500 per month.

The original exercise price set at grant could not be less than 80% of the market value of Shaftesbury Shares at that time.

9.8.2 Exercise of options

Rollover Sharesave Options may normally only be exercised during the six-month period following the end date of the related savings contract. This may be after the third or fifth anniversary of the date of grant (which, for the purposes of each Rollover Sharesave Option, will be the date of grant of the relevant original option under the Shaftesbury Sharesave Scheme). In certain circumstances, exercise of options is permitted in respect of the number of Capco Shares that may be acquired using the proceeds of the partially completed savings contract. Examples are where a participant leaves employment in circumstances of death, retirement, injury, disability or redundancy. If a participant leaves employment other than in such special circumstances, the participant's Rollover Sharesave Option will generally lapse, if cessation of employment occurs within three years of the date of grant (which, for the purposes of each Rollover Sharesave Option, will be the date of grant of the relevant original option under the Shaftesbury Sharesave Scheme).

Rollover Sharesave Options may also be exercised in the event of a takeover, reconstruction or voluntary winding-up of Capco. Alternatively, in certain circumstances, options may be exchanged for options over shares in an acquiring company.

9.8.3 Variation of share capital

In the event of a variation of Capco's share capital, including a capitalisation or rights issue, subdivision, consolidation or reduction of share capital, the number of Capco Shares and/or the exercise price may be adjusted by the Capco Board in such manner as it may determine to be appropriate, provided that the scheme continues to comply with Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003.

9.8.4 Rights of optionholders

Rollover Sharesave Options are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives. Capco Shares issued or transferred under the Shaftesbury Sharesave Scheme will rank pari passu with the Capco Shares in issue (except in respect of entitlements arising prior to the date of exercise or, if later, the date of issue).

9.8.5 Outstanding options

As at the Latest Practicable Date, options were outstanding under the Shaftesbury Sharesave Scheme in respect of 143,061 Shaftesbury Shares, equivalent to approximately 480,112 Capco Shares at the Exchange Ratio.

9.9 **The Employee Benefit Trust**

The EBT was established on 28 July 2010 to operate in conjunction with the Company's employees' share schemes from time to time and provides the Company with flexibility in the sourcing of Capco Shares. The trustee of the EBT is independent of the Capco Group, incorporated in Jersey and is non-resident for UK tax purposes. The trustee of the EBT may be funded by way of contributions or loans made by Capco Group companies to purchase Capco Shares in the market, to be used for the benefit of the beneficiaries of the EBT. As at the Latest Practicable Date, no Capco Shares were held in the EBT, which may be used to satisfy awards (including options) made under the PSP and/or any other employee share incentive arrangements operated by the Company. The beneficiaries of the EBT are the employees and former employees of the Capco Group and the relatives of such employees and former employees.

10. Significant shareholders

In so far as it is known to the Company as at 5 July 2022 (being the Latest Practicable Date), the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules that the following persons were directly or indirectly interested (within the meaning of the Companies Act 2006) in 3% or more of the Company's issued share capital:

	Interest as at the Latest Practicable Date		Interest immediately following Admission[1]	
Shareholder	**No. of Capco Shares**	**% of total issued share capital**	**No. of Capco Shares**	**% of total issued share capital**
Norges Bank	127,656,465	15.0%	459,649,805	25.2%
Blackrock, Inc	62,556,255	7.3%	140,705,188	7.7%
Legal & General Investment Management (Holdings) Limited	43,488,953	5.1%	73,593,363	4.0%
Public Investment Corporation SOC Limited	42,370,771	5.0%	42,370,771	2.3%
Madison International Realty	36,658,505	4.3%	36,658,505	2.0%
Foord Asset Management (Pty) Ltd	33,956,458	4.0%	33,956,458	1.9%

(1) Assuming: (i) that the holdings of such person in Capco at the Latest Practicable Date do not change prior to delivery of New Capco Shares under the Merger; (ii) the maximum number of New Capco Shares are issued in connection with the Merger (including in respect of Shaftesbury Shares issued pursuant to the vesting or exercise of awards and options under the Shaftesbury Share Plans (excluding options under the Shaftesbury Sharesave Scheme)); (iii) that, save in respect of shares issued pursuant to the vesting or exercise of awards and options under the Capco Share Plan (excluding CSOP Options) or the Shaftesbury Share Plans (excluding the Shaftesbury Sharesave Scheme), no other issues of Capco Shares or Shaftesbury Shares occur between the Latest Practicable Date and Admission; and (iv) that such options and awards under the Shaftesbury Share Plans and the Capco Share Plan are exercised to the fullest extent possible (where applicable) and settled prior to Admission (in the case of the Capco Share Plan) or the Scheme Record Time (in the case of the Shaftesbury Share Plans).

Save as disclosed above, the Directors and Proposed Directors are not aware of any interest which will represent an interest in Capco's share capital or voting rights which is notifiable under the Disclosure Guidance and Transparency Rules following Admission occurring.

So far as Capco is aware, on Admission, no person or persons, directly or indirectly, jointly or severally, will exercise or could exercise control over Capco.

There are no differences between the voting rights enjoyed by the shareholders described in this paragraph 10 and those enjoyed by any other holder of Capco Shares.

11. Mandatory bids and compulsory acquisition

The Takeover Code is issued and administered by the Panel. The Company is subject to the Takeover Code and therefore Capco Shareholders are entitled to the protection afforded by the Takeover Code.

11.1 **Mandatory bids**

Under Rule 9 of the Takeover Code (i) when a person acquires an interest in shares which (taken together with the shares in which they and persons acting in concert with them are interested) carry 30% or more of the voting rights of a company subject to the Takeover Code; or (ii) where a person, together with persons acting in concert with them is interested in shares which in the aggregate carry

not less than 30% of the voting rights of a company, but does not hold shares carrying more than 50% of the voting rights of the company subject to the Takeover Code, and such person, or any persons acting in concert with them, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which they are interested, then in either case, that person together with the person acting in concert with them, are normally required to extend offers in cash, at the highest price they paid (or any persons acting in concert with them) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital of that company whether voting or non-voting and also to the holders of any other transferable securities carrying voting rights.

11.2 **Squeeze-out**

Under the Companies Act 2006, if a "takeover offer" (as defined in section 974 of the act) is made for a company's shares and the offeror were to acquire or unconditionally contract to acquire, not less than 90% in value of the shares to which the offer relates and not less than 90% of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10%. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares to which the offer relates and then, six weeks later, it would execute a transfer of the outstanding shares under the takeover offer in its favour and pay the consideration to the company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

11.3 **Sell-out**

The Companies Act 2006 also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares, on the terms of the offer or on such other terms as may be agreed.

12. Material contracts in respect of the Capco Group

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Capco Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Capco Group which contains any provision under which any member of the Capco has any obligation or entitlement which is material to the Capco Group as at the date of this document:

12.1 **Co-operation Agreement**

See paragraph 14.2 (*Co-operation Agreement*) of Part VII (*Information on the Merger*) of this document.

12.2 **Norges Bank Side Deed**

See paragraph 14.3 (*Norges Bank Side Deed*) of Part VII (*Information on the Merger*) of this document.

12.3 **Sponsor Agreement**

The Company and the UK Sponsor entered into a sponsor agreement on 7 July 2022 (the "**Sponsor Agreement**"), pursuant to which the UK Sponsor agreed to act as UK sponsor to the Company in connection with the applications for UK Admission and the publication of the Circular and the

Prospectus for the purposes of the Merger and UK Admission. Under the terms of the Sponsor Agreement, the Company has agreed to provide the UK Sponsor with certain customary indemnities, undertakings, representations and warranties. The indemnities provided by the Company indemnify the UK Sponsor against, *inter alia*, claims made against it or losses incurred by it, subject to certain exceptions. In addition, the Sponsor Agreement provides the UK Sponsor with the right to terminate the Sponsor Agreement in certain specified circumstances typical for a sponsor agreement of this nature, in which case the Sponsor Agreement will lapse.

12.4 **Loan Facility Agreement**

Capco entered into a £576,000,000 unsecured term loan facility with Barclays Bank plc, BNP Paribas London Branch and HSBC Bank plc as original lenders on 16 June 2022 (the "**Signing Date**").

Purpose and maturity

The Loan Facility Agreement will be utilised to refinance or redeem all or part of the Shaftesbury Mortgage Bonds and cover any related costs.

The facility is available for utilisation from and including the completion date to and including after the date falling 51 days after the completion date, or if earlier, the last day of the certain funds period (the "**Availability Period**"). Certain funds period runs from and including the Signing Date to and including the earlier of (a) the last day of the Availability Period, (b) 20 June 2023 and (c) the date on which Capco notifies the facility agent in writing that the Scheme or offer has lapsed, been withdrawn or has terminated and Capco has determined that it will not proceed with an alternative scheme or offer. The facility has an initial term of 24 months from the Signing Date and may be extended for a further six months (at a margin of 2.75%) at the option of Capco subject to the satisfaction of the extension requirements as outlined in the Loan Facility Agreement (including the payment of certain extension fees). There is subsequently a further six month extension option (at a margin of 3.25%) available which requires the approval of each lender in respect of its respective participation in the loan.

The rate of interest is the aggregate of the applicable margin and SONIA. A margin step-up mechanism is included, with the initial margin set at 0.75% per annum from and including the Signing Date to (but excluding) the earlier of the completion date and 31 December 2022 and increasing to 1.50% per annum until (but excluding) the date falling 12 months after the Signing Date. Thereafter, if the facility has not been refinanced or repaid before the date falling 24 months after the Signing Date, the margin increases in six monthly increments up to a maximum of 2.00% per annum.

Financial covenants

The Loan Facility Agreement contains the following financial covenants:

- consolidated net borrowings of the group shall not exceed 60% of the value of all properties;
- net rental income in respect of a measurement period is equal to or exceeds 100% interest charges for that measurement period; and
- from and including the measurement period ending 30 June 2023 (to the extent that the completion date is on or before 1 February 2023) or 31 December 2023 (to the extent that the completion date is after 1 February 2023), the ratio of the total aggregate unencumbered assets of the group to total aggregate unsecured financial indebtedness of Capco is equal to or greater than 1.5:1.

The financial covenants are tested half-yearly by reference to Capco's audited consolidated financial statements for that financial year or consolidated financial statements for that financial half-year together with the most recent valuation report for properties.

Covenants, events of default and mandatory prepayment

Typical covenants for facilities of this nature have been included including in relation to the creation of security, acquisitions, disposals and mergers along with customary information undertakings and events of default, each with appropriate carve-outs and materiality thresholds (where relevant) applicable to the Combined Group. Mandatory cancellation and prepayment provisions linked to certain disposals, debt and equity issuances are also included.

12.5 **£300 million revolving credit facility agreement**

Covent Garden Group Holdings Limited is party to a £300 million revolving credit facility agreement dated 13 September 2021 as borrower with HSBC Bank plc acting as agent and BNP Paribas London Branch, Barclays Bank plc, HSBC Bank plc, Bank of China Limited, London Branch, as original lenders (the "**Capco Covent Garden RCF**"). The Capco Covent Garden RCF remains undrawn.

Purpose, maturity and currency

The facility is available for refinancing financial indebtedness of the Covent Garden Group Holdings Limited and its subsidiaries (the "**Covent Garden Holdings Group**"), financing the acquisition of leasehold, heritable and freehold property interests and general corporate purposes of the Covent Garden Holdings Group. The facility is available for utilisation until 13 August 2024 and the final maturity date is 13 September 2024, with extension options for a further 2 years.

The rate of interest is the aggregate of the applicable margin (1.50% per annum) and compounded reference rate (being the daily non-cumulative compounded RFR rate (i.e., SONIA) for that banking day and the applicable baseline credit adjustment spread, being zero) for that day.

The facility is available for drawing in GBP.

Financial covenants

The Capco Covent Garden RCF includes a number of financial covenants. The primary covenants relate to:

- a maximum restriction on consolidated net borrowings as a percentage of investment property value (the LTV ratio) which is set at 60%; and
- a minimum requirement of net operating income as a percentage of interest costs (i.e., the interest cover ratio) which is set at 120%

The remaining covenants relate to a maximum restriction on secured borrowings as a percentage of property value, location of acquired properties and other non-financial measures. The financial covenants are tested every six-month by reference to the borrower's consolidated financial statements for its financial half year or its audited consolidated financial statements for that financial year (as applicable).

Events of default

The facility agreement contains certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including non-payment, breach of the financial covenants described above, a cross-default of debt of the Covent Garden Holdings Group (excluding indebtedness of certain single purpose entities in the group) in aggregate in excess of £20 million and insolvency. The occurrence of an event of default which is continuing would allow the lenders to, amongst other things, upon written notice to the borrower, accelerate all or part of the outstanding loans, cancel the commitments and declare all or part of the loans payable on demand.

12.6 **Loan note purchase agreements**

Covent Garden Group Holdings Limited is the issuer in respect of the following loan notes (together, the "**Capco Loan Notes**"):

- on 16 December 2014, the £75 million Series A Notes due 16 December 2024 (of which £37.5 million in aggregate principal amount remains outstanding) and the £75 million Series B Senior Notes due 16 December 2026 (of which £37.5 million in aggregate principal amount remains outstanding);
- on 14 November 2016, the £125 million Series A Senior Notes due 14 November 2026 and the £50 million Series B Senior Notes due 14 November 2028; and
- on 28 June 2017, the £57.5 million Series A Senior Notes due 31 August 2024, the £50 million Series B Senior Notes due 31 August 2027, the £35 million Series C Senior Notes due 31 August 2029, the £37.5 million Series D Senior Notes due 31 August 2032, the £35 million Series E Senior Notes due 31 August 2033 and the £10 million Series F Senior Notes due 31 August 2037,

in each case pursuant to a note purchase agreement (each, a "**Note Purchase Agreement**" and together, the "**Note Purchase Agreements**").

Purpose and coupons

Proceeds of the Capco Loan Notes were to be applied by the issuer to the repayment of existing financial indebtedness and for its general corporate purposes. The Capco Loan Notes were issued with a range of coupons between 2.28% and 3.68%, giving an average blended cost of borrowing of 2.9%.

Financial covenants

The Capco Loan Notes are subject to a number of financial covenants. The primary covenants relate to:

- a maximum restriction on consolidated net borrowing as a percentage of property value (i.e. the LTV ratio), which is set at 60%;
- a minimum net operating income as a percentage of interest costs (i.e. the interest cover ratio), which is set at 120%; and
- a maximum restriction on secured borrowings set at 0.2 times consolidated net tangible worth.

The financial covenants are tested every six months by reference to the issuer's consolidated financial statements for its financial half year or its audited consolidated financial statements for that financial year (as applicable).

The remaining covenants relate to the location of acquired properties and other non-financial measures.

The Note Purchase Agreements also contain a "most favoured lender" covenant, pursuant to which any financial covenant that is included in a Principal Financing Agreement (as defined in the Note Purchase Agreements), but (i) is not included in the Note Purchase Agreements or (ii) is in any respect more beneficial to the holders of the Capco Loan Notes than any similar financial covenant included in the Note Purchase Agreements, will be deemed to be automatically incorporated into the Note Purchase Agreements as of the date such financial covenant became effective under the applicable Principal Financing Agreement.

Waiver Period

Although interest cover covenant waivers (due to the impact that COVID-19 on net operating income measured for the purpose of financial covenants) were agreed with the lenders in 2020 and 2021 to address interruption to near-term income, the interest cover ratio in relation to the Covent Garden debt for 2021 was above the covenant level. The wavier period has ended.

Events of default

The Capco Loan Notes are subject to customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including, amongst others, non-payment, breach of the financial covenants described above and a cross-default to indebtedness of the issuer or a material subsidiary of the issuer in excess of £20 million.

The occurrence of an event of default which is continuing would allow the holders of the Capco Loan Notes to, amongst other things, by notice or notices to the issuer declare all the Capco Loan Notes then outstanding to be immediately due and payable.

The amount payable on an event of default would, subject to the terms and conditions of the Capco Loan Notes, be the unpaid principal amount then outstanding (together with interest thereon to the prepayment date) and, in certain circumstances, a combination of the make-whole amount based on the discounted value of remaining scheduled payments and such amounts as may be payable to close out any associated hedging arrangement which a noteholder has entered into in respect of the Capco Loan Notes.

12.7 **Capco's Exchangeable Bonds**

On 30 November 2020, Capco issued £275,000,000 2.00% secured exchangeable bonds due 2026 (the "**Capco's Exchangeable Bonds**"). Capco's Exchangeable Bonds are in registered form in denominations of £100,000 each. Capco's Exchangeable Bonds bear interest at a rate of 2.00% per annum, payable semi-annually in arrear on 30 March and 30 September in each year. Unless previously redeemed, exchanged or repurchased, Capco's Exchangeable Bonds will mature (and be redeemed by Capco) on 30 March 2026.

The terms and conditions of Capco's Exchangeable Bonds (the "**Exchangeable Bond Conditions**") are set out in, and Capco's Exchangeable Bonds are constituted by, a trust deed entered into between Capco and BNY Mellon Corporate Trustee Services Limited (the "**Exchangeable Bonds Trustee**") on 30 November 2020 (the "**Exchangeable Bonds Trust Deed**").

Security

Capco's obligations under, *inter alia*, Capco's Exchangeable Bonds and the Exchangeable Bonds Trust Deed are secured in favour of the Exchangeable Bonds Trustee for the benefit of itself and certain other parties (including the holders of Capco's Exchangeable Bonds). As at close of business on the day before the Announcement Date, the security for Capco's Exchangeable Bonds (the "**Exchangeable Bond Security**") comprises 38,008,138 fully paid ordinary shares in Shaftesbury, being the Secured Existing Capco Shares. The Exchangeable Bond Security is constituted by first fixed charges given by the Capco Chargors.

Exchange Rights

The Secured Existing Capco Shares constitute the initial "**Exchange Property**" under the Exchangeable Bond Conditions. Each holder of Capco's Exchangeable Bonds has the right, in certain specified circumstances, all as more fully described in the terms and conditions of Capco's Exchangeable Bonds, to exchange its Exchangeable Bonds for the relevant amount of Secured Existing Capco Shares and/or other property constituting the Exchange Property at that time (the "**Exchange Right**"). If a holder of Exchangeable Bonds exercises its Exchange Right, Capco may elect to cash settle the exchange option (a "**Cash Election**"), by paying to the holder of Capco's Exchangeable Bonds an amount in cash equal to the value of the Secured Existing Capco Shares (and/or other property constituting the Exchange Property at that time) which would otherwise be deliverable, as determined in accordance with the Exchangeable Bond Conditions.

As at close of business on the day before the Announcement Date, the Exchange Property for each exchangeable bond (with a denomination of £100,000 in principal amount) (the "**Exchange Property per Bond**") is 13,821 Secured Existing Capco Shares, and is referred to in the Exchangeable Bond Conditions as a "Unit of Equity Shares".

Under the Exchangeable Bond Conditions, the Exchange Property is subject to adjustment in certain circumstances, including in the case of "Capital Distributions" (as defined in the Exchangeable Bond Conditions) which include non-cash dividends and cash dividends above certain amounts specified in a table (the "**Dividend Table**") in the Exchangeable Bond Conditions. Subject to the detailed provisions in the Exchangeable Bond Conditions, a cash dividend in any "**Relevant Period**" (as specified in the Dividend Table) will constitute a Capital Distribution if the dividend referable to a Unit of Equity Shares exceeds the "**Reference Amount**" specified in the Dividend Table for that period. The aggregate amount of the Capital Distribution will be the amount by which the relevant cash dividend exceeds the Reference Amount, determined for the aggregate amount of Capco's Exchangeable Bonds outstanding. The portion of any cash dividend constituting a Capital Distribution will form part of the Exchange Property and will be subject to the Exchangeable Bond Security. Any cash dividend which does not constitute a Capital Distribution may be released from the Exchangeable Bond Security to, or to the order of, Capco.

If the cash dividend in any Relevant Period is less that the Reference Amount for that period (as specified in the Dividend Table), the shortfall constitutes a "Cash Dividend Shortfall" under the Exchangeable Bond Conditions, and a portion of the Exchange Property equal to the Cash Dividend Shortfall for the aggregate amount of Capco's Exchangeable Bonds outstanding will cease to form part of the Exchange Property and may be released from the Exchangeable Bond Security to, or to the order of, Capco.

The Exchange Property is also subject to adjustment in the case of certain takeover offers and related schemes of arrangement. Where the consideration for the offer or scheme comprises equity shares, the Secured Existing Capco Shares will be replaced by the equity shares received in consideration for the Secured Existing Capco Shares, and, thereafter, "Unit of Equity Shares" will refer to the number of such equity shares comprised in the Exchange Property per Bond.

Covenants

The Exchangeable Bond Conditions contain a negative pledge provision. In addition, the Exchangeable Bond Conditions contain certain covenants related to the Exchangeable Bond Security. These covenants include, without limitation, a covenant not to create any mortgage, pledge, lien, security interest, charge or encumbrance over any property subject to the Exchangeable Bond Security (the "**Secured Property**" which, as of the date of this document, comprises the Secured Existing Capco Shareholding) and a covenant not to transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire, any of the Secured Property, save in certain limited circumstances (including, without limitation, with the prior written consent of the Exchangeable Bonds Trustee).

Capco's Exchangeable Bonds do not contain any financial covenants.

Events of Default

The Exchangeable Bond Conditions contain certain events of default (subject, in certain cases, to grace periods and/or materiality thresholds or determinations), including, without limitation, non-payment of interest for 14 business days or any other amount for seven business days, breach of other obligations under the Exchangeable Bond Conditions or related documents, cross-acceleration relating to indebtedness for borrowed money of Capco or any of its Principal Subsidiaries subject to an aggregate threshold of £20,000,000 or its equivalent, and certain events related to enforcement proceedings, insolvency or winding up of Capco, any Principal Subsidiary or (in some cases) any Exchangeable Bonds Chargor. Upon the occurrence of an event of default, the Exchangeable Bonds Trustee may at its discretion or, if directed by holders of at least one-quarter in principal amount of Capco's Exchangeable Bonds then outstanding or by an extraordinary resolution, must (subject to being indemnified to its satisfaction) declare Capco's Exchangeable Bonds to be immediately due and payable at the relevant redemption price calculated in accordance with the Exchangeable Bond Conditions, plus accrued interest (if any) up to the date of redemption.

Under the Exchangeable Bond Conditions, "Principal Subsidiary" means (subject to the detailed provisions of that definition) a subsidiary of Capco whose gross assets (when consolidated with those gross assets of its subsidiaries) exceed 10% of the aggregate gross assets of the Capco Group at that time.

Holder Put Option upon a Change of Control

Following the occurrence of a change of control of Capco (subject to certain limited exceptions, as set out in the definition of "Change of Control" in the Exchangeable Bond Conditions), each holder of Capco's Exchangeable Bonds will have the right to require Capco to redeem such holder's exchangeable bonds.

Redemption at the option of Capco

Under the Exchangeable Bond Conditions, there are limited rights for Capco to redeem Capco's Exchangeable Bonds in whole at its discretion, including, without limitation, (i) at any time, in the event of certain changes affecting taxes of the United Kingdom, (ii) at any time on or after 20 April 2024 (subject to the conditions set out in the Exchangeable Bond Conditions relating to the value of the Exchange Property) and (iii) in the period specified in the Exchangeable Bond Conditions following an offer for the predominant equity share capital comprising the Exchange Property where the consideration for such offer is wholly comprised of cash.

See further paragraph 12 (*Shaftesbury Shares owned by the Capco Group and Capco's Exchangeable Bonds*) of Part VII (*Information on the Merger*) of this document.

12.8 **Secured Loan**

Capco Investment London (No.3) Limited and Capco Investment London (No.4) Limited as borrowers (the "**Secured Loan Borrowers**") have entered into a £125,000,000 term facility agreement dated 22 December 2020 and as amended and restated on 16 November 2021 (the "**Secured Loan**") with HSBC Bank plc and BNP Paribas, London Branch as original lenders and HSBC Bank plc as facility agent. The Secured Loan is secured on some of the shares in Shaftesbury held by the Secured Loan Borrowers and is guaranteed by Capco. The Secured Loan was repaid in full on 20 June 2022.

Purpose, maturity and fees

The Secured Loan was used by the Secured Loan Borrowers to repay existing intra group lending facilities and for general corporate purposes. The annual rate of interest is SONIA plus a credit adjustment spread and a margin. An upfront arrangement fee was paid on entering into the Secured Loan and there are annual agency and security agency fees. The final maturity date of the loan is 22 December 2023.

Events of default

The Secured Loan contains certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) in respect of the Secured Loan Borrowers and Capco including non-payment, breach of net asset value and net borrowing financial thresholds in respect of Capco, acceleration of the Capco Covent Garden RCF and cross-default of debt of Capco in aggregate in excess of £20 million. The occurrence of an event of default which is continuing would allow the lenders to, among other things, upon written notice to the Secured Loan Borrowers, accelerate all or part of the outstanding loans and declare all or part of the loans payable on demand.

Change of control

If a mandatory prepayment event occurs, a lender can require early prepayment of all outstanding amounts under the Finance Documents and cancel its commitments. An acquisition of control of Capco, delisting of Shaftesbury or Capco shares from the London Stock Exchange or if the Shaftesbury shares become subject to a takeover offer (and once certain conditions are satisfied), among other circumstances/events, would constitute a mandatory prepayment event.

13. Material contracts in respect of the Shaftesbury Group

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Shaftesbury or any member of the Shaftesbury Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Shaftesbury Group which contains any provision under which any member of the Shaftesbury Group has any obligation or entitlement which is material to the Shaftesbury Group as at the date of this document:

13.1 Co-operation Agreement

See paragraph 14.2 (*Co-operation Agreement*) of Part VII (*Information on the Merger*) of this document.

13.2 Shaftesbury 2018 Revolving Credit Facility

Shaftesbury and Shaftesbury Covent Garden Limited ("**SCGL**") are parties to a £100 million revolving credit facility agreement dated 12 February 2018 (as most recently amended and restated on 30 September 2021), as borrowers with Lloyds Bank plc and Wells Fargo Bank, NA, London Branch as mandated lead arrangers and lenders, and Lloyds Bank plc as agent and security trustee (the "**Shaftesbury 2018 RCF**") which has a termination date of 12 February 2023. As at the date of this document, Shaftesbury and SCGL have not drawn any amount of the loans under the Shaftesbury 2018 RCF. It is anticipated that the Shaftesbury 2018 RCF will be cancelled following Completion.

The Shaftesbury 2018 RCF is secured against, among other things, various properties owned by SCGL and floating charges over all of Shaftesbury's and SCGL's undertakings and assets not

otherwise effectively mortgaged, charged or assigned by way of fixed mortgage, fixed charge or assignment.

Shaftesbury has the right to cancel the whole or (subject to a de minimis threshold) any part of the commitments under the Shaftesbury 2018 RCF and each of Shaftesbury and SCGL is permitted to voluntarily prepay any outstanding loans made to them (subject to a de minimis threshold).

The Shaftesbury 2018 RCF contains certain change of control/ownership provisions as follows:

- SCGL must be owned at all times by Shaftesbury;
- a mandatory prepayment event will occur (allowing each lender to cancel its commitments and declare all amounts outstanding due and payable) if (A) any person or groups of persons acting in concert gain control (in short, 50% or more of the issued share capital or voting rights) of Shaftesbury; or (B) there is a de-listing;
- "acting in concert" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in Shaftesbury by any of them, either directly or indirectly, to obtain or consolidate control of Shaftesbury; and
- "de-listing" means:
    - Shaftesbury issues a circular to its shareholder proposing a resolution for the cancellation of the listing of its securities on the Main Market of the London Stock Exchange (including without limitation for the purposes of seeking a transfer of its listing to any other recognised investment exchange) without the prior written consent of the lenders;
    - the FCA (or any similar body) suspends the listing of the Shaftesbury's securities on the Main Market of the London Stock Exchange; or
    - the FCA (or any similar body) cancels the listing of Shaftesbury's securities on the Main Market of the London Stock Exchange.

Any amounts which have been drawn under the Shaftesbury 2018 RCF are to be repaid on the last day of its interest period, being a period of either three or six months, as selected by Shaftesbury or SCGL in the utilisation request for the relevant loan.

The rate of interest is the aggregate of the applicable margin (1.60% per annum) and compounded reference rate (being the daily non-cumulative compounded RFR rate (i.e., SONIA) for each banking day of an interest period and the applicable credit adjustment spread, being 0.0835% for interest periods of three months and 0.1706% for interest periods of six months) for each day during an interest period.

If Shaftesbury or SCGL fails to pay any amount when due or an event of default has occurred and is continuing, default interest will accrue at a rate which is 2% per annum higher than the interest rate that would otherwise be payable during the period from the relevant due date for payment to the date of actual payment or, if applicable, the period that the event of default is continuing (provided that there cannot be any double counting between the two mechanisms for payment of default interest).

Financial covenants

The Shaftesbury 2018 RCF contains a loan-to-value financial covenant and Shaftesbury Group financial covenants testing (i) consolidated borrowings of the Shaftesbury Group versus the consolidated tangible net worth of the Shaftesbury Group and (ii) consolidated net income of the Shaftesbury Group versus consolidated net interest payable under the Shaftesbury Group's borrowings. Each of the financial covenants apply at all times but are tested by reference to the annual audited consolidated financial statements of Shaftesbury, the interim consolidated financial statements for the six months ending 31 March in a given period, and the quarterly unaudited consolidated management accounts of the Shaftesbury Group.

The loan-to-value covenant includes cure rights (subject to certain limits on the times that such rights can be exercised) in favour of Shaftesbury and SCGL by way of a prepayment of the loans and/or the inclusion of further property as security.

Representations and covenants

In addition, the Shaftesbury 2018 RCF contains certain other representations and covenants by, and restrictions on, Shaftesbury and SCGL, including, without limitation, with respect to certain corporate activities such as disposals and a restriction on the creation of security (in each case, subject to certain exceptions) as well as a restriction on Shaftesbury or SCGL entering into any amalgamation, merger, demerger or corporate reconstruction without the prior consent of the agent (acting on behalf of the major lenders). The Shaftesbury 2018 RCF also contains certain covenants which specifically relate to the properties secured to the lenders including, without limitation, restrictions relating to leasing arrangements and planning or development proposals (in each case subject to certain exceptions) as well as positive covenants in relation to the collection of rent, insurance, repair and maintenance in respect of the properties. Further, the Shaftesbury 2018 RCF includes the usual indemnity in favour of the finance parties indemnifying them against any cost, loss or liability incurred as result of the occurrence of an event of default.

Events of default

The Shaftesbury 2018 RCF also contains certain events of default, upon the occurrence of which the lenders may terminate the facilities and demand repayment. These events of default include, among others (and subject to certain grace periods, materiality thresholds and, in certain circumstances, the ability to remove defaulting properties), failure to make payments under the Shaftesbury 2018 RCF and related finance documents, breach of any financial covenant described above, material misrepresentation, cross-default in excess of specified amounts, cessation of business operations and certain insolvency events and proceedings. If an event of default occurs, the agent (acting on the instructions of the majority lenders, holding $66^{2}/_{3}$% of the total commitments) may give notice of cancellation of all available commitments and/or declare all outstanding advances, together with accrued interest, to be immediately due and payable or payable on demand. On the giving of such notice or demand (as the case may be) the outstanding amounts would be repayable immediately.

13.3 Shaftesbury CLL Facility Agreement

Shaftesbury CL Limited ("**SCLL**") is party to a £134,750,000 facility agreement dated 17 April 2014 (as amended on 20 October 2014 and as further amended on 1 October 2020), as borrower with Canada Life Limited ("**CLL**") as lender (the "**Shaftesbury CLL Facility Agreement**"). SCLL is an indirectly wholly-owned subsidiary of Shaftesbury. The Shaftesbury CLL Facility Agreement was put in place to partially finance/refinance the properties to be secured under the Shaftesbury CLL Facility Agreement. The loan is fully drawn as at the date of this document.

The Shaftesbury CLL Facility Agreement is secured against various properties and assets owned by SCLL, including but not limited to, security over rental income, gross proceeds of sale, leases, rights to occupy the properties, contracts for purchase of the properties, investments and dividends, plants and equipment, money held in specific accounts. SCLL's immediate parent, Shaftesbury CL Investment Limited ("**SCLIL**"), has also granted security over all of the issued share capital in SCLL and any subordinated debt owed by SCLL to SCLIL.

SCLL does not have the right to cancel the whole or any part of the loans under the Shaftesbury CLL Facility Agreement. SCLL is permitted to voluntarily prepay the loans in whole or, if CLL do not agree to the substitution of a property portfolio secured under the Shaftesbury CLL Facility Agreement, in part (provided that a part prepayment may only be made on one occasion and any prepayment is subject to the payment of a redemption fee which seeks to compensate CLL for any loss of return deriving from such prepayment on the basis that the capital cannot be re-allocated at the same rate of return as that under the Shaftesbury CLL Facility Agreement). Separate from such voluntary prepayment provisions, SCLL also has the usual right to prepay the whole of the loans (without incurring any prepayment or redemption fees) in circumstances where SCLL is required to make tax indemnity or gross-up payments or increased cost payments to CLL under the terms of the Shaftesbury CLL Facility Agreement. Further, if SCLL disposes of a property and the proceeds of such disposal are applied in prepayment of the outstanding loans in accordance with the terms of the Shaftesbury CLL Facility Agreement, the redemption fee referred to above will become payable in respect of the amount prepaid.

The Shaftesbury CLL Facility Agreement contains certain change of control/ownership provisions as follows:

- SCLL must be owned at all times by SCLIL and SCLIL must be owned at all times by Shaftesbury;
- an event of default will arise if, following Shaftesbury ceasing to be listed on the main list of the London Stock Exchange, any person or groups of persons acting in concert gains direct or indirect control (in short, more than 50% of the issued share capital or voting rights) of Shaftesbury (other than pursuant to any transfer of issued shares to the person who is the majority shareholder upon or in connection with such cessation of listing); and
- "acting in concert" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition directly or indirectly of shares in Shaftesbury by any of them, either directly or indirectly, to obtain or consolidate control of Shaftesbury.

CLL have confirmed that the change of control provision event of default referred to above will not be triggered by the Merger and therefore CLL will not be able to demand repayment of the loans as a result of the Merger. As such the loans outstanding under the Shaftesbury CLL Facility Agreement will remain after the Merger provided that the terms of the Shaftesbury CLL Facility Agreement are complied with.

SCLL must repay the loans and all other amounts outstanding on 2 May 2029, with no prior requirements for amortisation of the loan. Interest is charged on the loan at 4.47% per annum and is payable quarterly on each interest payment date. If SCLL fails to pay any amount when due, default interest will accrue at a rate which is 2% per annum higher than the interest rate that would otherwise be payable during the period from the relevant due date for payment to the date of actual payment.

Financial covenants

The Shaftesbury CLL Facility Agreement contains the following primary covenants:

- a maximum restriction on loan to valuation of specifically secured assets, which is set at 60%; and
- a minimum ratio of actual and projected net rental income of specific secured assets, adjusted to exclude certain costs, to gross interest and fees payable under the loans during the relevant calculation period, which is set at 1.4 : 1.

Each of the financial covenants apply at all times but are tested quarterly on each interest payment date by delivery by SCLL of a compliance certificate to the lender. Cure rights are available (subject to certain limits on the times that such rights can be exercised) in favour of SCLL in respect of both the loan-to-value and interest cover financial covenants whereby SCLL may offer up further property or properties as security or deposit monies into a blocked account secured in favour of the lender.

Representations and covenants

In addition, the Shaftesbury CLL Facility Agreement contains certain other representations and covenants by, and restrictions on, SCLL, including, without limitation, with respect to certain corporate activities such as the acquisition of assets, disposals of assets and a restriction on the creation of security (in each case, subject to certain exceptions). The Shaftesbury CLL Facility Agreement also contains certain covenants which specifically relate to the properties secured to the lender including, without limitation, restrictions relating to leasing arrangements and planning or development proposals (in each case, subject to certain exceptions) as well as positive covenants in relation to the collection of rent, insurance, repair and maintenance in respect of the properties.

Events of default

The Shaftesbury CLL Facility Agreement also contains certain events of default, upon the occurrence of which the lender may terminate the facilities and demand repayment. These events of default include, among others and subject to certain grace periods and materiality thresholds, with respect to SCLL and SCLIL, failure to make payments under the Shaftesbury CLL Facility Agreement and related finance documents, breach of any financial covenant described above, material misrepresentation, cross-default, cessation of business operations and certain insolvency events

and proceedings. The cessation of business and insolvency events of default also apply with respect to Shaftesbury. If an event of default occurs, the lender may give notice of cancellation of all available commitments and/or declare all outstanding advances, together with accrued interest, to be immediately due and payable or payable on demand. On the giving of such notice or demand (as the case may be) the outstanding amounts would be repayable immediately. In addition to the usual indemnity in favour of the lender to indemnify it against any cost, loss or liability incurred as result of the occurrence of an event of default, the redemption fee referred to above in respect of any voluntary prepayment shall also become due and payable upon the lender declaring the loans due and payable following the occurrence of an event of default.

13.4 Shaftesbury AV Facility Agreement

Shaftesbury AV Limited ("**SAVL**") is party to a facility agreement dated 17 March 2015 (as amended and restated on 31 July 2015 and further amended on 21 July 2020 and 19 November 2020) as borrower with Aviva Commercial Finance Limited ("**Aviva**") as lender, agent and security agent (the "**Shaftesbury AV Facility Agreement**"), making available to SAVL an aggregate amount of £250 million (split between two facilities, facility A: £130 million and facility B: £120 million). SAVL is an indirectly wholly-owned subsidiary of Shaftesbury. The Shaftesbury AV Facility Agreement was put in place to finance/refinance the properties secured under the Shaftesbury AV Facility Agreement and to provide SAVL with access to funding for general corporate and working capital purposes (excluding the acquisition of any company, business or undertaking). The loan is fully drawn as at the date of this document.

The Shaftesbury AV Facility Agreement is secured, amongst other things, against various properties owned by SAVL, its securities, all plant and machinery, its credit balances, its debts, various contracts and money held in specific accounts. SAVL's immediate parent, Shaftesbury AV Investment Limited ("**SAVIL**"), has also granted security over all of the issued share capital in SAVL and any subordinated debt owed by SAVL to SAVIL.

SAVL has the right to cancel the whole or (subject to a de minimis threshold) any part of the aggregate outstanding commitments under the Shaftesbury AV Facility Agreement and SAVL is permitted to voluntarily repay any outstanding loans (subject to a de minimis threshold and the payment of an early repayment fee which seeks to indemnify the lender against any reduction in the rate of return that the lender expects to receive on its investment in the relevant facility as a direct or indirect result of the prepayment). Separate from such voluntary prepayment provisions, SAVL also has the usual right to prepay the whole of the loans owing to the lender in circumstances where SAVL is required to make tax indemnity or gross-up payments or increased cost payments to the lender under the terms of the Shaftesbury AV Facility Agreement (without incurring any prepayment fees where the relevant requirement to make such payments arose solely due to any action of the lender and it was within the lender's control to prevent such payments). Further, if SAVL disposes of a property and the proceeds of such disposal are applied in prepayment of the outstanding loans in accordance with the terms of the Shaftesbury AV Facility Agreement, the prepayment fee referred to above will become payable in respect of the amount prepaid.

The Shaftesbury AV Facility Agreement contains certain change of control/ownership provisions as follows:

- SAVL must be owned at all times by SAVIL and SAVIL must be owned at all times by Shaftesbury;
- a mandatory prepayment event will occur (allowing each lender to cancel its commitments and declare all amounts outstanding due and payable) if (A) Shaftesbury ceases to control (directly or indirectly) SAVL or SAVIL; or (B) any person or groups of persons acting in concert gain control of Shaftesbury;
- "control" means the power to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise; and
- "acting in concert" has the meaning given to such term in the City Code on Takeovers and Mergers.

Aviva has confirmed that it has waived the change of control mandatory prepayment event referred to above and will not require the outstanding loans be repaid in connection with the Merger. As such the

loans outstanding under the Shaftesbury AV Facility Agreement will remain after the Merger provided that the terms of the Shaftesbury AV Facility Agreement are complied with.

SAVL must repay the facility A loans in full on 19 March 2030 and the facility B loans in full on 3 August 2035, with no prior requirements for amortisation of the loans. Interest is charged on each loan at a fixed rate applicable to the relevant facility to which that loan relates (being an initial rate of 3.2% per annum in respect of facility A and an initial rate of 3.85% per annum in respect of facility B) with such fixed rate being subject to an upwards ratchet if the aggregate loan-to-value is greater than 5 percentage points below the loan to value covenant threshold (being a higher rate of 3.45% per annum in respect of facility A and a higher rate of 4.10% per annum in respect of facility B). Interest is payable quarterly on each interest payment date. If SAVL fails to pay any amount when due, default interest will accrue at a rate which is 2% per annum higher than the interest rate that would otherwise be payable during the period from the relevant due date for payment to the date of actual payment.

Financial covenants

The Shaftesbury AV Facility Agreement contains the following primary covenants:

- a maximum restriction on loan to valuation of specifically secured assets, which is set at 70% (a cash waterfall applies if the ratio exceeds 65%); and
- a minimum ratio of actual and projected net rental income of specific secured assets, adjusted to exclude certain costs, to gross interest and fees payable under the loans during the relevant calculation period, which is set at 1.5 : 1.

Each of the financial covenants apply at all times but are tested quarterly on each interest payment date by delivery by SAVL of a compliance certificate to the lender. Cure rights are available (subject to certain limits on the times that such rights can be exercised) in favour of SAVL in respect of both the loan-to-value and interest cover financial covenants whereby SAVL may offer up further property or properties as security, deposit monies into a blocked account secured in favour of the lender or prepay the loans.

Representations and covenants

In addition, the Shaftesbury AV Facility Agreement contains certain other representations and covenants by, and restrictions on, SAVL, including, without limitation, with respect to certain corporate activities such as acquisition of assets, disposals of assets and a restriction on the creation of security (in each case, subject to certain exceptions). The Shaftesbury AV Facility Agreement also contains certain covenants which specifically relate to the properties secured to the lender including, without limitation, restrictions relating to leasing arrangements and planning or development proposals (in each case, subject to certain exceptions) as well as positive covenants in relation to the collection of rent, insurance, repair and maintenance in respect of the properties.

Events of default

The Shaftesbury AV Facility Agreement also contains certain events of default, upon the occurrence of which the lender may terminate the facilities and demand repayment. These events of default include, among others and subject to certain grace periods and materiality thresholds, failure to make payments under the Shaftesbury AV Facility Agreement and related finance documents, breach of any financial covenant described above, material misrepresentation, cross-default in excess of specified amounts, cessation of business operations and certain insolvency events and proceedings (including in some cases with respect to Shaftesbury (for example, the insolvency events of default) but noting that the cross default event of default does not apply to Shaftesbury). If an event of default occurs, the agent (acting on the instructions of the majority lenders, holding 66 2/3% of the total commitments) may give notice of cancellation of the total commitments and/or declare all outstanding advances, together with accrued interest, to be immediately due and payable or payable on demand. On the giving of such notice or demand (as the case may be) the outstanding amounts would be repayable immediately. In addition to the usual indemnity in favour of each finance party to indemnify them against any cost, loss or liability incurred as result of the occurrence of an event of default, the prepayment fee referred to above in respect of any voluntary prepayment shall also become due and payable upon the lender declaring the loans due and payable following the occurrence of an event of default.

13.5 2017 First Mortgage Bonds

On 7 September 2017, Shaftesbury Chinatown PLC issued £290,000,000 2.348% guaranteed first mortgage bonds due 2027 (the "**2017 First Mortgage Bonds**"). The 2017 First Mortgage Bonds were initially issued in bearer form in denominations of £100,000.

The terms and conditions of the 2017 First Mortgage Bonds are set out in a trust deed entered into between Shaftesbury Chinatown PLC (as issuer), Shaftesbury (as guarantor) and Prudential Trustee Company Limited (as trustee for the bondholders) dated 7 September 2017, as amended from time to time (the "**2017 Bonds T&Cs**").

The 2017 First Mortgage Bonds are guaranteed by Shaftesbury. The guarantee constitutes a direct, unsecured and unconditional obligation of Shaftesbury. The 2017 First Mortgage Bonds are secured by (i) first fixed legal mortgages over various properties in London's West End (the "**2017 specifically mortgaged premises**") owned by the issuer and/or subsidiaries of the issuer or Shaftesbury (the "**Charging Companies**"), and (ii) a floating charge over all present and future assets of the issuer and any other Charging Company.

Interest in respect of the 2017 First Mortgage Bonds is payable semi-annually in arrear on 31 March and 30 September in each year until the maturity date (unless the bonds are redeemed or purchased early). The 2017 First Mortgage Bonds will mature on 30 September 2027 but may be redeemed before then. The 2017 Bonds T&Cs include a right for the issuer to optionally redeem the 2017 First Mortgage Bonds in whole at a redemption price equal to the higher of (i) the nominal amount outstanding of the 2017 First Mortgage Bonds and (ii) the nominal amount outstanding of the 2017 First Mortgage Bonds multiplied by the price at which the Gross Redemption Yield (if the 2017 First Mortgage Bonds were to remain outstanding to their scheduled maturity) on the 2017 First Mortgage Bonds on the calculation date (being two business days prior to the redemption date) (the "**Calculation Date**") is equal to the Gross Redemption Yield at 11.00 a.m. (London time) on the Calculation Date of the 1.25% UK Government Treasury Stock due July 2027. The 2017 Bonds T&Cs also include an option for each bondholder to require the issuer to redeem or (at the option of the issuer) purchase its 2017 First Mortgage Bonds at par plus accrued interest, in the event of a change of control of the issuer or Shaftesbury. The 2017 First Mortgage Bonds may also be redeemed by the issuer in whole at any time in the event of certain changes affecting taxes of the United Kingdom.

The 2017 First Mortgage Bonds provide that if there is a change of control put event, the bondholders shall have the option to require the issuer to redeem or (at the option of the issuer) purchase their bonds. A change of control put event will be triggered if any person or any persons (other than, in the case of the issuer, the guarantor) acting in concert, or any subsidiary of or persons acting on behalf of such persons, shall become interested directly or indirectly in (i) more than 50% of the issued or allotted ordinary share capital of the issuer or the guarantor or (ii) shares in the capital of the issuer or the guarantor carrying more than 50% of the voting rights normally exercisable at a general meeting of the issuer or the guarantor. If 80% or more of the nominal amount of the 2017 First Mortgage Bonds originally issued have been redeemed pursuant to the exercise of the change of control put option, the issuer may redeem all (but not some only) of the outstanding bonds at their nominal amount plus accrued interest.

Financial covenants

The 2017 First Mortgage Bonds contain financial covenants testing (i) the value of the 2017 specifically mortgaged premises of the issuer and any other Charging Company versus the aggregate nominal amount of the then outstanding 2017 First Mortgage Bonds and; (ii) the annual income attributable to the 2017 specifically mortgaged premises accruing at or due to commence to accrue within three months after the date at which the calculation thereof is made, after deducting any value added tax but before deducting any other taxation and after making proper provision for ground and head rents and certain irrecoverable recurring expenses, together with the net annual income of any money and short gilts which form part of the security for the 2017 First Mortgage Bonds versus the gross annual interest on the aggregate nominal amount of the then outstanding 2017 First Mortgage Bonds at the relevant testing date. The financial covenants are tested semi-annually at the financial half-year end and year end, as well as on any other date on which a valuation of the 2017 specifically mortgaged premises is required under the trust deed.

The financial covenants include cure rights (subject to certain limits on the times that such rights can be exercised) in favour of the issuer by way of repurchase of the 2017 First Mortgage Bonds and/or

the inclusion of further property charged as security in favour of the trustee. The 2017 Bonds T&Cs allow the issuer to substitute the 2017 specifically mortgaged premises with other eligible property of equivalent value if the financial covenant ratios are maintained. Although the issuer, Shaftesbury and the other Charging Companies have undertaken not to dispose of any part of the equity on redemption of any of the 2017 specifically mortgaged premises without the prior written consent of the trustee, other than to certain subsidiaries of Shaftesbury, until the relevant security becomes enforceable, the Charging Companies are otherwise entitled to hold, enjoy and deal with, including disposal of the mortgaged premises (other than 2017 specifically mortgaged premises). The issuer may also issue further bonds secured by the 2017 specifically mortgaged premises if the financial covenants are satisfied immediately following such issue.

Events of default

The 2017 Bonds T&Cs contain certain events of default (subject, in certain cases, to grace periods and materiality thresholds), including, without limitation, non-payment of principal due for three business days, non-payment of interest for 14 business days, cross-acceleration relating to indebtedness for borrowed money of the issuer, any other Charging Company or Shaftesbury subject to an aggregate threshold of £5,000,000 or its equivalent and certain events related to insolvency or winding up of the issuer, any other Charging Company or Shaftesbury. Upon the occurrence of an event of default the trustee may or, if directed by holders of at least one-fifth in nominal amount of the 2017 First Mortgage Bonds then outstanding or by an extraordinary resolution, must declare that the 2017 First Mortgage Bonds are immediately due and payable at the redemption price, including a make-whole amount, plus accrued interest.

13.6 2016 First Mortgage Bonds

On 7 October 2016, Shaftesbury Carnaby PLC issued £285,000,000 2.487% guaranteed first mortgage bonds due 2031 (the "**2016 First Mortgage Bonds**"). The 2016 First Mortgage Bonds were initially issued in bearer form in denominations of £100,000.

The terms and conditions of the 2016 First Mortgage Bonds are set out in a trust deed entered into between Shaftesbury Carnaby PLC (as issuer), Shaftesbury (as guarantor) and Prudential Trustee Company Limited (as trustee for the bondholders) dated 7 October 2016, as amended from time to time (the "**2016 Bonds T&Cs**").

The 2016 First Mortgage Bonds are guaranteed by Shaftesbury. The guarantee constitutes a direct, unsecured and unconditional obligation of Shaftesbury. The 2016 First Mortgage Bonds are secured by (i) first fixed legal mortgages over various properties in London's West End (the "**2016 specifically mortgaged premises**") owned by the issuer and/or subsidiaries of the issuer or Shaftesbury (the "**Charging Companies**"), and (ii) a floating charge over all present and future assets of the issuer and any other Charging Company.

Interest in respect of the 2016 First Mortgage Bonds is payable semi-annually in arrear on 31 March and 30 September in each year until the maturity date (unless the bonds are redeemed or purchased early). The 2016 First Mortgage Bonds will mature on 30 September 2031 but may be redeemed before then. The 2016 Bonds T&Cs include a right for the issuer to optionally redeem the 2016 First Mortgage Bonds in whole at a redemption price equal to the higher of (i) the nominal amount outstanding of the 2016 First Mortgage Bonds and (ii) the nominal amount outstanding of the 2016 First Mortgage Bonds multiplied by the price at which the Gross Redemption Yield (if the 2016 First Mortgage Bonds were to remain outstanding to scheduled maturity) on the 2016 First Mortgage Bonds on the Calculation Date (being two business days prior to the redemption date) is equal to the Gross Redemption Yield at 11.00 a.m. (London time) on the Calculation Date of the 4.750% UK Government Treasury Stock due December 2030. The 2016 Bonds T&Cs also include a right for each bondholder to require the issuer to redeem or (at the option of the issuer) purchase its 2016 First Mortgage Bonds at par plus accrued interest, in the event of a change of control of the issuer or Shaftesbury. The 2016 First Mortgage Bonds may also be redeemed by the issuer in whole at any time in the event of certain changes affecting taxes of the United Kingdom.

The 2016 First Mortgage Bonds provide that if there is a change of control put event, the bondholders shall have the option to require the issuer to redeem or (at the option of the issuer) purchase their bonds. A change of control put event will be triggered if any person or any persons (other than, in the case of the issuer, the guarantor) acting in concert, or any subsidiary of or persons acting on behalf of

such persons, shall become interested directly or indirectly in (i) more than 50% of the issued or allotted ordinary share capital of the issuer or the guarantor or (ii) shares in the capital of the issuer or the guarantor carrying more than 50% of the voting rights normally exercisable at a general meeting of the issuer or the guarantor. If 80% or more of the nominal amount of the 2016 First Mortgage Bonds originally issued have been redeemed pursuant to the exercise of the change of control put option, the issuer may redeem all (but not some only) of the outstanding bonds at their nominal amount plus accrued interest.

Financial covenants

The 2016 First Mortgage Bonds contain financial covenants testing (i) the value of the 2016 specifically mortgaged premises of the issuer and any other Charging Company versus the aggregate nominal amount of the then outstanding 2016 First Mortgage Bonds; and (ii) the annual income attributable to the 2016 specifically mortgaged premises accruing at or due to commence to accrue within three months after the date at which the calculation thereof is made, after deducting any value added tax but before deducting any other taxation and after making proper provision for ground and head rents and certain irrecoverable recurring expenses, together with the net annual income of any money and short gilts which form part of the security for the 2016 First Mortgage Bonds versus the gross annual interest on the aggregate nominal amount of the then outstanding 2016 First Mortgage Bonds at the relevant testing date. The financial covenants are tested semi-annually at the financial half-year and year end, as well as on any other date on which a valuation of the 2016 specifically mortgaged premises is required under the trust deed.

The financial covenants include cure rights (subject to certain limits on the times that such rights can be exercised) in favour of the issuer by way of repurchase of the 2016 First Mortgage Bonds and/or the inclusion of further property charged as security in favour of the trustee. The 2016 Bonds T&Cs also allow the issuer to substitute the 2016 specifically mortgaged premises with other eligible property of equivalent value if the financial covenant ratios are maintained. Although the issuer, Shaftesbury and the other Charging Companies have undertaken not to dispose of any part of the equity of redemption of any of the 2016 specifically mortgaged premises without the prior written consent of the trustee, other than to certain subsidiaries of Shaftesbury, until the relevant security becomes enforceable, the Charging Companies are otherwise entitled to hold, enjoy and deal with, including the disposal of the mortgaged premises (other than 2016 specifically mortgaged premises). The issuer may also issue further bonds secured by the 2016 specifically mortgaged premises if the financial covenants are satisfied immediately following such issue.

Events of default

The 2016 Bonds T&Cs contain certain events of default (subject, in certain cases, to grace periods and materiality thresholds), including, without limitation, non-payment of principal due for three business days, non-payment of interest for 14 business days, cross-acceleration relating to indebtedness for borrowed money of the issuer, any other Charging Company or Shaftesbury subject to an aggregate threshold of £5,000,000 or its equivalent and certain events related to insolvency or winding up of the issuer, any other Charging Company or Shaftesbury. Upon the occurrence of an event of default the trustee may or, if directed by holders of at least one-fifth in nominal amount of the 2016 First Mortgage Bonds then outstanding or by an extraordinary resolution, must declare that the 2016 First Mortgage Bonds are immediately due and payable and the redemption price, including a make-whole amount, plus accrued interest.

13.7 Longmartin Joint Venture

Longmartin Joint Venture Agreement

The Longmartin Joint Venture Agreement provides that the business of the Longmartin Joint Venture comprises the ownership of the leases relating to the Longmartin Joint Venture's properties and the development, management and letting of those properties (and any other properties that the Longmartin Joint Venture may acquire), together with other activities as Shaftesbury and the joint venture partner may agree (the "**Longmartin Business**").

Decisions with regard to a wide range of reserved matters relating to the Longmartin Business (for example, incurring of commitments and liabilities, property related matters, the manner of carrying on the Longmartin Business, approval of accounts and matters affecting capital and corporate

governance) require the prior approval of at least one director appointed by Shaftesbury and one director appointed by the joint venture partner. Where the parties cannot agree on the proposal to transact a reserved matter, Shaftesbury and the joint venture partner must use all reasonable endeavours to resolve the matter expeditiously, failing which the Longmartin Joint Venture cannot proceed with the matter in question.

An event of default arises under the Joint Venture Agreement if either Shaftesbury or the joint venture partner: (i) fails to pay any amount due within 20 business days; (ii) materially breaches the Joint Venture Agreement and, if capable of remedy, fails to remedy the breach or establish plans to remedy the breach in a manner satisfactory to the non-defaulting party acting reasonably within 30 days of notice; or (iii) suffers or incurs an insolvency event. If any such event occurs, the non-defaulting party may serve written notice which prevents the defaulting shareholder from attending and voting at general meetings of the Longmartin Joint Venture and/or suspends any director appointed by the defaulting shareholder. If such notice is given by the non-defaulting shareholder, it is deemed to be a Default Transfer Notice which requires the defaulting party to sell its shares in the Longmartin Joint Venture to the non-defaulting party (see further detail below).

The Joint Venture Agreement continues until the earlier of: (i) the dissolution of the Longmartin Joint Venture; (ii) the disposal of all the Longmartin Joint Venture's properties; (iii) a written agreement to terminate the arrangement is entered into between the joint venture partner and Shaftesbury; (iv) if a shareholder wishes to sell its shares in the Longmartin Joint Venture (either to a third party or to the other shareholder) and, in the case of a third party, has first offered those shares to the remaining other shareholder in accordance with the pre-emption provisions of the Longmartin Articles, and the other shareholder: (x) not accepting the offer and, where relevant, not consenting to the transfer of shares to the third party; or (y) not notifying the selling shareholder of its response within the requisite time period and such offer lapsing in accordance with terms of the Longmartin Articles (see further below); or (v) if there is only one beneficial owner of all the shares. On termination of the Joint Venture Agreement, the Longmartin Joint Venture is to be wound up and its assets distributed to Shaftesbury and the joint venture partner in accordance with the Longmartin Articles.

Longmartin Articles

The share capital of the Longmartin Joint Venture consists of A shares held by the joint venture partner and B shares held by Shaftesbury.

Pursuant to the Longmartin Articles, Shaftesbury and the joint venture partner are each entitled to appoint up to four directors to the board of directors of the Longmartin Joint Venture and, at any one time, at least two directors must be appointed by each party. The joint venture partner is entitled to appoint the chair of the board of directors. The chair is not entitled to a casting vote.

Issues of new shares and transfers of existing shares in the Longmartin Joint Venture are subject to pre-emption provisions. On a new issue of shares, those shares must first be offered to the existing shareholders in proportion to their shareholdings at the date of the issue. New shares in the Longmartin Joint Venture may only be issued to an existing shareholder. In the case of a proposed share transfer by one shareholder, those shares must first be offered to the other shareholder.

A shareholder may transfer its shares in the Longmartin Joint Venture ("**LMJV Shares**") to a member of that shareholder's group (provided that the board of directors of the Longmartin Joint Venture is reasonably satisfied that the proposed transferee is a member of such group). Where a shareholder is proposing to transfer any of its LMJV Shares to a third party, it must first give written notice to the other shareholder setting out the terms on which the transfer is proposed (including details of the proposed third party transferee) and offer the LMJV Shares to the other shareholder on the same terms. The offer remains open for acceptance by the other shareholder for 120 Business Days from the date of offer. During this time, the other shareholder can either: (i) accept the offer; (ii) decline the offer to acquire the LMJV Shares itself but consent to the transfer to a third party; or (iii) decline the offer and refuse to give its consent to the transfer to a third party. Where a shareholder to whom an offer has been made does not accept the offer and does not consent to the transfer of the LMJV Shares to the third party, or the offer period expires, the offer will lapse and the termination provisions of the Joint Venture Agreement will apply pursuant to which the Longmartin Joint Venture will be wound up.

If an event of default occurs ("**Event of Default**") (which includes the failure by a shareholder to pay any amount due under the Joint Venture Agreement within 20 business days; a shareholder

committing a material breach of the Joint Venture Agreement which it fails to remedy within 30 days of notice to do so by the other shareholder; the failure by a shareholder to comply with the provisions of the Longmartin Articles; or a shareholder being unable to pay its debts, taking any steps to appoint a receiver or administrator or a court order being made for the liquidation or administration of any shareholder) (the "**Defaulting Shareholder**"), the Defaulting Shareholder is required to notify the Longmartin Joint Venture and the other shareholder (the "**Non-Defaulting Shareholder**") of that fact, as soon as practicable. Following an event of default, the Non-Defaulting Shareholder has a period of nine months to require, by written notice to the Longmartin Joint Venture and the Defaulting Shareholder, the Defaulting Shareholder to make an offer to sell its LMJV Shares to the Non-Defaulting Shareholder or a third party purchaser nominated by the Non-Defaulting Shareholder.

If a change of control occurs in respect of either of Shaftesbury (which would include the Merger) or the joint venture partner, the shareholder who is subject to such change of control (the "**Affected Shareholder**") must notify the Longmartin Joint Venture and the other shareholder (the "**Non-Affected Shareholder**") of such fact. Additionally, if a shareholder believes that a change of control has occurred in respect of the other shareholder, it can require that the alleged Affected Shareholder certifies whether a change of control has occurred and provides reasonable supporting evidence. If: (i) the Affected Shareholder gives notice that a change of control has occurred; (ii) the Affected Shareholder provides a certificate at the request of the Non-Affected Shareholder which evidences that a change of control has occurred; or (iii) the Affected Shareholder fails to provide a certificate evidencing whether a change of control has occurred within 28 days of a request by the Non-Affected Shareholder to provide such a certificate, the Non-Affected Shareholder has a period of nine months to require, by written notice to the Longmartin Joint Venture and the Affected Shareholder, the Affected Shareholder to make an offer to sell its LMJV Shares to the Non-Affected Shareholder.

Following service of notice by the Non-Defaulting Shareholder or the Non-Affected Shareholder pursuant to an Event of Default or a change of control respectively, the voting rights attaching to the LMJV Shares and the voting rights of the directors appointed to the board of the Longmartin Joint Venture by the Defaulting / Affected Shareholder, are suspended until such LMJV Shares have been transferred from the Defaulting Shareholder / Affected Shareholder to the Non-Defaulting Shareholder (or its nominated third party purchaser) / Non-Affected Shareholder or until the Non-Defaulting Shareholder / Non-Affected Shareholder waives such suspension. The price payable for the LMJV Shares held by the Defaulting Shareholder / Affected Shareholder is that agreed between the Non-Defaulting Shareholder / Non-Affected Shareholder and the Defaulting Shareholder / Affected Shareholder or, failing agreement, as determined by an independent share valuation expert. If the Non-Defaulting Shareholder / Non-Affected Shareholder fails to require the Defaulting Shareholder / Affected Shareholder to make an offer to sell its LMJV Shares within the nine month period referred to above or the Non-Defaulting Shareholder / Non-Affected Shareholder declines the offer (and, in the case of the Non-Defaulting Shareholder, does not notify the Longmartin Joint Venture of a third party purchaser), the offer lapses and the Joint Venture Agreement continues.

13.8 Shaftesbury AV LM Facility Agreement

Under the terms of the facility agreement, dated 21 December 2011 (as amended and restated from time to time and as most recently amended on 21 July 2020, 10 March 2021 and 17 March 2022), Aviva Commercial Finance Limited as lender has made available to the Longmartin Joint Venture a sterling term loan facility in an aggregate amount of £120 million (the "**Shaftesbury AV LM Facility Agreement**"). The Shaftesbury AV LM Facility Agreement was put in place to, amongst other things, finance/refinance the properties secured under the Shaftesbury AV LM Facility Agreement and to provide an equity release to the shareholders of the Longmartin Joint Venture. The loan is fully drawn as at the date of this document.

The Shaftesbury AV LM Facility Agreement is secured against the Longmartin Joint Venture's properties, the rental income deriving there from various contracts associated with the properties and money held in specific accounts.

The Longmartin Joint Venture is permitted to voluntarily prepay any of the outstanding loan (subject to giving the lender three months' written notice of its proposal to do so, a de minimis threshold and the payment of an early repayment fee which seeks to indemnify the lender against any reduction in the rate of return that the lender expects to receive on its investment in the facility as a direct or indirect result of the prepayment). The Longmartin Joint Venture must repay the loan in full on 21 December

2026, with no prior requirements for amortisation of the loan. Interest is charged on each loan at a fixed rate of 4.43% per annum and is payable quarterly on each interest payment date.

Financial covenants

The Shaftesbury AV LM Facility Agreement contains the following primary covenants:

- a maximum restriction on loan to valuation of specifically secured assets, which is set at 60%; and
- a minimum ratio of actual and projected net rental income of specific secured assets, adjusted to exclude certain costs, to gross interest and fees payable under the loans during the relevant calculation period, which is set at 1.3 : 1.

Each of the financial covenants apply at all times, with the loan-to-value financial covenant being tested at the lender's discretion by reference to the most recent valuation available and the interest cover financial covenants being tested annually on 31 March and on such other dates as the lender determines by reference to the quarterly management accounts and annual accounts (including following the amendment of the Shaftesbury AV LM Facility Agreement on 21 July 2020, by reference to compliance certificates delivered to the lender on a quarterly basis). Cure rights are available (subject to certain limits on the times that such rights can be exercised) in favour of the Longmartin Joint Venture in respect of both the loan-to-value and interest cover financial covenants whereby the Longmartin Joint Venture may deposit monies into a bank account secured in favour of the lender and/or prepay the loan.

Representations and covenants

In addition, the Shaftesbury AV LM Facility Agreement contains certain other representations and covenants by, and restrictions on, the Longmartin Joint Venture, including, without limitation, with respect to certain corporate activities such as disposals of assets and a restriction on the creation of security (in each case, subject to certain exceptions). The Shaftesbury AV LM Facility Agreement and the related security documents also contain certain covenants which specifically relate to the properties secured to the lender including, without limitation, restrictions relating to leasing arrangements and planning/development proposals (in each case, subject to certain exceptions) as well as positive covenants in relation to the collection of rent, insurance, repair and maintenance in respect of the properties.

Events of default

The Shaftesbury AV LM Facility Agreement also contains certain events of default. These events of default include, among others and subject to certain grace periods and materiality thresholds, failure to make payments under the Shaftesbury AV LM Facility Agreement and related finance documents, breach of any financial covenant described above, material misrepresentation, cross-default in excess of specified amounts, cessation of business operations and certain insolvency events and proceedings, in each case, in respect of the Longmartin Joint Venture and its subsidiaries. If an event of default occurs, the lender may, by notice in writing to the Longmartin Joint Venture, demand immediate repayment of all outstanding amounts under the Shaftesbury AV LM Facility Agreement.

14. Working capital

The Company is of the opinion that, taking into account the Facilities available to the Capco Group, the Capco Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

15. Significant change

15.1 The Capco Group

There has been no significant change in the financial position or financial performance of the Capco Group since 31 December 2021, being the date to which the last audited financial statements have been published.

15.2 The Shaftesbury Group

There has been no significant change in the financial position or financial performance of the Shaftesbury Group since 31 March 2022, being the date to which the last interim financial information has been published.

16. Related party transactions

Save as disclosed in Note 33 of the notes to the audited consolidated financial statements for Capco for the year ended 31 December 2021, which can be found at page 178 of the Capco Annual Report 2021, the Company entered into no transactions with related parties during the year ended 31 December 2021.

For the period from and including 1 January 2022 and the Latest Practicable Date, there were no related party transactions entered into by the Company, other than:

- transactions have been entered into between two Directors, either solely or together with family members, and a related party of the Capco Group, Lillie Square GP Limited, in respect of two apartments and a car park space in the Lillie Square development. As part of these transactions, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. From 1 January 2022, £10,995.96 has been paid to a related party of the Capco Group, Lillie Square GP Limited, in relation to these charges. These transactions with Directors were conducted at fair and reasonable market price based upon similar comparable transactions at that time. Approvals have been obtained in respect of these arrangements from the Capco Board. Lillie Square GP Limited acts in the capacity of general partner to the Lillie Square Joint Venture;
- a short-term rental agreement has been entered into between a Capco Group subsidiary and a Director in respect of an apartment on the Covent Garden estate. The short-term rental agreement runs from 23 June 2021 to 31 August 2021 and was entered into on market terms. The total rent payable is £18,900 (inclusive of utilities and services) and the short-term rental agreement has been approved by the Capco Group subsidiary and the Capco Board;
- the Irrevocable Undertakings with Directors, Shaftesbury Directors and Norges Bank set out in paragraph 13 (*Irrevocable undertakings and letter of intent to vote in favour of the Merger*); and
- the Offer-Related Arrangements set out in paragraph 14 (*Offer-related arrangements and other arrangements*) of Part VII (*Information on the Merger*) of this document.

17. Litigation

17.1 The Capco Group

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on the Company's, the Capco Group's and/or the Combined Group's financial position or profitability.

17.2 The Shaftesbury Group

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on Shaftesbury's, the Shaftesbury Group's and/or the Combined Group's financial position or profitability.

18. Regulatory disclosures

In the 12 month period prior to the date of this document, the Company disclosed the following information under MAR which is relevant as at the date of this Prospectus:

Board / Company changes

25 February 2022	Java Capital Trustees and Sponsors Proprietary Limited was appointed as JSE Sponsor to the Company, replacing UBS South Africa Proprietary Limited.

Director / PDMR shareholding	
1 March 2022	Director / PDMR awards.
Results and trading updates	
27 July 2021	Interim results for the six months ended 30 June 2021.
17 August 2021	Declaration of 2021 interim dividend and associated exchange rates and scrip calculation prices.
20 August 2021	Scrip dividend circulars and dividend taxes.
8 December 2021	Publication of the Company's net zero carbon pathway
17 January 2022	The Company's update on the valuation of its portfolio and year-end balance sheet position.
25 January 2022	Notification of 2021 results for the year ended 31 December 2021.
23 February 2022	Audited preliminary results for the year ended 31 December 2021.
31 May 2022	Declaration of 2021 final dividend and associated exchange rate.
AGM and other meetings	
22 March 2022	Annual Report 2021 and notice of the 2022 Annual General Meeting.
28 June 2022	Results of the 2022 Annual General Meeting.
Capital structure and holding(s) in the Company	
20 September 2021	Block listing interim review.
21 September 2021	Listing application in connection with the Company's scrip dividend alternative.
30 September 2021	Total Voting Rights.
8 October 2021	Holding(s) in Company.
28 February 2022	Total Voting Rights.
4 March 2022	Holding(s) in Company.
18 March 2022	Block listing interim review.
7 June 2022	Holding(s) in Company.
16 June 2022	Announcement of recommended all-share merger.

19. Valuation Reports

The property valuations in the Valuation Reports, as set out in Appendix 2 (*Valuation Reports)* of this document, are as at 31 March 2022 for Shaftesbury and 30 June 2022 for Capco.

There has been no material change to the value of the Shaftesbury Group's Properties since 31 March 2022. There has been no material change to the value of the Capco Group's Properties since 30 June 2022.

20. Auditors and Reporting Accountants

PricewaterhouseCoopers LLP ("**PwC**"), a member firm of the Institute of Chartered Accountants in England and Wales is the Company's auditor and audited the accounts of the Company for the year ended 31 December 2021. PwC's registered address is at 1 Embankment Place, London, WC2N 6RH, United Kingdom.

KPMG LLP, a member firm of the Institute of Chartered Accountants in England and Wales is the Company's reporting accountant. KPMG LLP's registered address is at 15 Canada Square, London E14 5GL, United Kingdom.

21. Consents

Rothschild & Co. has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

Java Capital Trustees and Sponsors Proprietary Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name.

Jefferies has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

UBS has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

Peel Hunt has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

Barclays has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

BNP Paribas has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

HSBC has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

KPMG LLP has given and not withdrawn its written consent to the inclusion of its report on the Unaudited Pro Forma Financial Information and has authorised the contents of the part of this document which comprise its report for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules and item 1.3 of Annex 3 of the Prospectus Delegated Regulation.

CBRE of Henrietta House, Henrietta Place, London, W1G 0RE, United Kingdom has given and has not withdrawn its written consent to the inclusion of its Valuation Report and has authorised the content of its report for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules and item 1.3 of Annex 3 of the Prospectus Delegated Regulation.

Cushman & Wakefield of 125 Old Broad Street, London, EC2N 1AR, United Kingdom has given and has not withdrawn its written consent to the inclusion of its Valuation Report and has authorised the content of its report for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules and item 1.3 of Annex 3 of the Prospectus Delegated Regulation.

JLL of 30 Warwick Street, London, W1B 5NH, United Kingdom has given and has not withdrawn its written consent to the inclusion of its Valuation Report and has authorised the content of its report for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules and item 1.3 of Annex 3 of the Prospectus Delegated Regulation.

Knight Frank of 55 Baker Street, London, W1U 8AN, United Kingdom has given and has not withdrawn its written consent to the inclusion of its Valuation Report and has authorised the content of its report for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules and item 1.3 of Annex 3 of the Prospectus Delegated Regulation.

22. General

The total costs and expenses (exclusive of recoverable VAT) payable by the Combined Group in connection with the Merger and the issue and Admission of the New Capco Shares are estimated to be approximately £78.8 million. This consists of £33.0 million of total costs, incurred and expected, by the Capco Group, £35.7 million of total costs, incurred and expected, by the Shaftesbury Group and stamp duty of 0.5% on the purchase price of the Shaftesbury Shares to be acquired pursuant to the Merger (estimated to amount to £10.1 million).

No expenses will be charged to investors by the Company in respect of the Merger.

23. Documents available for inspection

Copies of the following documents will be available for inspection on the Company's website at www.capitalandcounties.com and during normal business hours on Monday to Friday (excluding public holidays in England and Wales) at the Company's registered office at Regal House, 14 James Street, London, WC2E 8BU, United Kingdom for a period of 12 months from the date of publication of this document:

- the Memorandum of Association and Articles of Association;
- the Capco Annual Report 2021;
- the report of KPMG LLP on the Unaudited Pro Forma Financial Information set out in Section B of Part XIV (*Unaudited Pro Forma Financial Information*) of this document;
- the Valuation Reports;
- the Circular;
- the Announcement;
- the Consent Letters; and
- this document.

This document is dated 7 July 2022.

PART XVII

DOCUMENTATION INCORPORATED BY REFERENCE

The following documents, which have been approved, filed with or notified to the FCA, and which are available for inspection in accordance with paragraph 23 of Part XVI (*Additional Information*) of this document, contain information about Capco which is relevant to this document:

- the Capco Annual Report 2021; and
- the Circular.

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this document, and only the parts of the documents identified in the table below are incorporated by reference in, and form part of, this document. Any parts of the following documents which are not incorporated by reference into this document are either not relevant for the investor or covered elsewhere in this document. To the extent that any part of the information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

Reference	Information incorporated by reference	Page number(s)
Capco Annual Report 2021	Independent Audit Report	125–132
Capco Annual Report 2021	Income Statement	133
Capco Annual Report 2021	Statement of Comprehensive Income	134
Capco Annual Report 2021	Balance Sheet	135
Capco Annual Report 2021	Statement of Changes in Equity	136
Capco Annual Report 2021	Cash Flow Statement	137
Capco Annual Report 2021	Notes to the Financial Statements	138–188
Circular	Notice of General Meeting	100–109
Announcement	CBRE valuation report 31 March 2022	87–108
Announcement	JLL valuation report 31 March 2022	109–118

Any statement which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

PART XVIII

DEFINITIONS

The following definitions shall apply throughout this document unless the context requires otherwise:

"Admission"	together, UK Admission and SA Admission
"AGM"	annual general meeting
"Announcement"	the announcement made by Capco on 16 June 2022 in relation to the Merger pursuant to Rule 2.7 of the Code
"Announcement Date"	16 June 2022, being the date of release of the Announcement
"Annualised Current Income"	total annualised actual and 'estimated income' reserved by leases at a valuation date. No rent is attributed to leases which were subject to rent-free periods at that date. It does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. 'Estimated income' refers to gross ERVs in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease
"Annualised Gross Income"	annualised Current Income plus sundry non-leased income
"Articles of Association" or "Articles"	the articles of association of the Company
"Audit Committee"	the audit committee established by the Board to monitor the integrity of the financial statements and other financial reporting, and for reporting to the Board on risk management, internal controls and compliance in the Company's businesses, as described in paragraph 4.3 of Part X (*Directors, Proposed Directors and Corporate Governance*) of this document
"Auditors"	PricewaterhouseCoopers LLP
"Banks"	Rothschild & Co, Jefferies, Peel Hunt, UBS, Barclays and BNP Paribas and HSBC
"Barclays"	Barclays Bank PLC, acting through its Investment Bank
"BNP Paribas" or "BNP Paribas London Branch"	BNP Paribas SA, acting through its London Branch
"Board" or "Capco Board"	the board of Directors of the Company
"Bonus Deferral Awards"	awards granted under the PSP as Bonus Deferral Awards, as referred to in paragraph 9.1 of Part XVI (*Additional Information*) of this document
"Business Day"	a day (other than a Saturday or Sunday) on which banks are open for general business in London and Johannesburg
"Buyback Contract"	the contract to be entered into between the SLP and Capco in relation to the repurchase of the Secured New Capco Shares at any time when such shares are permitted to be transferred in accordance with the Exchangeable Bond Conditions (including on maturity of Capco's Exchangeable Bonds)
"Capco" or the "Company"	Capital & Counties Properties PLC, a public company incorporated in England with registered number 07145051

	and registered as an external company in South Africa with registration number 2010/003387/10
"Capco Annual Financial Statements"	the audited consolidated financial statements of the Capco Group for the year ended 31 December 2021
"Capco Annual Report 2021"	the Company's annual report for the financial year ended 2021 and published in March 2022 and incorporated by reference into this document
"Capco Chargors"	Capco Investment London (No.1) Limited and Capco Investment London (No.2), who together hold the Secured Existing Capco Shareholding;
"Capco Covent Garden RCF"	the £300 million revolving credit facility agreement dated 13 September 2021 between Covent Garden Group Holdings Limited as borrower with HSBC Bank plc acting as agent and Barclays Bank plc, BNP Paribas London Branch and HSBC Bank plc, Bank of China Limited, London Branch, as original lenders
"Capco Directors"	the board of directors of Capco and "**Capco Director**" means any of them;
"**Capco Equalisation Dividend**"	in the event of an Excess Shaftesbury Dividend, a dividend per Capco Share equal to (i) the amount of the relevant Excess Shaftesbury Dividend (expressed on a pence per Shaftesbury Share basis) divided by (ii) the Exchange Ratio, to be paid by Capco to the Capco Shareholders on the register of members as at close of business on the Business Day prior to the Scheme Record Time
"Capco First Interim Dividend"	a dividend of up to 0.8 pence per Capco Share to be paid by Capco to the Capco Shareholders on the register of members as at close of business on the normal record date for Capco's interim dividend, expected to be in August 2022, in respect of the six months ended 30 June 2022
"Capco FY21 Final Dividend"	the final dividend of 1.0 pence per Capco Share to be paid by Capco to the Capco Shareholders on the register of members as at close of business on 10 June 2022 in respect of the year ended 31 December 2021 and expected to be paid on 8 July 2022
"Capco General Meeting"	the general meeting of Capco Shareholders to be convened in connection with the Merger, notice of which is set out in the Circular, to consider, and if thought fit, approve various matters in connection with the Merger, including any adjournment thereof
"Capco Group"	Capco, its subsidiary and group undertakings (as defined in the Companies Act 2006) from time to time
"Capco Loan Notes"	the loan notes issued by Covent Garden Group Holdings Limited in 2014, 2016 and 2017 as set out in paragraph 12.6 (*Loan note purchase agreements*) of Part XVI (*Additional Information*) of this document
"Capco Pro Rata Second Interim Dividend"	a dividend of up to 1.0 pence per Capco Share to be paid by Capco to the Capco Shareholders on the register of members as at close of business on the Business Day prior to the Scheme Record Time in respect of the period from 1 July 2022 to 30 September 2022

"Capco Remuneration Committee"	the remuneration committee established by the Board to consider and make recommendations to the Board as to the remuneration of Capco's Directors and senior executives, as described in paragraph 4.3 of Part X (*Directors, Proposed Directors and Corporate Governance*) of this document
"Capco Resolutions"	the shareholder resolutions of Capco which is set out in the Circular and which are necessary to implement the Merger, including without limitation to approve the Merger as a Class 1 Transaction under the Listing Rules, to grant authority to the Capco Directors to allot the New Capco Shares, and to approve the Related Party Transaction (and any amendment(s) thereof)
"Capco Shareholders"	the holders of Capco Shares from time to time
"Capco Shares"	the ordinary shares of 25 pence each in Capco
"Capco Share Plan" or "PSP" . . .	the Capco Performance Share Plan 2017, which provides for the grant of Bonus Deferral Awards, CSOP Options, PSP Awards and PSP Options as referred to in paragraph 9 of Part XVI (*Additional Information*) of this document
"Capco Valuers"	CBRE and JLL
"Capco's Exchangeable Bonds" . .	the £275,000,000 2.00% Secured Exchangeable Bonds due 2026 issued by Capco on 30 November 2020, as constituted by the Exchangeable Bonds Trust Deed
"Cash Election"	the right for a holder of Capco's Exchangeable Bonds to exercise its Exchange Right to receive cash value for the Secured Existing Capco Shares in accordance with the Exchangeable Bond Conditions
"CBRE"	CBRE Limited
"certificated" or "in certificated form"	in relation to a Scheme Share, one which is not in uncertificated form (that is, not in CREST)
"Chairman"	the Chairman of Capco
"Change of Name Resolution" . . .	the resolution to approve the change of registered name of the Company to Shaftesbury Capital PLC
"Circular"	the document to be sent by Capco to Capco Shareholders containing information in relation to the Merger and, amongst other things, convening the Capco General Meeting to approve the Capco Resolutions
"Class 1 Transaction"	the Class 1 Transaction as defined in the Listing Rules for Capco in respect of the Merger
"CMA"	the Competition and Markets Authority of the UK
"Combined Group"	the Capco Group and the Shaftesbury Group after the Merger has taken effect
"Combined Group Shareholders"	the holders of shares in the Combined Group from time to time
"Companies Act 2006"	the UK Companies Act 2006, as amended, and the regulations made thereunder
"Completion"	the date of the last Admission

"Conditions"	the conditions to the implementation of the Merger (including the Scheme) which are set out in Appendix 1 of the Announcement, and to be set out in the Scheme Document
"Confidentiality Agreement"	the confidentiality agreement between Capco and Shaftesbury dated 7 December 2021
"Consent Letters"	the consent letter received from KPMG LLP in relation to the inclusion of the report on the Unaudited Pro Forma Financial Information, and the consent letters received from CBRE, Cushman & Wakefield, JLL and Knight Frank in relation to their respective Valuation Reports
"Conservation Area"	an area of special architectural interest, the character or appearance of which it is desirable to preserve or enhance. In dealing with development in conservation areas, the general aim of authorities is to ensure the quality of townscape is preserved or enhanced, through legislation which gives protection to individual buildings considered to be of particular heritage, significance and value to an area
"Co-operation Agreement"	the co-operation agreement between Capco and Shaftesbury dated 16 June 2022 and relating, among other things, to the implementation of the Merger
"Court"	Her Majesty's High Court of Justice in England and Wales
"Court Meeting"	the meeting of Scheme Shareholders (or any further class or classes thereof) to be convened by an order of the Court pursuant to section 896 of the Companies Act 2006, notice of which is set out in the Scheme Document, to consider and, if thought fit, approve the Scheme (with or without amendment approved or imposed by the Court and agreed to by Shaftesbury and Capco), including any adjournment, postponement or reconvention of any such meeting, notice of which is to be contained in the Scheme Document
"Court Order"	the order of the Court sanctioning the Scheme under Part 26 of the Companies Act 2006
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & International Limited is the operator
"CREST Regulations"	the Uncertificated Securities Regulations 2001
"CSDP"	Central Securities Depository Participant, a participant as defined in the South African Financial Markets Act, 19 of 2012
"CSOP Options"	awards granted as HM Revenue and Customs tax-advantaged options under the PSP, as referred to in paragraph 9.1 of Part XVI (*Additional Information*) of this document
"Cushman & Wakefield"	Cushman & Wakefield Debenham Tie Leung Limited
"Directors"	the directors of Capco whose names appear in Part IV (*Directors, Proposed Directors, Company Secretary, Registered Office and Advisers*) of this document
"**Directors' Remuneration Policy**"	the policy approved by Capco Shareholders from time to time in accordance with the regulations in the Companies Act 2006 and referred to in paragraph 9 of Part XVI (*Additional Information*) of this document

"Disclosure Guidance and Transparency Rules"	the disclosure guidance and transparency rules made by the FCA under Part 6 of the FSMA
"EA 2002"	Enterprise Act 2002
"EBT"	the Capco Employee Benefit Trust, as referred to in paragraph 9 of Part XVI (*Additional Information*) of this document
"Effective"	in the context of the Merger: (i) if the Merger is implemented by way of a Scheme, means the Scheme having become effective pursuant to its terms; or (ii) if the Merger is implemented by way of a Takeover Offer, such offer having become or been declared unconditional in all respects in accordance with its terms
"Effective Date"	the date on which (i) the Scheme becomes effective pursuant to its terms; or (ii) if Capco elects to implement the Merger by way of a Takeover Offer, the Takeover Offer becomes or is declared unconditional in all respects
"EPC"	Energy Performance Certificate
"EPRA"	the European Public Real Estate Association—a real estate industry body which has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe
"EPRA NTA"	net tangible assets adjusted in accordance with EPRA recommendations to present a measure of the fair value of net assets on a long-term basis
"ERV"	the estimated market rental value of the total lettable space in a property calculated by the Capco Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs
"ESC Committee"	the Environment, Sustainability and Community Committee established by the Board to monitor the implementation of the Company's ESC Strategy
"ESC Strategy"	the strategy in respect of the Environment, Sustainability and Community which Capco launched in 2021
"EU" or "European Union"	the European Union
"EUWA"	European Union (Withdrawal) Act 2018, as amended
"Excess Capco Dividend"	any Return of Value which is announced, declared, made, payable or paid in respect of the Capco Shares on or after the date of the Announcement and on or prior to the Effective Date and which has a record date on or prior to the Effective Date, other than, or in excess of, the Permitted Capco Dividends
"Excess Shaftesbury Dividend"	any Return of Value which is announced, declared, made, payable or paid in respect of the Shaftesbury Shares on or after the date of the Announcement and on or prior to the Effective Date and which has a record date on or prior to the Effective Date, other than, or in excess of, the Permitted Shaftesbury Dividends

"Exchange Property"	has the meaning given to it in the Exchangeable Bond Conditions
"**Exchange Ratio**"	the exchange ratio of 3.356 New Capco Shares in exchange for each Shaftesbury Share (disregarding the interest that the Capco Group currently holds directly in Shaftesbury)
"Exchange Right"	the rights for the holders of Capco's Exchangeable Bonds to exchange its exchangeable bonds for the relevant amount of Shaftesbury Shares comprising the Secured Existing Capco Shares (and/or other property constituting the Exchange Property at that time)
"Exchangeable Bond Conditions"	the terms and conditions of Capco's Exchangeable Bonds set out in the Exchangeable Bonds Trust Deed
"Exchangeable Bond Secured Parties"	Exchangeable Bonds Trustee for the benefit of itself and the other secured parties under Capco's Exchangeable Bonds (including the holders of Capco's Exchangeable Bonds)
"Exchangeable Bond Security" . .	as at close of business on the day before the Announcement Date, the 38,008,138 Shaftesbury Shares held by the Capco Group secured in favour of the Exchangeable Bonds Trustee under the terms of the Exchangeable Bonds Trust Deed
"Exchangeable Bonds Chargors"	each of Capco Investment London (No.1) Limited and Capco Investment London (No.2) Limited
"Exchangeable Bonds Trust Deed"	the trust deed entered into between Capco and the Exchangeable Bonds Trustee on 30 November 2020 constituting Capco's Exchangeable Bonds and which sets out the Exchangeable Bond Conditions
"Exchangeable Bonds Trustee" . .	BNY Mellon Corporate Trustee Services Limited
"Excluded Shares"	(i) Unsecured Existing Capco Shareholding; (ii) any other Shaftesbury Shares beneficially owned by Capco or any other member of the Capco Group; (iii) any Shaftesbury Shares held in treasury by Shaftesbury; and (iv) any other Shaftesbury Shares which Capco and Shaftesbury agree will not be subject to the Scheme, but, for the avoidance of doubt, in the case of items (ii) to (iv) inclusive, excluding the Secured Existing Capco Shareholding
"Executive Directors"	Ian Hawksworth, Situl Jobanputra and Michelle McGrath
"Existing Capco Shareholders" . .	holders of Existing Capco Shares
"Existing Capco Shareholding" . .	the Shaftesbury Shares which entities within the Capco Group hold, being 96,971,003 Shaftesbury Shares in aggregate at close of business on the day before the Announcement Date
"Existing Capco Shares"	the Capco Shares existing as at the Latest Practicable Date
"Facilities"	the facilities available to the Capco Group, being: (i) prior to Completion, the Capco Covent Garden RCF, the Capco Loan Notes and Capco's Exchangeable Bonds; and

	(ii) following Completion, the Loan Facility Agreement, the Capco Covent Garden RCF, the Capco Loan Notes, Capco's Exchangeable Bonds, the Shaftesbury CLL Facility Agreement, the Shaftesbury AV Facility Agreement and Shaftesbury AV LM Facility Agreement
"FCA"	the Financial Conduct Authority
"Financial Statements"	the Capco Annual Financial Statements, the 2022 Shaftesbury Interim Financial Statements and the Shaftesbury Annual Financial Statements
"Form of Proxy"	the personalised form of proxy accompanying the Notice of General Meeting
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"HSBC"	HSBC Bank plc
"HMRC"	HM Revenue & Customs in the United Kingdom
"Government"	Her Majesty's Government of the United Kingdom
"IFRS"	UK-adopted international accounting standards in accordance with International Financial Reporting Standards
"ISIN"	International Security Identification Number
"Jefferies"	Jefferies International Limited
"JLL"	Jones Lang LaSalle Limited
"JSE"	(i) JSE Limited, a public company incorporated in accordance with the laws of South Africa, with registration number 2005/022939/06, and licensed as an exchange under the South African Financial Markets Act, 19 of 2012; or (ii) the securities exchange operated by JSE Limited, as the context indicates
"JSE Listings Requirements"	the listings requirements of the JSE, as amended
"JSE Sponsor"	Java Capital Trustees and Sponsors Proprietary Limited, 6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196 (PO Box 522606, Saxonwold, 2132) South Africa
"Knight Frank"	Knight Frank LLP
"KPMG LLP"	KPMG LLP, 15 Canada Square, London E14 5GL, United Kingdom
"Latest Practicable Date"	5 July 2022, being the latest practicable date prior to the publication of this document
"LEI"	Legal Entity Identifier
"like-for-like basis"	in relation to investment properties, investment properties which have been owned without significant capital expenditure in any relevant period, so that income, capital and yields can be compared on a like-for-like basis
"Lillie Square Joint Venture"	the Lillie Square joint venture, a residential development located in West London, in which Capco has a 50% interest
"Listing Rules"	the listing rules issued by the FCA pursuant to Part 6 of FSMA
"Loan Facility Agreement"	a £576,000,000 unsecured term loan facility entered into between Capco and Barclays, BNP Paribas London Branch and HSBC as the original lenders on 16 June 2022

"London Stock Exchange" or "LSE"	London Stock Exchange PLC
"Long Stop Date"	30 April 2023 or such later date as may be agreed in writing by Capco and Shaftesbury (with the Panel's consent and as the Court may approve (if such approval(s) are required))
"Longmartin Joint Venture"	the Longmartin joint venture, which owns a long leasehold interest in a 1.9-acre site comprising mixed-use buildings centred on St Martin's Courtyard at the junction of Long Acre and Upper St Martin's Lane near Seven Dials, in which Shaftesbury has a 50% interest
"Madison International Realty"	Madison International Realty LLC
"Main Board"	the JSE's Main Board for listed securities
"Main Market"	the London Stock Exchange's Main Market for listed securities
"MAR"	the Market Abuse Regulation (Regulation (EU) 596/2014) and its delegated and implementing regulations, which forms part of UK domestic law by virtue of the EUWA
"Memorandum of Association"	the memorandum of association of the Company
"Merger"	the proposed acquisition by Capco of the entire issued and to be issued share capital of Shaftesbury (excluding the Unsecured Existing Capco Shareholding but including the substitution of the Secured Existing Capco Shareholding with the Secured New Capco Shares pursuant to the terms of the Scheme), to be implemented by way of the Scheme or, should Capco so elect with the consent of the Panel and subject to the terms of the Co-operation Agreement, by means of a Takeover Offer
"Merger Approval Resolution"	the resolution to approve the Merger, which constitutes a Class 1 transaction pursuant to the Listing Rules, and to take all steps and to do all things which the Board considers necessary or desirable to implement the Merger
"Merger Resolutions"	the Merger Approval Resolution, the Share Issue Resolution and the RPT Resolution
"New Capco Shares"	the new Capco Shares to be allotted pursuant to the Merger
"Nomination Committee"	the director nomination committee established by the Board to consider and make recommendations to the Board concerning the composition of the Board, as described in paragraph 4.3 of Part X (*Directors, Proposed Directors and Corporate Governance*)
"Non-executive Directors"	Henry Staunton, Charlotte Boyle, Jonathan Lane and Anthony Steains
"Norges Bank"	Norges Bank (the Central Bank of Norway)
"Norges Bank Side Deed"	the agreement entered into between Capco and Norges Bank on 16 June 2022 which sets out the terms upon which Capco and Norges Bank will co-operate and take all steps as are reasonably necessary to obtain the CMA clearance for the implementation of the Merger;
"Official List"	the official list maintained by the FCA pursuant to Part 6 of the Financial Services and Markets Act 2000
"Original Chargors"	Capco Investment London (No.1) Limited and Capco Investment London (No.2) Limited

"Overseas Shareholders"	Scheme Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
"Panel"	the UK Panel on Takeovers and Mergers
"Peel Hunt"	Peel Hunt LLP
"Permitted Capco Dividends"	the Capco FY21 Final Dividend, the Capco First Interim Dividend, the Capco Pro-Rata Second Interim Dividend and a Capco Equalisation Dividend, as applicable
"Permitted Shaftesbury Dividends"	the Shaftesbury Interim Dividend, the Shaftesbury Full Year Dividend and a Shaftesbury Equalisation Dividend, as applicable
"Phase 2 CMA Reference"	a reference pursuant to Section 22 or 33 of the EA 2002 of the Merger to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013
"PID"	property income distribution
"PricewaterhouseCoopers LLP" or "PwC"	PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, United Kingdom
"Proposed Directors"	the names of the Shaftesbury Directors outlined at paragraph 2 of Part X (*Directors, Proposed Directors and Corporate Governance*)
"Prospectus"	this document
"Prospectus Delegated Regulation"	Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation, which forms part of UK domestic law by virtue of the EUWA
"Prospectus Regulation Rules"	the prospectus rules made by the FCA under Part 6 of the FSMA
"PSP Awards"	awards granted as PSP Awards under the PSP, as referred to in paragraph 9.1 of Part XVI (*Additional Information*) of this document
"PSP Options"	awards granted as PSP Options under the PSP, as referred to in paragraph 9.1 of Part XVI (*Additional Information*) of this document
"Quantified Financial Benefits Statement"	as defined in Appendix 1 of this document
"Register"	together, the UK Register and the SA Register
"Regulatory Information Service"	a primary information provider which has been approved by the FCA to disseminate regulated information
"REIT"	a UK REIT within the meaning of Part 12 of the Corporation Tax Act 2010
"Related Party Transaction"	means the Related Party Transaction as defined in the Listing Rules in respect of the issue of the New Capco Shares to Norges Bank pursuant to the Merger
"RPT Resolution"	the resolution to approve the Related Party Transaction
"Registrar of Companies"	the registrar of companies in England and Wales
"Regulatory Information Service"	a primary information provider which has been approved by the FCA to disseminate regulated information

"Reporting Accountants"	KPMG LLP
"Resolutions"	together, the Merger Resolutions, the Share Buyback Resolution, the Change of Name Resolution and the Share Capital Resolutions
"Restricted Jurisdiction"	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available to Shaftesbury Shareholders in that jurisdiction
"Restricted Shareholders"	Shaftesbury Shareholders resident in a Restricted Jurisdiction
"Rollover Sharesave Option"	an option over Capco Shares on and subject to the rules of the Shaftesbury Sharesave Scheme, which is equivalent to the outstanding options of participants in the Shaftesbury Sharesave Scheme
"SA Admission"	admission, in accordance with the JSE Listings Requirements, of the New Capco Shares to listing and trading on the Main Board of the JSE
"SA Register"	the branch register of members of the Company in South Africa
"SA Transfer Secretaries"	Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) South Africa
"Scheme" or **"Scheme of Arrangement"**	the Scheme of Arrangement proposed to be made under Part 26 of the Companies Act 2006 between Shaftesbury and the holders of the Scheme Shares to be set out in the Scheme Document, with or subject to any modification, addition or condition which Shaftesbury and Capco agree with and which is approved or imposed by the Court
"Scheme Court Hearing"	the hearing of the Court to sanction the Scheme (under Part 26 of the Companies Act, including any adjournment thereof)
"Scheme Document"	the document to be sent to Shaftesbury Shareholders setting out, among other things, the Scheme and notices convening the Court Meeting and the Shaftesbury General Meeting
"Scheme Record Time"	the time and date specified as such in the Scheme Document, expected to be 6.00 p.m. (London time) on the date two Business Days prior to the Effective Date or such other time as Capco and Shaftesbury may agree
"Scheme Shareholders"	holders of Scheme Shares and a "Scheme Shareholder" shall mean any one of those Scheme Shareholders
"Scheme Shares"	all Shaftesbury Shares which are: (i) in issue at the date of the Scheme Document and which remain in issue at the Scheme Record Time; (ii) (if any) issued after the date of the Scheme Document but before the Voting Record Time and which remain in issue at the Scheme Record Time; and (iii) (if any) issued at or after the Voting Record Time but prior to the Scheme Record Time on terms that the holder thereof shall be bound by the Scheme or in respect of which the original or any subsequent holders thereof are, or have agreed in writing to be, bound by the

Scheme and, in each case, which remain in issue at the Scheme Record Time,

and, in each case, excluding any Excluded Shares

"**Secured Existing Capco Shareholding**" **or "Secured Existing Capco Shares"**	the Shaftesbury Shares comprising part of the Existing Capco Shareholding, held at the Announcement Date by certain entities controlled by Capco, which are subject to security in accordance with the Exchangeable Bond Conditions in favour of the Exchangeable Bond Secured Parties, being 38,008,138 Shaftesbury Shares as at close of business on the day before the Announcement Date
"Secured New Capco Shares"	the New Capco Shares issued in accordance with the Exchange Ratio and the terms of the Merger as replacement for the Secured Existing Capco Shareholding
"SENS"	the Stock Exchange News Service of the JSE
"Share Buyback Resolution"	the resolution to approve off-market purchases by the Company in accordance with the Buyback Contract
"Share Capital Resolutions"	the resolutions for authority to allot new shares, disapply pre-emption rights and authorise purchase of own shares, which reflect Capco's existing equivalent authorities, updated to account for the increased issued share capital of the Combined Group on Completion
"Share Issue Resolution"	the resolution to grant the Board authority to allot the New Capco Shares pursuant to Section 551 of the Companies Act 2006
"Shaftesbury"	Shaftesbury PLC, a public company incorporated in England with registered number 01999238
"Shaftesbury Capital"	Shaftesbury Capital PLC, the proposed name for the Combined Group
"Shaftesbury Annual Financial Statements"	the 2019 Shaftesbury Annual Financial Statements, the 2020 Shaftesbury Annual Financial Statements and the 2021 Shaftesbury Annual Financial Statements
"Shaftesbury Articles Resolution"	the resolution to amend Shaftesbury's articles of association to ensure that any Shaftesbury Shares issued (other than to Capco, its nominees or any member of the Capco Group) (i) between the Shaftesbury General Meeting and the Scheme Record Time will be subject to the Scheme; and (ii) after the Scheme Record Time will be automatically acquired by Capco (or as Capco may direct) on the same terms as under the Scheme (other than terms as to timing, formalities and the treatment of fractional entitlements)
"Shaftesbury AV Facility Agreement"	the £250 million facility agreement dated 17 March 2015 (as amended and restated on 31 July 2015 and further amended on 21 July 2020 and 19 November 2020) between Shaftesbury AV Limited as borrower and Aviva Commercial Finance Limited as lender, agent and security agent
"Shaftesbury AV LM Facility Agreement"	the £120 million term loan facility agreement dated 21 December 2011 (as amended and restated from time to time and as most recently amended on 21 July 2020,

	10 March 2021 and 17 March 2022) between Longmartin Joint Venture as borrower and Aviva Commercial Finance Limited as lender
"Shaftesbury CLL Facility Agreement"	the £134,750,000 facility agreement dated 17 April 2014 (as amended on 20 October 2014 and as further amended on 1 October 2020) between Shaftesbury CL Limited as borrower with Canada Life Limited as lender
"**Shaftesbury Directors**" or "**Shaftesbury Board**"	the board of directors of Shaftesbury and "Shaftesbury Director" means any of them as at the date of this document
"**Shaftesbury Equalisation Dividend**"	in the event of an Excess Capco Dividend, a dividend per Shaftesbury Share equal to (i) the amount of the relevant Excess Capco Dividend (expressed on a pence per Capco Share basis) multiplied by (ii) the Exchange Ratio, to be paid by Shaftesbury to the Shaftesbury Shareholders on the register of members as at close of business on the Business Day prior to the Scheme Record Time
"**Shaftesbury Full Year Dividend**" .	a dividend of up to 5.4 pence per Shaftesbury Share in respect of the year ending 30 September 2022
"Shaftesbury General Meeting" . .	the general meeting of Shaftesbury Shareholders to be convened in connection with the Merger, notice of which is set out in the Scheme Document, to consider, and if thought fit, approve various matters in connection with the Merger, including any adjournment thereof
"Shaftesbury General Resolution"	the resolution to authorise the Shaftesbury Directors to take all such actions as are necessary or appropriate for implementing the Scheme
"Shaftesbury Group"	Shaftesbury, its subsidiary and group undertakings from time to time (as defined in the Companies Act 2006), prior to completion of the Merger
"**Shaftesbury Group's Villages**" or "**Villages**"	the distinctive destination established by the Shaftesbury Group, over time, by applying its business strategy of acquiring identifiable clusters of properties and "Villages" means all of the Shaftesbury Group's Villages. The Shaftesbury Group's established Villages are situated in Carnaby, Soho, Fitzrovia, Chinatown and Covent Garden
"**Shaftesbury Interim Dividend**" . . .	the interim dividend of 4.8 pence per Shaftesbury Share in respect of the six month period ended 31 March 2022 paid on 1 July 2022
"Shaftesbury Mortgage Bonds" . .	(i) the £290,000,000 2.348% guaranteed first mortgage bonds due 2027 issued by Shaftesbury Chinatown plc and guaranteed by Shaftesbury, as constituted by the Trust Deed dated 7 September 2017 and (ii) the £285,000,000 2.487% guaranteed first mortgage bonds due 2031 issued by Shaftesbury Carnaby plc and guaranteed by Shaftesbury, as constituted by the Trust Deed dated 7 October 2016
"Shaftesbury Resolutions"	all resolutions required to approve and implement the Scheme to be proposed at the Shaftesbury General Meeting, including the Shaftesbury General Resolution and the Shaftesbury Articles Resolution

"Shaftesbury Share Plans"	each of the: (i) Shaftesbury 2016 Long-Term Incentive Plan, adopted by the board of directors of Shaftesbury on 18 November 2015 and approved by the shareholders of Shaftesbury on 5 February 2016, as amended from time to time (including without limitation prior to the date of this document); (ii) Shaftesbury 2016 Deferred Share Bonus Plan adopted by the board of directors of Shaftesbury on 18 November 2015, as amended from time to time (including without limitation prior to the date of this document); and (iii) Shaftesbury Sharesave Scheme
"Shaftesbury Shareholders"	the holders of Shaftesbury Shares, from time to time
"Shaftesbury Sharesave Scheme"	the Shaftesbury Sharesave Scheme approved by the shareholders of Shaftesbury on 8 February 2011, as amended from time to time (including without limitation prior to the date of this document).
"Shaftesbury Shares"	the fully-paid ordinary shares of 25 pence (£0.25) each in the capital of Shaftesbury
"Shaftesbury Valuers"	Cushman & Wakefield and Knight Frank
"SLP"	Capco Investment London (No.7) Scottish Limited Partnership
"South Africa"	the Republic of South Africa
"Strate"	Strate Proprietary Limited, a private company incorporated in accordance with the laws of South Africa, with registration number 1998/022242/07 and licensed as a central securities depository under the South African Financial Markets Act, 19 of 2012
"subsidiary" and "subsidiary undertaking"	have the meanings given to them in the Companies Act 2006
"Takeover Code"	the City Code on Takeovers and Mergers
"Takeover Offer"	should the Merger be implemented by way of a Takeover Offer as defined in section 974 of the Companies Act, the offer to be made by or on behalf of Capco to acquire the entire issued and to be issued share capital of Shaftesbury (excluding the Unsecured Existing Capco Shareholding) and, where the context permits, any subsequent revision, variation, extension or renewal of such offer
Treasury Shares	shares held as treasury shares as defined in section 724(5) of the Companies Act 2006
"UBS"	UBS AG London Branch
"UK Admission"	the admission of the New Capco Shares to the premium listing segment of the Official List and to trading on the LSE's Main Market for listed securities becoming effective
"UK Corporate Governance Code"	the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018
"UK Prospectus Regulation"	the Prospectus Regulation (EU) 2017/1129 and amendments thereto, which forms part of UK domestic law by virtue of the EUWA

"UK Register"	the register of members of the Company in the United Kingdom
"UK Registrar"	Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, United Kingdom
"UK Sponsor"	Rothschild & Co
"Unaudited Pro Forma Financial Information"	the Unaudited Pro Forma Income Statements and Unaudited Pro Forma Statement of Net Assets
"Unaudited Pro Forma Income Statement"	the unaudited pro forma income statement of the Combined Group set out in Part XIV (*Unaudited Pro Forma Financial Information*) of this document
"Unaudited Pro Forma Statement of Net Assets"	the unaudited pro forma statement of net assets of the Combined Group set out in Part XIV (*Unaudited Pro Forma Financial Information*) of this document
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction
"**Unsecured Existing Capco Shareholding**"	the Shaftesbury Shares comprising part of the Existing Capco Shareholding held, at the Announcement Date, by certain subsidiaries of Capco which are not subject to security in accordance with the Exchangeable Bond Conditions, being 58,962,865 Shaftesbury Shares as at close of business on the day before the Announcement Date
"US Securities Act"	the US Securities Act 1933, as amended from time to time
"Valuation Reports"	the valuation reports of the Valuers which are set out in Appendix 2 (*Valuation Reports*) of this document
"Valuers"	the Capco Valuers and the Shaftesbury Valuers
"Voting Record Time"	the time and date specified in the Scheme Document by reference to which entitlement to vote at the Court Meeting will be determined, expected to be 6.30 p.m. (London time) on the day which is two days before the date of the Court Meeting or if the Court Meeting is adjourned, 6.30 p.m. (London time) on the day which is two days before such adjourned meeting
"2019 Shaftesbury Annual Financial Statements"	the audited consolidated financial statements of the Shaftesbury Group for the year ended 30 September 2019
"2020 Shaftesbury Annual Financial Statements"	the audited consolidated financial statements of the Shaftesbury Group for the year ended 30 September 2020
"2021 Shaftesbury Annual Financial Statements"	the audited consolidated financial statements of the Shaftesbury Group for the year ended 30 September 2021
"2022 Shaftesbury Interim Financial Statements"	the unaudited consolidated financial statements of the Shaftesbury Group for the six months ended 31 March 2022

APPENDIX 1

QUANTIFIED FINANCIAL BENEFITS STATEMENT

Quantified Financial Benefits Statement

The Capco Directors and the Proposed Directors, having reviewed and analysed the potential cost synergies of the Merger, and taking into account the factors they can influence, believe that the Combined Group can deliver approximately £12 million of pre-tax recurring cost synergies on an annual run-rate basis.

The run-rate at the end of the first full year following the Effective Date is expected to be approximately 50% with the full run-rate achieved by the end of the second full year following Completion.

The quantified cost synergies, which are expected to originate from the cost bases of both Capco and Shaftesbury, are expected to be realised primarily from:

(a) rationalisation of board, senior management and duplicated group functions and public company costs (expected to contribute approximately 50% of the full run-rate pre-tax cost synergies);

(b) consolidation of support and property management functions, including third party costs (expected to contribute approximately 44% of the full run-rate pre-tax cost synergies); and

(c) reduced financing costs relating to commitment, agency and trustee security fees following termination of a duplicate undrawn revolving credit facility in the Combined Group (expected to contribute approximately 6% of the full run-rate pre-tax cost synergies).

The Capco Directors and the Proposed Directors estimate that the realisation of the quantified cost synergies will result in one-off costs to achieve of approximately £11.4 million, with around 49% incurred in the first full year following Completion and the remainder by the end of the second full year following Completion.

Potential areas of dis-synergy expected to arise in connection with the Merger have been considered and were determined by the Capco Directors and the Proposed Directors to be immaterial for the analysis.

The identified cost synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis. The identified cost synergies reflect both the beneficial elements and relevant costs.

Bases of Belief

Following initial discussion regarding the Merger, Capco and Shaftesbury management teams have worked collaboratively to identify, challenge and quantify potential synergies as well as the potential costs to achieving, and timing of, such synergies. The assessment and quantification of potential synergies have been informed by Capco and Shaftesbury management team's industry expertise and knowledge.

In preparing the Quantified Financial Benefits Statement, Capco and Shaftesbury have shared certain operational and financial information to facilitate the analysis in support of evaluation the potential synergies expected to arise from the Merger. In circumstances where the scope of data exchanged or the individuals having access to it has been limited for commercial reasons, confidentiality considerations, legal or regulatory restrictions, or other reasons, Capco and Shaftesbury have made estimates and assumptions to aid its development of individual synergy initiatives.

The Merger is subject to CMA approval. It is not possible to predict with certainty the outcome of the CMA approval process and therefore any potential impact has not been quantified.

The synergy assumptions have been risk adjusted.

The costs bases used as the basis for the quantified financial benefits exercise are the Capco FY21 (for the financial year ended 31 December 2021) and Shaftesbury FY21 (for the financial year ended 30 September 2021) actual financial results (with adjustments made to reflect non-recurring items and expected future changes in certain costs) and manpower costs and headcount data as at 1 April 2022

relating to both companies (with adjustments made to reflect expected future changes relating to certain costs).

The Capco Directors and the Proposed Directors have, in addition, made the following assumptions:

- The Combined Group will remain a UK premium listed company on the London Stock Exchange and with a secondary listing on the JSE and will retain its status as a UK-REIT.
- There will be no material impact on the underlying operations of either Capco or Shaftesbury of their ability to continue to conduct their businesses, including as a result of, or in connection with, the integration of Shaftesbury and Capco.
- The estimate of one-off costs does not include any assumptions relating to potential interest costs that may be associated with the Loan Facility Agreement.
- The Quantified Financial Benefits Statement does not take into account any change to macroeconomic, political, regulatory or legal conditions in the markets or regions, including inflation, COVID-19 or business disruptions, in which Capco and Shaftesbury operate that will materially impact on the implementation or costs to achieve the proposed cost savings.
- There will be no change in tax legislation or tax rates or other legislation in the UK that could materially impact the ability to achieve any benefits.
- There will be no material divestments from either the Capco or Shaftesbury existing businesses.

Notes

1. The statements of estimated synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.
2. Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting synergies may be materially greater or less than those estimated.
3. No statement should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full year following implementation of the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of Capco and / or Shaftesbury for the relevant preceding financial period or any other period.
4. For the purposes of Rule 28 of the Takeover Code, the Quantified Financial Benefits Statement is the responsibility of Capco, the Capco Directors and the Proposed Directors, and not of the Shaftesbury Directors.

APPENDIX 2

VALUATION REPORTS

CBRE

VALUATION REPORT

Valuation Date: 30 June 2022

In respect of:

Capco's Covent Garden Portfolio

On behalf of:

The Addressees as stated below

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01

CONDENSED VALUATION REPORT

Introduction

Report Date	7 July 2022
Valuation Date	30 June 2022
Addressees	The Directors and the Proposed Directors (as set out below) Capital & Counties Properties PLC Regal House 14 James Street London WC2E 8BU (hereinafter referred to as the "Company") and The Directors Shaftesbury PLC 22 Ganton Street Carnaby London W1F 7FD (hereinafter referred to as "Shaftesbury") N.M. Rothschild & Sons Limited New Court St. Swithin's Lane London EC4N 8AL (in their capacity as Sponsor to the Company) (hereinafter referred to as "Rothschild") Evercore Partners International LLP 15 Stanhope Gate London W1K 1LN (in their capacity as Rule 3 Advisor to Shaftesbury) (hereinafter referred to as "Evercore") (together, the "Addressees") <u>Proposed Directors of the Company:</u> The Proposed Directors of the Company are: Jonathan Nicholls Chris Ward Richard Akers Jennelle Tilling Helena Coles Ruth Anderson

The Properties	The properties held by the Company as listed in the Schedule of Assets below (the "Properties").
Instruction	To value the unencumbered freehold, heritable and leasehold interests (as applicable) in the Properties on the basis of Market Value as at the Valuation Date in accordance with the terms of engagement entered into between CBRE and the Addressees dated 14 June 2022 and the Addendum dated 29 June 2022.
Status of Valuer	You have instructed us to act as an External Valuer as defined in the current version of the RICS Valuation – Global Standards. Please note that the Valuation may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations in order to ensure compliance with the Valuation Standards.
Purpose and Basis of Valuation	The Valuation and the Valuation Report have been prepared for a Regulated Purpose as defined in the RICS Valuation – Global Standards and the UK national supplement current as at the Valuation Date (the "Red Book"). We understand that our valuation report and the Appendices to it (together the "Valuation Report") are required for inclusion in a prospectus and/or any supplementary prospectus to be published by Capco in connection with the all-share merger of Capco and Shaftesbury in accordance with the City Code on Takeovers and Mergers (the "Code") and the JSE Listing Requirements and Takeover Regulations (the "Transaction") (the "Prospectus") in connection with which new shares of Capco will be admitted (i) to listing on the premium listing segment of the Official List of the Financial Conduct Authority ("FCA") and to trading on the main market for listed securities on the London Stock Exchange (the "London Stock Exchange") and (ii) for listing and trading to the Main Board of the Johannesburg Stock Exchange. The effective date of valuation is 30th June 2022. In accordance with the Red Book we have made certain disclosures in connection with this valuation instruction and our relationship with the Addressees.

Market Value

£1,816,705,000 (One Billion, Eight Hundred and Sixteen Million Seven Hundred and Five Thousand Pounds) exclusive of purchaser's costs and VAT, as shown in Appendix A below.

As set out in Appendix B to this Valuation Report, there are four properties in the portfolio which, individually, have a value of more than 5% of the aggregate of the individual market values. With reference to UK VPGA 2.1 17 of the UK national supplement, two of these properties are considered commercially sensitive by the Company and on their instructions the individual values have therefore not been included.

We are required to show the split of values between freehold and leasehold property. All the properties are held for investment.

Type	Number of Properties	Freehold £	* Long Leasehold £	Total £
Value of Freehold Properties held for Investment	56	1,008,225,000	0	1,008,225,000
Value of Long Leasehold Properties held for Investment	14	0	808,480,000	808,480,000
Portfolio Total	**70**	**1,008,225,000**	**808,480,000**	**1,816,705,000**

*In excess to 50 years' unexpired term

There are no negative values to report.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached and has been primarily derived using comparable recent market transactions on arm's length terms.

Portfolios and Aggregation

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Report Format

Appendix A of this Valuation Report provides the Property Details and Market Value of the Portfolio lotted by location. Appendix B provides relevant details of those properties which have an individual Market Value in excess of 5% of the total aggregate Market Value of the Portfolio. Appendix C provides a table of information provided to CBRE by the Company.

Compliance with Valuation Standards and the Code

The Valuation and the Valuation Report have been prepared in accordance with the latest version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book") current as at the Valuation Date.

The valuations are compliant with the International Valuation Standards, the Financial Conduct Authority's (FCA) Listing Rules, the Prospectus Regulation Rules, the London Stock Exchange requirements and Rule 29 of the Code.

The Financial Conduct Authority published technical note 'Primary Market TN 619.1' to replace and incorporate the ESMA update (ESMA/2011/81) of the Committee of

	European Securities Regulators' (CESR) recommendations for the consistent implementation of the European Commission regulation (EC) n. 809/2004 into UK law ("TN 619.1") and, although this does not form part of the UK's EU Retained Law, the Financial Conduct Authority expects Issuers to apply the provisions to the extent relevant. Accordingly, this valuation report is also compliant with paragraphs 128 to 130 (inclusive) of Part III.1 (*Property companies*) of TN 619.1.
	The Properties have been valued by a valuer who is qualified for the purpose of the Valuation in accordance with the Red Book. We confirm that we have sufficient local and national knowledge of the particular property market involved and have the skills and understanding to undertake the Valuation competently.
	Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.
	This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject Properties. Other valuers may reach different conclusions as to the value of the subject Properties. This Valuation is for the sole purpose of providing the intended user with the valuer's independent professional opinion of the value of the subject Properties as at the Valuation Date.
Sustainability Considerations	Wherever appropriate, sustainability and environmental matters are an integral part of the valuation approach. 'Sustainability' is taken to mean the consideration of such matters as environment and climate change, health and well-being and corporate responsibility that can or do impact on the valuation of an asset. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management, and fiscal considerations – and current and historic land use. Sustainability has an impact on the value of an asset, even if not explicitly recognised. Valuers reflect markets, they do not lead them. Where we recognise the value impacts of sustainability, we are reflecting our understanding of how market participants include sustainability requirements in their bids and the impact on market valuations.
Climate Risk Legislation	The UK Government is currently producing legislation which enforces the transition to net zero by 2050, and the stated 78% reduction of greenhouse gases by 2035 (based on a 1990 baseline). We understand this to include an update to the Minimum Energy Efficiency Standards, stated to increase the minimum requirements from an E (since 2018) to a B in 2030. The government also intends to introduce an operational rating. It is not yet clear how this will be legislated, but fossil fuels used in buildings, such as natural gas for heating, are incompatible with the UK's commitment to be Net Zero Carbon by 2050. This upcoming legislation could have a potential impact to future asset value. We also note that the UK's introduction of mandatory climate related disclosures (reporting climate risks and opportunities consistent with recommendations by the "Task Force for Climate Related Financial Disclosure" (TCFD)), including the assessment of so-called physical and transition climate risks, will potentially have an impact on how the market views such risks and incorporates them into the sale of letting of assets.

	The European Union's "Sustainable Finance Disclosure Regulations" (SFDR) may impact on UK asset values due to the requirements in reporting to European investors.
Assumptions	The Property Details on which each Valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below. If any of the information or assumptions on which the Valuation is based are subsequently found to be incorrect, the Valuation figures may also be incorrect and should be reconsidered.
Variations and/or Departures from Standard Assumptions	None.
TN 619.1 III.I 130 (vi)	TN 619.1 III.I 130 (vi) requires us to comment on any differences between the valuation figure in this Valuation Report and the valuation figure included in the Company's latest published annual accounts, which were published as at 31 December 2021. Differences between the published valuation figure as at 31 December 2021 and the present valuation are attributable to a number of factors, including but not limited to: ■ There have been no acquisitions or disposals in the period. ■ Tenancy changes (e.g. new lettings, lease renewals, lease expiries), other rental income changes (e.g. rent reviews, expiry of rent-free periods) and occupancy levels, in particular five new leases/renewals within the Market Building, significant activity within the food and beverage sector and positive office lettings. ■ Capital expenditure and improvements (e.g. refurbishments), in particular a retail unit at 40-43 King Street and the office refurbishment at 5-6 Henrietta Street. ■ No planning permissions of note have been granted in the period.
Independence	The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from the Company (or other companies forming part of the same group of companies) is less than 5.0% of the total UK revenues. It is not anticipated this situation will vary in the financial year to 31 December 2022. We confirm that we do not have any material interest in the Company or the Properties.
Previous Involvement and Conflicts of Interest	We confirm that we have previously valued all the properties on behalf of the Company for financial reporting purposes on a bi-annual basis since their acquisition (the first being in 2007). CBRE Ltd has carried out Valuation, Agency and Professional services on behalf of Capital & Counties for in excess of 20 years. CBRE provide asset management service and agency advice to Shaftesbury. Copies of our conflict of interest checks have been retained within the working papers. We confirm that: (i) we are not aware of any reason why we would not satisfy the requirements of Rule 29.3(a)(ii) and (iii) of the Code; and (ii) during the term of the

	engagement, we shall not do anything that could reasonably be expected to cause us not to satisfy the requirements of Rule 29.3(a)(ii) and (iii) of the Code.
Disclosure	The principal signatory of this report has continuously been the signatory of valuations for the Company and for financial reporting purposes since 2019. CBRE Ltd has continuously been carrying out valuation instructions for the Company since 2007.
Responsibility	For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.4.5G of the Prospectus Regulation Rules and Paragraphs 128 to 130 of Part III.1 (*Property companies*) of TN 619.1. For the purposes of the Code, we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Regulation. forming part of the UK's EU Retained Law.

Reliance	This report is for the use only of the parties to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents save as set out in "Responsibility" above. No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.
Publication	Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear. Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Red Book or the incorporation of any special assumptions referred to herein.

Yours faithfully

David Methuen
BA (Hons) MRICS
Senior Director
RICS Registered Valuer
For and on behalf of CBRE Limited

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Yours faithfully

Guy Schiess
LLM MRICS
Senior Director
RICS Registered Valuer
For and on behalf of CBRE Limited

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SCHEDULE OF ASSETS

Address	Town/City	Postcode	Tenure	Inspection Date
7 Garrick Street	London	WC2	Freehold	23.11.2021
10-14 Bedford Street	London	WC2	Freehold	10.02.2022
10-13 King Street	London	WC2	Leasehold	09.11.2021
14 King Street	London	WC2	Freehold	09.11.2021
15 King Street	London	WC2	Freehold	09.11.2021
16-18 King Street & 28 Bedford Street	London	WC2	Freehold	09.11.2021
33 King Street	London	WC2	Freehold	09.11.2021
34 King Street	London	WC2	Freehold	09.11.2021
Royal Opera House Retail	London	WC2	Leasehold	10.02.2022
Sussex Mansions, Maiden Lane	London	WC2	Freehold	12.11.2021
28 Maiden Lane	London	WC2	Freehold	09.11.2021
23-24 Henrietta Street	London	WC2	Freehold	14.10.2021
25-29 Henrietta Street	London	WC2	Leasehold	14.10.2021
30-33 Henrietta Street	London	WC2	Freehold	14.10.2021
34 Henrietta Street	London	WC2	Freehold	14.10.2021
Covent Garden Market	London	WC2	Leasehold	09.11.2021
Flat 1, 20 The Piazza	London	WC2	Leasehold	09.11.2021
20 The Piazza	London	WC2	Leasehold	09.11.2021
11-12 Russell Street	London	WC2	Freehold	10.02.2022
10 Russell Street	London	WC2	Freehold	10.02.2022
9 Russell Street	London	WC2	Freehold	10.02.2022

8 Russell Street	London	WC2	Freehold	12.11.2021
49 Wellington Street	London	WC2	Leasehold	09.11.2021
4-7 Russell St/45-49 Wellington Street	London	WC2	Leasehold	09.11.2021
41-43 Wellington Street	London	WC2	Freehold	12.11.2021
33-35 Wellington Street	London	WC2	Freehold	12.11.2021
London Transport Museum	London	WC2	Freehold	09.11.2021
Jubilee Hall	London	WC2	Leasehold	14.10.2021
1a Henrietta Street	London	WC2	Freehold	14.10.2021
3 Henrietta Street	London	WC2	Freehold	14.10.2021
4 Henrietta Street	London	WC2	Freehold	14.10.2021
5-6 Henrietta Street	London	WC2	Freehold	10.02.2022
7-8 Henrietta Street	London	WC2	Freehold	14.10.2021
9-10 Henrietta Street	London	WC2	Freehold	14.10.2021
11 Henrietta Street & 33 Maiden Lane	London	WC2	Freehold	14.10.2021
14,15 Henrietta Street & 29 Maiden Lane	London	WC2	Freehold	14.10.2021
17-18 Henrietta Street	London	WC2	Freehold	14.10.2021
30 Maiden Lane	London	WC2	Freehold	12.11.2022
40-41 Maiden Lane	London	WC2	Freehold	12.11.2022
42-43 Maiden Lane	London	WC2	Freehold	12.11.2022
44 Maiden Lane	London	WC2	Freehold	12.11.2022
Tower House	London	WC2	Freehold	10.02.2022
Bedford Chambers	London	WC2	Leasehold	23.11.2021

40-43 King Street	London	WC2	Freehold	10.02.2022
11-12 Floral Street	London	WC2	Freehold	19.11.2021
9-10 Floral Street	London	WC2	Freehold	19.11.2021
22-23 James Street	London	WC2	Freehold	23.11.2021
21 James Street	London	WC2	Freehold	23.11.2021
11 James Street	London	WC2	Freehold	23.11.2021
Regal House	London	WC2	Freehold	10.02.2022
37 King Street	London	WC2	Freehold	23.11.2021
8 King Street	London	WC2	Freehold	23.11.2021
9 King Street	London	WC2	Freehold	23.11.2021
7 King Street	London	WC2	Freehold	23.11.2021
13-14 Floral Street	London	WC2	Freehold	19.11.2022
Floral Court	London	WC2	Freehold	19.11.2022
26 King Street	London	WC2	Freehold	23.11.2021
35 King Street and 17-18 Floral Street	London	WC2	Freehold	10.02.2022
38 King Street and 15-16 Floral Street	London	WC2	Leasehold	23.11.2021
16 Henrietta Street	London	WC2	Freehold	14.10.2021
19 Henrietta Street & 35 Bedford Street	London	WC2	Freehold	12.11.2022
37 Bedford Street	London	WC2	Freehold	12.11.2022
39-40 Bedford Street	London	WC2	Freehold	12.11.2022
39 Floral Street	London	WC2	Freehold	19.11.2022
37 Floral Street	London	WC2	Freehold	19.11.2022

Floral Place	**London**	**WC2**	**Leasehold**	**10.02.2022**
15-17 Long Acre	**London**	**WC2**	**Leasehold**	**10.02.2022**
14 Garrick Street	**London**	**WC2**	**Freehold**	**19.11.2021**
Walter House	**London**	**WC2**	**Leasehold**	**19.11.2021**
158-159 Drury Lane	**London**	**WC2**	**Freehold**	**10.02.2022**

Source of Information and Scope of Works

Sources of Information	We have carried out our work based upon information supplied to us by the Company, as set out within this report, which we have assumed to be correct and comprehensive.
	We have included a schedule in Appendix C of the various due diligence items provided to us by the Company and their advisors, for the purposes of our initial valuation as at December 2007 and thereafter on additional properties entering the portfolio.
The Properties	Our report contains a brief summary of the Property details on which our Valuation has been based.
Inspection	We have previously inspected all the properties within the scope of our instructions from the Company to carry out valuations for financial reporting purposes, under which we carry out external inspections of the properties every year and all properties are subject to internal re-inspection over a three-year period. In accordance with your instructions, we have not re-inspected the Properties for the purposes of this valuation, except where properties had not been inspected within twelve months of the valuation date. The Company has confirmed that they are not aware of any material changes to the physical attributes of these properties, since the last inspection. We have assumed this advice to be correct. Where properties have not been reinspected, the valuer will not carry out the usual range of enquiries performed during a full inspection of these properties and will make the appropriate assumptions based on the information provided or available that, without a full inspection, cannot be verified. The instructing parties acknowledge and accept the heightened and inherent uncertainty and risks relying upon a valuation prepared on a desktop basis.
Areas	We have not measured the Properties but have relied upon the floor areas provided to us by the Company or their professional advisors, which we have assumed to be correct and comprehensive, and which the Company has advised us have been calculated using the: Gross Internal Area (GIA), Net Internal Area (NIA) or International Property Measurement Standard (IPMS) 3 – Office, measurement methodology as set out in the latest edition of the RICS Property Measurement Standards.
Environmental Considerations	We have not been instructed to make any investigations in relation to the presence or potential presence of contamination in land or buildings or the potential presence of other environmental risk factors and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out investigation into past uses, either of the property or of any adjacent lands, to establish whether there is any potential for contamination from such uses or sites, or other environmental risk factors and have therefore assumed that none exists.
Services and Amenities	We understand that the Properties are located in an area served by mains gas, electricity, water and drainage. None of the services have been tested by us. Enquiries regarding the availability of utilities/services to any proposed developments are outside the scope of our report.
Repair and Condition	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to

	determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.
Town Planning	We have not undertaken planning enquiries.
Titles, Tenures and Lettings	Details of title/tenure under which the Properties are held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser. We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants

Valuation Assumptions

Introduction	An Assumption is defined in the Red Book Glossary and VPS 4 to be a "supposition taken to be true" (an "Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation. The Company has confirmed and we confirm that our Assumptions are correct as far as the Company and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report. For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.
Capital Values	Each valuation has been prepared on the basis of "Market Value"), which is defined in the Red Book as: "The estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." The Valuation represents the figure that would appear in a hypothetical contract of sale at the Valuation Date. No adjustment has been made to this figure for any expenses of acquisition or realisation - nor for taxation which might arise in the event of a disposal. No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge. No account has been taken of the availability or otherwise of capital based Government or European Community grants.
Taxation, Costs and Realisation Costs	As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.
	Our valuations reflect purchasers' statutory and other normal acquisition costs.
VAT	We have not been advised whether the properties are elected for VAT.
	All rents and capital values stated in this report are exclusive of VAT.
Passing Rent	Passing rents quoted in this report are the rents which are currently payable under the terms of the leases. Passing rents exclude service charges and VAT and are prior to deduction of any non-recoverable costs.
Net Annual Rent	Net annual rent is defined for the purposes of this transaction as "the current income or income estimated by the valuer:
	(i) ignoring any special receipts or deduction arising from the property;
	(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
	(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".
Estimated Net Annual Rental Value	The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts

	thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.
Rental Values	Unless stated otherwise rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent in the Red Book, which is as follows: "The estimated amount for which an interest in real property should be leased on the Valuation Date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."
Fixtures, Fittings and Equipment	Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building. Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our Valuations. Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our Valuations. All measurements, areas and ages quoted in our report are approximate.
Environmental Matters	In the absence of any information to the contrary, we have assumed that: a) the Properties are not contaminated and is not adversely affected by any existing or proposed environmental law; b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; c) in England and Wales, the Properties possesses current Energy Performance Certificates (EPCs) as required under the Government's Energy Performance of Buildings Directive – and that they have an energy efficient standard of 'E', or better. We would draw your attention to the fact that under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 it became unlawful for landlords to rent out a business premise from 1st April 2018 – unless the site has reached a minimum EPC rating of an 'E', or secured a relevant exemption. In Scotland, we have assumed that the Properties possesses current EPCs as required under the Scottish Government's Energy Performance of Buildings (Scotland) Regulations – and that they meet energy standards equivalent to those introduced by the 2002 building regulations. We would draw your attention to the fact the Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016 came into force on 1st September 2016. From this date, building owners are required to commission an EPC and Action Plan for sale or new rental of non-domestic buildings bigger than 1,000 sq m that do not meet 2002 building regulations energy standards. Action Plans contain building improvement measures that must be implemented within 3.5 years, subject to certain exemptions; d) In January 2021 the Government closed the consultation period that focused on its latest proposals in England and Wales for 'improving the energy performance of privately rented homes'. The key tenets of the proposals are to; reduce emissions; tackle fuel poverty; improve asset quality; reduce energy bills; enhance energy security; and support associated employment. The proposals are wide

ranging and they introduce new demands on residential landlords through Energy Performance Certificates ('EPCs'). Existing PRS Regulations set a minimum standard of EPC Band E for residential units to be lettable. The Government proposals see this threshold being raised to EPC Band C for all new tenancies created from 01 April 2025 and for all existing tenancies by 01 April 2028. The principle for relevant building works is to be 'fabric first' meaning maximisation of components and materials that make up the building fabric to enhance, for example, insulation, ventilation and air-tightness. The proposals also cite; compliance measures and penalties for landlords, letting agents and local authorities; and affordability support for carrying out necessary works. The implication is (as with the existing EPC Band E requirement) that private rented units may effectively be rendered unlettable if they fail to meet or exceed the minimum EPC requirement. It is expected that the Government will respond to the consultation process in Q2/Q3 2021 with any new regulations taking effect in Q3/Q4 2021. At present it is not clear how the market would respond to these proposals were they to be implemented as currently drafted; neither do we have any visibility of changes that may be made to the proposals following the consultation process. Our Valuation reflects market conditions and regulations effective at the Valuation date; we make no additional allowances for any future works that may be required in order to ensure that the subject assets would remain lettable under revised regulations;

e) the Properties are either not subject to flooding risk or, if it is, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value; and

f) invasive species such as Japanese Knotweed are not present on the Properties.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the Properties. Our Valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;

b) the Properties are free from rot, infestation, structural or latent defect;

c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, ACM Cladding, High Alumina Cement (HAC), Asbestos, have been used in the construction of, or subsequent alterations or additions to, the Properties; and

d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Lettings, Planning, Taxation and Statutory & Local Authority Requirements	Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that: a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions; b) the building has been erected either prior to planning control, or in accordance with planning permissions, and has the benefit of permanent planning consents or existing use rights for their current use; c) the Properties are not adversely affected by town planning or road proposals; d) the building complies with all statutory and local authority requirements including building, fire and health and safety regulations, and that a fire risk assessment and emergency plan are in place; e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of the Properties to comply with the provisions of the Disability Discrimination Act 1995 (in Northern Ireland) or the Equality Act 2010 (in the rest of the UK); f) all rent reviews are upward only and are to be assessed by reference to full current market rents; g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal; h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge; i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value; j) where more than 50% of the floorspace of the Properties is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the Properties. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted; k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy; and m) Land Transfer Tax (or the local equivalent) will apply at the rate currently applicable. In the UK, Stamp Duty Land Tax (SDLT) in England and Northern Ireland, Land and Buildings Transaction Tax (LABTT) in Scotland or Land Transaction Tax (LTT) in Wales, will apply at the rate currently applicable

Appendix A: Properties Details

Property Details: Properties held for Investment

Appendix B: Properties Exceeding 5% of Aggregate Market Value of Portfolio

Properties with a Market Value over 5% of the portfolio

Appendix C: Information Received

Appendix A: Properties Details

Property Details: Properties Lotted by location

SUB-PORTFOLIO	DESCRIPTION, AGE AND TENURE	TENANCY	MARKET VALUE
1	Centred around Floral Court, a commercial and residential scheme completed in 2018 comprising 9 retail units, 2 restaurants and 45 residential units linking Floral Street and King Street. Floral Place links Long Acre and Floral Court which will be anchored by Uniqlo who will occupy units fronting both streets. The upper parts of the Long Acre properties comprise offices while on other properties there is a mix of offices and residential. Floral Place and 15-17 Long Acre are geared long leasehold interests whilst the majority of the remaining units are held freehold. The residential units (29) fronting Floral Street within Floral Court have been sold off on a long leasehold basis.	Retail typically let on five year terms to a mixture of national and international retailers. The restaurants typically let on terms of at least ten years and the offices five, frequently with a break after three years. The residential is typically let on an AST basis or to a serviced provider.	£543,075,000
2	Comprising The Market Building, Royal Opera House Shops, Bedford Chambers and James Street retail. The Market Building, Royal Opera House shops and Bedford Chambers are all listed period buildings. Ground floor uses comprise exclusively retail and food and beverage with some office space above the retail on James Street. The Royal Opera House shops are held long leasehold with a 5% pay away. The remaining properties are held freehold albeit the Market Building and Bedford Chambers are subject to an intermediary long leasehold interest to the Covent Garden Area Trust with an RPI linked ground rent	Retail typically let on terms between five and ten years with restaurants on at least ten years.	£705,450,000
3	The Southern part of the Estate comprising Henrietta Street, Maiden Lane, Bedford Steet, Southampton Street, Wellington Street and part of The Piazza including the London Transport Museum and Jubilee Hall. There is a concentration of restaurants around the Piazza and on Henrietta Street and Maiden Lane All properties held freehold with the exception of Walter House on Bedford Street/Strand which is held on a virtual freehold basis	The London Transport Museum is let on a long term. The restaurants are typically let on terms of at least ten years. The majority of The Jubilee Hall is subject to a long leasehold at a nominal rent.	£568,180,000

Appendix B: Properties Exceeding 5% of Aggregate Market Value of Portfolio

PROPERTY ADDRESS	DESCRIPTION, AGE AND TENURE	TENANCY	MARKET VALUE
The Market Covent Garden, London WC2	Covent Garden Market is the Grade II* Listed former covered fruit and vegetable market dating from circa 1830. It now comprises a mixture of retail and restaurant accommodation comprising a total of approximately 6,540 sq m (70,400 sq ft) arranged over basement, ground and first floor levels. The units are split into four parallel arcades fronting the North Hall, Central Avenue and South Hall and provide double frontages throughout. The open areas between the arcades, in the North and South Halls, provide additional space for outside seating and stall holders. The Market and the surface of the Piazza are both held freehold, subject to a long leasehold interest to the Covent Garden Area Trust (CGAT). The property is sub-let back to the freeholder, subject to a ground rent payment rising annually in line with RPI. The current ground rent passing is £54,463.	The Market is let to a total of 47 tenants on a variety of lease terms expiring between 2022 and 2042 There are also a number of 'non-leased' sources of income comprising market stalls and promotional events.	£292,000,000
Royal Opera House Retail, Covent Garden, London WC2	The property comprises the retail units surrounding the Grade I listed Royal Opera House either side of the entrance to the Opera House off the Piazza. The units were created during the substantial reconstruction of the Royal Opera House during the 1990s. The property provides 21 units on ground with some having basement trading and ancillary areas. The units facing the Piazza face into an arcade, whilst those on James Street and Russell Street open directly onto the Street. Long leasehold expiring in 2241. Head rent geared to 5% of passing rents subject to a minimum of £270,000 per annum	The Royal Opera House Retail is let to 13 separate tenants on a variety of lease terms expiring between 2026 and 2034.	Confidential
Floral Court, Covent Garden, London WC2	Floral Court is a mixed use development between King Street and Floral Street and is arranged around a pedestrian route and courtyard between the two streets. The development completed in 2018 and comprises 9 retail units, 2 restaurants and 45 apartments. The property is held freehold. The 29 residential units on Floral Street have been sold off on a long leasehold basis.	The commercial element is let to 8 tenants on a variety of terms expiring between 2028 and 2037 The residential is single let.	£102,750,000
Bedford Chambers, 1-7 The Piazza, London WC2	Grade II listed building redeveloped in 2009. Located on the western corner of James Street and the Piazza. The mixed retail and office property is arranged over basement, ground, mezzanine and four upper floors. Total floor area is approximately 3,795 sq. m. (40,852 sq. ft.) Freehold, subject to a long leasehold interest to the Covent Garden Area Trust. Sub-let back to freeholder, subject to a ground rent passing of £19,823 rising annually in line with RPI.	Single let Apple Retail UK until 2034.	Confidential

Appendix C: Information Received

Address	Legal Due Diligence	Tenancy Information*	Technical Due Diligence	Environmental Due Diligence	Measured Survey
All Properties	x	x	x	x	x

**Tenancy information includes leases, tenancy schedules and rent review memoranda as appropriate*

The Directors and Proposed Directors
Capital and Counties Properties PLC ("Capco" or "Client")
Regal House
14 James Street
London WC2E 8BU

The Directors
Shaftesbury PLC ("Shaftesbury")
22 Ganton Street
Carnaby
London W1F 7FD

N.M. Rothschild & Sons Limited
New Court
St. Swithin's Lane
London EC4N 8AL

Evercore Partners International LLP
15 Stanhope Gate
London W1K 1LN
(together, the "Addressees")

Jones Lang LaSalle Ltd
30 Warwick Street London W1B 5NH
+44 (0)20 7493 4933

jll.co.uk

Our ref CQS/435003

7th July 2022

Dear Sirs

Terms of Reference

Portfolio	Lillie Square Developments Limited Lillie Square GP Limited Lillie Square LP Limited
The Properties	We attach at Appendix 1 a schedule of the properties within the portfolio.
Tenure	Freehold and Leasehold
Valuation Date	30th June 2022
Instruction Date	10th June 2022
Instruction and Purpose of Valuation	Our valuation report (the "Valuation Report") of the properties within the Portfolio is for the following purpose (the "Purpose"): inclusion in an approved prospectus (the "Prospectus") and any supplementary prospectus which is to be published by the Client in connection with the recommended all-share merger between Capco and Shaftesbury (the "Transaction"), in connection with which new ordinary shares of the Client will be (a) admitted to the premium segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities; and (b) admitted to listing and trading on the main board of the Johannesburg Stock Exchange.
Basis of Valuation	We confirm that our valuations and report has been prepared in accordance with the current RICS Valuation – Global Standards,

incorporating the International Valuation Standards, and the RICS Valuation – Global Standards 2017 – UK national supplement published by the Royal Institution of Chartered Surveyors (the "RICS Red Book" as applicable) on the basis of the Market Value.

We further confirm our valuations and report are compliant with the:-

- the Financial Conduct Authority's (the "FCA") Listing Rules (the "Listing Rules") (and in particular Listing Rules 13.4.4R and 13.4.5R);
- the UK appendix 7 "FCA Listing Rules" of RICS Valuation – Professional Standards UK;
- the FCA's technical note 'Primary Market TN 619.1' which replaces and incorporates the ESMA update (ESMA/2011/81) of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implementation of the European Commission Regulation (EC) n. 809/2004 ("TN 619.1");
- the FCA's Prospectus Regulation Rules (the "Prospectus Regulation Rules") (and in particular Rule 5.4.5G of the Prospectus Regulation Rules);
- the requirements of the London Stock Exchange; and
- the Code, including, without limitation, Rule 29.

The report is subject to, and should be read in conjunction with, the General Principles Adopted in the Preparation of Valuations and Reports.

No allowance has been made for any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.

We have assumed that in the event of a sale of the properties, they would be marketed in an orderly manner and would not all be placed on the market at the same time.

Inspection

The properties have been inspected during 2021.

Conflicts of Interest

We confirm that we have previously valued, and are currently instructed to value, the properties on behalf of the Client, on a bi-annual basis for financial reporting purposes.

We do not consider that any of the above provides a conflict of interest preventing us from preparing the valuations.

We confirm that: (i) we are not aware of any reason why we would not satisfy the requirements of Rule 29.3(a) of the Code; and (ii) during the term of the engagement, we shall not do anything that

	could reasonably be expected to cause us not to satisfy the requirements of Rule 29.3(a) of the Code.
Disclosures	In our firm's preceding financial year the proportion of total fees payable by the Client commissioning this valuation was less than 5 per cent. of the firm's total fee income. It is not anticipated there will be a material increase in the proportion of fees payable to the firm by the client commissioning this Valuation Report since the end of the last financial year or in the next financial year.
Personnel	The valuation has been prepared by Chris Strathon FRICS, Director and Nick Carter, Director, MRICS and Liam Hall, Surveyor MRICS.
Status	In preparing this valuation, we have acted as External Valuers as defined in the RICS Red Book, subject to any disclosures made to you.
Assumptions	As detailed in our General Principles, we have made a number of assumptions, including: We have assumed that a good and marketable title is held and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature, which would have a material effect on the value of the interests under consideration. We have assumed that all leases are drawn on standard terms with no unusual or onerous clauses that would impact on value. We have not undertaken planning enquiries and have assumed that the properties comply with all relevant regulations and legislation. We have assumed that the properties are structurally sound and that there are no structural, latent or other material defects. We have assumed that the properties are not affected by environmental contamination. We have assumed that mains water, gas and electricity are connected to the properties, and that they drain into the public sewer. We have made no "Special Assumptions".
Sources of Information	We have not carried out any building surveys or environmental risk assessments. We have not measured the properties and have relied upon areas provided. We have not been supplied with Certificates of Title and assumed that the correct legal title is held. We have relied on all the scheme drawings, floor areas, build costs and infrastructure costs provided by the Client in relation to the development site at Lillie Square.

We have been provided with up to date tenancy schedules and have relied on these for the purpose of the valuations.

Valuation Approach

For the development site we have undertaken residual development appraisals where we have assessed an estimated gross development value based on what can be built on the site in terms of density and size less estimated construction costs, infrastructure costs, contingency, professional fees, section 106 costs, planning fees, finance and profit on cost for this type of development to arrive at a residual land value. We have also made deductions for other relevant costs, such as overage payments and planning risk where appropriate.

For the commercial investment properties we have applied the investment method whereby the income is capitalised at an appropriate investment yield based on comparable transactions in the market place.

For the residential properties, we have used both the investment method if the flats or houses are let and the comparative method.

Market Value

Lillie Square GP Limited	£155,875,000
Capco 50% of Lillie Square GP Limited	£77,937,500
Lillie Square LP Limited	£2,070,000
Lillie Square Developments Limited	£7,520,000
Capco 50% of Lillie Square Developments	£3,760,000
Total	***£165,465,000***
Capco Share	£83,767,500
Freehold	£164,505,000
Leasehold	£960,000

Purchaser's Costs

We have allowed for Stamp Duty Land Tax for the land and commercial properties as follows: Market Value of up to £150,000, zero; next £100,000 (the portion from £150,001 to £250,000), 2.00 per cent.; remaining amount (the portion above £250,000), 5.00 per cent.

We have also allowed for agents' and legal fees plus VAT at standard market rates which amounts to 1.80 per cent.

Responsibility

For the purposes of Prospectus Regulation Rule 5.3.2(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge the information contained in this Valuation Report is in accordance with the facts and makes no omissions likely to affect its import. This Valuation Report complies with Rules 13.4.4R and 13.4.5R of the Listing Rues, Rule 5.4.5G of the Prospectus Regulation Rules and TN 619.1. (1) 1.2

For the purposes of the Code, we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the

information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Report complies with, and is prepared in accordance with, and on the basis of, Rule 29 of the Code. We authorise its content for the purposes of Rule 29 of the Code.

Reliance

Our report shall be addressed to the Addressees only. We acknowledge that the shareholders or prospective shareholders of the Client may, inter alia, rely on the Valuation Report in the form that is incorporated into the Prospectus for the purposes of enabling them to make an informed assessment of the assets and liabilities, financial position, profits, losses and prospects of the Client and the rights attaching to the ordinary shares of the Client.

We further acknowledge that the shareholders or prospective shareholders of Shaftesbury may rely on the Valuation Report in the form that is incorporated into the Prospectus.

Restrictions on use

This Valuation Report has been prepared for inclusion in the Prospectus, any supplementary prospectus, the Circular, any supplementary circular, the Rule 2.7 Announcement and in the Scheme Documents and any supplementary scheme document. Neither the whole of the Valuation Report, nor any part, nor references thereto, may be published in any document, statement, circular or prospectus, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

JLL has given, and has not withdrawn its consent, for the Valuation Report to be included in the Prospectus and any supplementary prospectus, the Circular and any supplemental circular, the Rule 2.7 Announcement and in the Scheme Documents and any supplementary scheme document that may be required to be published by Capco or Shaftesbury.

We further hereby consent to our Valuation Report being put on public display in accordance with Item 15.1 of Annex 3 to the Prospectus Regulation (EU) 2019/980, which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, with prior written approval of JLL.

We hereby consent to the Valuation Report being included on a website as required by the Code.

Difference in valuation figures

For the purposes of Rule 29.5 of the Code, we confirm that in our opinion the current valuation of the properties as at the date of this Valuation Report would not be materially different from the valuation of the properties as at the Valuation Date.

Pursuant to TN 619.1 III.I 130 (vi), we are required to comment on any differences between the valuation figures in this Valuation Report and the valuation figures as at 31 December 2021 included in the Company's latest published annual accounts. The differences

between the valuation as at 31 December 2021 and the Valuation Date of approximately 3% are attributable to:-

- completion of sales of 2 residential units which reduces the amount of units to be sold
- increase in number of ground rents resulting in an increase in ground rental income
- increase in estimated build costs reflecting inflation for the undeveloped Phase 3 and Phase 4 of the Lillie Square development site which leads to a reduction in the remaining site value.

Yours faithfully

Chris Strathon FRICS
Director
For and on behalf of Jones Lang LaSalle Limited

Nick Carter MRICS
Director
For and on behalf of Jones Lang LaSalle Limited

Appendix 1

Lillie Square Developments Limited: Lillie Square, London

PROPERTY REF	ADDRESS	TENURE
1	3 Rickett Street, London SW6	Freehold
2	The former Bolding Estate comprising 2-12 Rickett Street, 5-9 Rickett Street, 5-6 Roxby Place and 2b-3c Seagrave Road, London SW6	Freehold

Lillie Square GP Limited: Lillie Square, London

PROPERTY REF	ADDRESS	TENURE AND TENANCIES
3	Lillie Square, London SW6 (Includes Roxby Place and former Network Rail land)	Freehold
4	The Atlas Public House, Seagrave Road, London SW6	Freehold
5	19 Seagrave Road, London SW6 19A Seagrave Road, London SW6	Both properties held Freehold
6	1-5 Lillie Road, London SW6	Freehold
7	17 Lillie Road, London SW6	Freehold

Lillie Square LP Limited: Lillie Square, London

PROPERTY REF	ADDRESS	TENURE AND TENANCIES
8	4a and 4b Seagrave Road, London SW6	Leasehold
9	6a and 6b Seagrave Road, London SW6	Freehold

CUSHMAN & WAKEFIELD

Portfolio Valuation

Prepared for:

Shaftesbury PLC

Valuation Date:

31 March 2022



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Strictly Confidential – For Addressee Only

VALUATION RECORD

To:	The Directors of Shaftesbury PLC ("Shaftesbury") (the "**Company**" or "you") 22 Ganton Street Carnaby London W1F 7FD The Directors and Proposed Directors of Capital & Counites Properties PLC ("Capco") Regal House 14 James Street London WC2E 8BU Evercore Partners International LLP 15 Stanhope Gate LONDON W1K 1LN (in its capacity as financial adviser to the Company) N.M. Rothschild & Sons Limited New Court St Swithin's Lane London EC4N 8AL (collectively referred to as the "**Addressees**")
Property:	A portfolio of investment properties, the address, tenure and property type of which is included in Appendix A (the "**Properties**" and each a "**Property**").
Report date:	7 July 2022
Valuation date:	31 March 2022 ("**Valuation Date**")

1. Instructions

1.1. Appointment

We are pleased to submit our report and valuation (the "**Valuation Report**"), which has been prepared in accordance with the engagement letter entered into between us dated 23 May 2022 (the "**Engagement Letter**"). This Engagement Letter and the terms set out therein, together with our Terms of Business, which were sent to you with our Engagement Letter, constitute the "**Engagement**", which forms an integral part of this Valuation Report.

Included in the Engagement Letter is the Valuation Services Schedule, which is included as Appendix A ("**VSS**"). It is essential to understand that the contents of this Valuation Report are subject to the various matters we have assumed, which are referred to and confirmed as Assumptions in the Valuation Services Schedule (which forms part of the Engagement). Where Assumptions detailed in the Valuation Services Schedule are also referred to within this Valuation Report they are referred to as an "assumption" or "assumptions". Unless otherwise defined, all capitalised terms herein shall be as defined in the Engagement.

You have informed us that the Properties are categorised as investments.

We have valued the property interests in the above Property as at the Valuation Date. A list of the addresses of each of the properties in the portfolio, together with a note of their tenure, is included in Appendix 1 in the VSS.

1.2. Compliance with RICS Valuation – Global Standards

We confirm that the valuation and Valuation Report have been prepared in accordance with the RICS Valuation – Global Standards, which incorporate the International Valuation Standards ("**IVS**") and the RICS UK national supplement (the "**RICS Red Book**"), edition current at the Valuation Date. It follows that the valuations are compliant with IVS.

1.3. Compliance with the Prospectus Regulation Rules

The valuation and the Valuation Report comply with Rule 5.4.5G of the Prospectus Regulation Rules, the requirements of the London Stock Exchange and Part III.1. of the FCA's technical note 'Primary Market TN 619.1' which replaces and incorporates the ESMA update (ESMA/2011/81) of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implementation of the European Commission Regulation (EC) n. 809/2004 ("**TN 619.1**").

1.4. Status of Valuer and Conflicts of Interest

We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. The Valuation is the responsibility of Charles Smith MRICS, who is a member of the RICS Valuer Registration Scheme and is in a position to provide an objective and unbiased Valuation, and who will act as "**External Valuer**" (as defined in the RICS Red Book) qualified for the Purpose of Valuation.

C&W have current involvement with the Properties in that they are the incumbent valuers to the Company and provide biannual valuations for inclusion in the Company's accounts. C&W undertake various instructions in providing property advice to the Company. We therefore confirm that C&W have current, anticipated and previous recent involvement with the Properties. The advice includes regular valuations of the Properties for accounts purposes as well as ongoing agency, development and other advice in respect of the Properties. We refer to paragraph 1.6 regarding the level of fees received from the Company.

In September 2020, we undertook a valuation of the Properties on behalf of the Company for inclusion in a combined prospectus and circular in connection with a proposed firm placing, placing and open offer and offer for subscription of new ordinary shares of the Company.

C&W acted on behalf of the vendor of the property at 47-49 Charing Cross Road when the Company acquired the property in 2017 and have also acted for Longmartin Properties Limited, a joint venture company owned in equal shares by Shaftesbury PLC and the Mercers' Company. C&W are currently instructed as retail letting agents by the Company in respect of all its retail properties.

This involvement has been discussed with the C&W compliance officer and the Company, who have provided written confirmation that, and notwithstanding our previous involvement, we may proceed with the Valuation.

1.5. Purpose of Valuation

The purpose of the Valuation Report ("**Purpose of Valuation**") is ;

a) for inclusion in a prospectus and/or any supplementary prospectus to be published by Capco in connection with the Proposed Transaction (the "**Prospectus**") in connection with which new shares of Capco will be admitted (i) to listing on the premium listing segment of the Official List of the Financial Conduct Authority ("**FCA**") and to trading on the main market for listed securities on the London Stock Exchange (the "**London Stock Exchange**") and (ii) for listing and trading to the Main Board of the Johannesburg Stock Exchange; and For the purposes of this Valuation Report, the Prospectus and/or any supplementary prospectus shall together be referred to as the "**Transaction Documentation**" and "**Transaction Document**" shall mean any such document.

b) to establish whether a material change has occurred in the Valuation of the Properties since the Valuation Date and the date of the relevant Transaction Document.

Therefore, in accordance with PS 2.5 and UK VPS 3 we have made certain disclosures in connection with this valuation instruction and our relationship with you. These are included in item 1.6 below.

1.6. Disclosures required under the provisions of PS 2.5 and UK VPS 3

Signatories

Charles Smith MRICS has been the signatory of Valuation Reports provided to the Company in respect of the Properties for the purpose of inclusion in the Company's report and accounts for a continuous period since 2013. This is the first time that Adam Patterson has been a signatory to a report addressed to the Company.

C&W endorses the RICS view that it is good practice to rotate the valuer responsible for Regulated Purpose Valuations at intervals not exceeding seven years. C&W's policy in this regard is explained in the Engagement.

Fee income from the Client

C&W's financial year end is 31 December. We confirm that the proportion of fees payable by the Client to C&W in the financial year to 2021 was less than 5%. We anticipate that the proportion of fees for the financial year to 31 December 2022 will remain at less than 5%.

C&W's relationship with the Company and involvement in the Properties

C&W has been undertaking various instructions for the Company for a number of years and we confirm that we have current, anticipated and previous recent involvement with certain of the Properties. We confirm that this factor has been discussed with the Company who has agreed for C&W to act in such capacities.

C&W have not received an introductory fee or negotiated a purchase of any of the Properties within the last 12 months.

1.7. Inspection

The Properties were subject to internal or external inspection, by Chartered Surveyors who are qualified for the purposes of this instruction, between 1 April 2021 and 31 March 2022. We undertake a rolling inspection programme whereby each Property is subject to internal inspection at least once every five years.

The Properties have been revalued for the purpose of this Report without internal inspection of the majority of the Properties.

The Company has confirmed that no material changes to the physical attributes of the Properties or the nature of their location have occurred since our inspection, our valuation as at the Valuation Date and the date of this Report.

1.8. Departures

We have made no Departures from the RICS Red Book.

1.9. Limitations

The valuation is not subject to any limitations.

1.10. Floor Areas

Unless specified otherwise, floor areas and analysis in this report are based on the following bases of measurement, as defined in RICS Property Measurement and RICS Code of Measuring Practice (the edition current at the Valuation Date):

Retail	NIA
Restaurant	GIA
Office	NIA
Residential	GIA

1.11. Measurement

We have adopted floor areas as provided to us by the Company.

1.12. Accommodation

Source of Floor Areas

The Company or its advisers have provided us with the floor areas of the Properties that are relevant to our valuation. As instructed, we have relied on these areas and have not checked them on site. We have made an Assumption that the floor areas supplied to us have been calculated in accordance with the RICS Property Measurement (the edition current at the Valuation Date).

1.13. Sustainability and ESG

Sustainability is an increasingly important factor in the UK real estate market. The UK has committed to net zero carbon by 2050, with legislation already in place to reduce CO2 emissions from buildings. We consider it likely that further legislation and regulations will be introduced in

coming years. Alongside this, occupiers and investors in some sectors are becoming more particular in the sustainability aspects of the buildings they choose to occupy or purchase.

The existence of a green premium for the more sustainable buildings is a matter of ongoing market monitoring, investigation and debate. Appropriate levels of market evidence have yet to be established to demonstrate fully whether additional value can be ascribed to such buildings.

However, it should be noted that the market is evolving due to the focus from both occupiers and investors on a property's sustainability credentials. We expect that awareness of sustainability matters will increase throughout all sectors of the property market.

1.14. Sources of Information

In addition to information established by us, we have relied on the information obtained from you and others listed in this Valuation Report, and in particular in Appendix B, Sources of Information.

Having taken reasonable care to ensure that, in our professional opinion, the information provided is likely to be reliable, we have made the Assumption that the information provided by you and your respective professional advisers in respect of the Properties we have valued is both full and correct. We have made the further Assumption that details of all matters relevant to value within your and their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

We confirm that the valuation has been undertaken bringing the required levels of independence and objectivity to bear on the instruction, applying professional scepticism to information and data where it is provided and relied on as evidence.

1.15. General Comment

A high proportion of the total value of the Properties is accounted for by properties situated in adjacent and/or adjoining locations in four specific areas of the West End of London: Carnaby Street and its environs, Chinatown and the adjoining area immediately west of Wardour Street (south of its junction with Shaftesbury Avenue), and the areas around Seven Dials in the western part of Covent Garden and a block of properties to the east of the Central Covent Garden Piazza with its main frontage to Wellington Street. These areas are all dominated by retail and restaurant uses.

In our opinion, at the Valuation Date, this particular unusual confluence of ownership and use characteristics may cause some prospective purchasers to regard parts of the portfolio when combined as having a greater value than the aggregate of the individual values of the combined properties which make up those parts.

All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or Special Assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability, that the valuer's opinion of value would exactly coincide with the price achieved were there an actual sale at the Valuation Date.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation were to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you contemplate a sale, we strongly recommend that the Properties are given proper exposure to the market.

A copy of this Valuation Report should be provided to your solicitors and they should be asked to inform us if they are aware of any aspect which is different, or in addition, to that we have set out; in which case we will be pleased to reconsider our opinion of value in the light of their advice and / or opinions.

2. Taxation and costs

The opinion of value which C&W will attribute to the Properties will be the figure C&W considers would appear in a contract for sale, subject to the appropriate assumptions for the Basis of Value reported. Costs associated with the transaction, including any taxes, legal fees and other expenses, would be payable by the purchaser in addition to the figure reported.

No adjustment will be made by C&W to reflect any liability to taxation that may arise on disposal, or development of the Properties nor for any costs associated with disposal incurred by the owner. Furthermore, no allowance will be made by C&W to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

C&W's valuation figure for the Properties will be that receivable by a willing seller excluding VAT, if applicable.

3. VAT

The valuations and rents included in this Valuation Report are net of value added tax at the prevailing rate.

4. Property Information

4.1. Enquiries

We have undertaken and completed the various matters referred to in the "Scope of Services" section of the VSS in Appendix A. Save as referred to below, the results of our enquiries and inspections do not contradict the Assumptions which we have made and are referred to in the Engagement.

5. Basis of Valuation

The basis of value for this Valuation Report as required by FCA's Prospectus Regulation Rules is Market Value and therefore these valuations have been prepared on a Market Value basis.

Market Value

The value of the Properties has been assessed in accordance with the relevant parts of the current RICS Red Book. In particular, we have assessed Market Value as referred to in VPS4, Item 4 of the current edition of the RICS Valuation - Global Standards which incorporate the International Valuation Standards (**"IVS"**) and the RICS UK national supplement (the **"RICS Red Book"**), and applying the conceptual framework which is set out in IVS104:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation as at 31 March 2022 addressed to the Company for financial reporting purposes was on the basis of Fair Value – IFRS (the definition of which is reproduced in Appendix 2 to the Valuation Services Schedule attached at Appendix A). However, the references in the IFRS 13 definition to market participants and a sale make it clear that for most practical purposes the concept of Fair Value is consistent with that of Market Value and so there would be no difference between them in terms of the valuation figure reported.

Our Valuation has been undertaken by us as External Valuers as defined in the RICS Valuation Standards (being independent experts for the purposes of TN 619.1). The Properties are held as

investments and we have therefore used the appropriate property investment valuation methodology to calculate the Market Values.

We have also reported the Estimated Net Annual Rent Receivable which represents the total income receivable from all tenancies and licences, (including deemed income on outstanding rent reviews and any deemed income on tenancies that are holding over) less any non-recoverable revenue costs. The deemed income on outstanding rent reviews is our opinion of rental value assessed in accordance with our understanding of the terms of the occupational lease review provisions. Non-recoverable revenue costs include, but are not limited to, such items as any non-recoverable service charge, empty rates, insurance, marketing contribution or ground rent payable by the landlord.

6. Assumptions and Special Assumptions

The Glossary in the RICS Red Book refers to an Assumption as a "supposition taken to be true". In this context, Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. A Special Assumption is referred to in the Glossary in the RICS Red Book as an Assumption that "either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date". We confirm that no special assumptions have been made in undertaking our valuation.

7. Valuation Approach and Reasoning

Our opinion of the Market Value of the Property has been primarily derived using comparable recent rental and investment market transactions on arm's length terms. We have adopted an investment method of valuation based on an income approach and adopted a suitable market capitalisation rate.

For a property in the course of refurbishment/reconfiguration, the Market Value will reflect the investment value of the completed property, assuming that it had been completed at the valuation date, less the anticipated costs to complete.

Other than as stated below, each Property has been valued individually and we have excluded any addition or deduction that might arise if a sale as a portfolio were contemplated. We have assumed that each of the Properties had been marketed in an orderly way and not placed on the market at the same time.

In accordance with VPS1 Item 3.2 d) and VPGA 9 of the current edition of the RICS Valuation – Global Standards, in undertaking our valuations we have lotted together certain individual properties to form a separate property (each referred to as a "Property", collectively as the “Properties”) in the manner we consider to be most likely to be adopted in the case of an actual sale. We consider that lotting the properties together on the basis reflected in our valuations would allow a purchaser to capitalise on the estate management advantages and opportunities available from such comprehensive ownership.

8. Valuation

Having regard to the foregoing, we are of the opinion that the aggregate of the Market Values (“**Aggregate Value**”), as at the Valuation Date, of the freehold and leasehold interests in the Properties owned by the Company, subject to the Assumptions and comments in our Valuation Report and the Appendices, was:

Valuation		
Total Aggregate	**£3,261,650,000**	**(Three billion, two hundred and sixty-one million, six hundred and fifty thousand pounds)**

The apportioned values, as at the Valuation Date, of the freehold, long leasehold and part freehold/leasehold elements were as follows:

Freehold	£742,850,000	(Seven hundred and forty-two million, eight hundred and fifty thousand pounds)
Part freehold, part long leasehold	£2,485,700,000*	(Two billion, four hundred and eighty-five million, seven hundred thousand pounds)
Long Leasehold	£33,100,000**	(Thirty-three million, one hundred thousand pounds)
Total	**£3,261,650,000**	**(Three billion, two hundred and sixty-one million, six hundred and fifty thousand pounds)**

* Within this sum are five properties (each a "Lotted Property") which are the result of the lotting together of several smaller properties. The majority of each Lotted Property is held freehold but includes properties which are held on long leases. Also included is 23/27 New Row which is held part freehold and part leasehold, the majority of the value being in the leasehold element. For details of the tenure of each property, please refer to the Property Schedule in Appendix 1 to Appendix A. We have undertaken a notional apportionment of the Fair Value between the freehold and long leasehold elements of each Lotted Property below. The individual freehold and long leasehold figures above do not themselves represent the Fair Value of the two elements.

** Long leasehold is defined as an interest with an unexpired term of more than 50 years.

Property	Freehold	Long Leasehold	Total
Carnaby Main Block	£1,165,750,000 (One billion, one hundred and sixty-five million, seven hundred and fifty thousand pounds)	£24,650,000 (Twenty-four million, six hundred and fifty thousand pounds)	£1,190,400,000 (One billion, one hundred and ninety million, four hundred thousand pounds)
Chinatown Central	£383,700,000 (Three hundred and eighty-three million, seven hundred thousand pounds)	£119,150,000 (One hundred and nineteen million, one hundred and fifty thousand pounds)	£502,850,000 (Five hundred and two million, eight hundred and fifty thousand pounds)

Property	Freehold	Long Leasehold	Total
Chinatown Western	£213,700,000 (Two hundred and thirteen million, seven hundred thousand pounds)	£9,250,000 (Nine million, two hundred and fifty thousand pounds)	£222,950,000 (Two hundred and twenty-two million, nine hundred and fifty thousand pounds)
Soho – Berwick Street Lot	£120,975,000 (One hundred and twenty million, nine hundred and seventy-five thousand pounds)	£8,675,000 (Eight million, six hundred and seventy-five thousand pounds)	£129,650,000 (One hundred and twenty-nine million, six hundred and fifty thousand pounds)
Covent Garden – Single Lot	£421,330,000 (Four hundred and twenty-one million, three hundred and thirty thousand pounds)	£13,770,000 (Thirteen million, seven hundred and seventy thousand pounds)	£435,100,000 (Four hundred and thirty-five million, one hundred thousand pounds)
23/27 New Row	£900,000 (Nine hundred thousand pounds)	£3,850,000 (Three million, eight hundred and fifty thousand pounds)	£4,750,000 (Four million, seven hundred and fifty thousand pounds)
Total	**£2,306,355,000** **(Two billion, three hundred and six million, three hundred and fifty-five thousand pounds)**	**£179,345,000** **(One hundred and seventy-nine million, three hundred and forty-five thousand pounds)**	**£2,485,700,000** **(Two billion, four hundred and eighty-five million, seven hundred thousand pounds)**

The figures quoted above are aggregated figures of the individual Market Values for each property interest in the portfolio. If the portfolio were to be sold as a single lot or in groups of properties, the total values could differ significantly.

In arriving at our opinion of Market Value of the aggregate of the interests of the above Properties, we have valued each property individually. We have assumed that the Properties would be marketed in an orderly way and not all placed on the market at the same time.

Estimated Net Annual Rent Receivable

The Estimated Net Annual Rent Receivable, which represents the total income receivable from all tenancies and licences, (including deemed income on outstanding rent reviews and any deemed

income on tenancies that are holding over) less any non-recoverable revenue costs as at the Valuation Date was:

£101,131,173 per annum (One hundred and one million, one hundred and thirty-one thousand, one hundred and seventy-three pounds per annum)

Properties with an individual value of more than 5% of the Company's total aggregate valuation

We have set out below the Properties included in the Aggregate Value where the Company owns a property with a value of more than 5% of the Company's total aggregate valuation.

Property	Description, Age and Tenure	Terms of Existing Tenancies	Market Value
Covent Garden Single Lot, London	Primarily centered around the Seven Dials Monument in Covent Garden the "Single Lot" comprises a mix of retail, restaurant, office and residential accommodation. The single lot comprises buildings of various size and ages, including the recently refurbished Thomas Neals Centre. The bulk of the properties are situated on Earlham Street, Monmouth Street, Neal Street and in Neals Yard. The Single Lot is predominantly held freehold albeit there are six commercial long leasehold elements.	The commercial elements of the property are subject to around 120 commercial leases, the majority of which are on effective full repairing and insuring terms. Lease terms vary; typically they are for terms of five years for retail and office premises and up to 10 years for restaurants. The majority of the residential flats in the upper parts are let on Assured Shorthold Tenancies for periods of three years.	£435,100,000
Carnaby Estate, Main Block, London W1	A primarily retail and restaurant mixed use estate located in London's West End comprising approximately 685,000 sq ft. The property is centred on Carnaby Street and its surrounding streets. We understand that the buildings in the block predominantly date from	The commercial elements of the property are subject to around 275 leases, the majority of which are on effective full repairing and insuring terms. Lease terms vary; typically they are for terms of five years for retail and office	£1,190,400,000

	the 18th to 20th centuries. The majority of the property is freehold with five long leasehold elements on long leases at an aggregate of £23 per annum	premises and up to 25 years for restaurants. The majority of the residential flats in the upper parts are let on Assured Shorthold Tenancies for periods of three years.	
Central Chinatown Block, London W1	Centred on Gerrard Street and its neighbouring streets to the east of Wardour Street, the property comprises a mixed use block of approximately 215,000 sq ft, primarily in restaurant and retail uses. We understand that the buildings in the block predominantly date from the 18th to 20th centuries. The majority of the property is freehold; there are 15 leasehold interests (11 of which relate to residential flats) at aggregate ground rents of £110 per annum.	The commercial elements of the property are subject to around 90 leases, the majority of which are on effective full repairing and insuring terms. Lease terms vary; typically they are for terms of five years for retail and office premises and up to 25 years for restaurants. The majority of the residential flats in the upper parts are let on Assured Shorthold Tenancies for periods of three years.	£502,850,000
Western Chinatown Block, London W1	Centred on the west side of Wardour Street and its neighbouring streets, the property comprises a mixed use block of approximately 130,000 sq ft, primarily in restaurant and retail uses. The property is freehold. We understand that the buildings in the block predominantly date from the 18th to 20th centuries.	The commercial elements of the property are subject to around 45 leases, the majority of which are on effective full repairing and insuring terms. Lease terms vary; typically they are for terms of five years for retail and office premises and up to 25 years for restaurants. The majority of the residential flats in the upper parts are let on Assured Shorthold Tenancies for periods of three years.	£222,950,000

Property Disposals

There have been no property disposals since the Valuation Date.

Paragraph 130 (VI), TN 619.1

Pursuant to paragraph 130, section VI.1 of TN 619.1, we are required to comment on any differences between the valuation figures in this Valuation Report and the valuation figures as at 30 September 2021 included in the Company's latest published annual accounts. The differences between the valuation as at 30 September 2021 and the Valuation Date are predominantly attributable to

- an increase in rental values as a result of improved sentiment and strengthening occupier demand as Covid 19 lockdown restrictions eased
- a reduction in yields applied predominantly to the restaurant/leisure and office sectors to reflect improved occupier and investor sentiment
- a slight increase in residential values

The valuation figures included in the Company's latest published annual accounts as at 30 September 2021 totalled £3,010,500,000. The increase in values between 30 September 2021 and the Valuation Date is £251,150,000, which equates to an increase of 8.34%. On a like for like basis (reflecting changes in capex, acquisitions and disposals since 30 September 2021) the increase was around 7.5%.

9. Disclosures in accordance with the Prospectus Rules

It is confirmed that the Valuation Report is issued solely in connection with the Proposed Transaction for (i) inclusion in the Prospectus and any supplementary prospectus.

Material Difference

We confirm that, in our opinion, there is no material difference between the values stated in this Valuation Report and the values that would be stated were the Valuation Date the date of the Prospectus.

Consent

C&W has given and has not withdrawn its consent to the inclusion of this Valuation Report in the Prospectus published by Capco in the form and context in which it is included.

Responsibility

For the purposes of Prospectus Rule 5.3.2R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge, the information contained in this Valuation Report is in accordance with the facts and makes no omission likely to affect its import. This Valuation Report complies with Rule 5.4.5G of the Prospectus Regulation Rules and TN 619.1.

10. Disclosure

Except in connection with the Purpose of the Valuation set out above or as expressly contemplated in the Engagement Letter you must not disclose the contents of this Valuation Report to a third party in any way, including where we are not referred to by name or if the Valuation Report is to be combined with other reports, documents or information, without first obtaining our written approval

to the form and context of the proposed disclosure in accordance with the terms of the Engagement. We will not approve any disclosure that does not refer adequately to the terms of the Engagement and any Special Assumptions or Departures that we have made.

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without our prior written consent. To the extent permitted by law, we hereby exclude all liability arising from use of and/or reliance on this Valuation Report by any person or persons except as otherwise set out in the terms of the Engagement.

We hereby consent to our Valuation Report being put on public display in accordance with Item 15.1 of Annex 3 to the Prospectus Regulation (EU) 2019/980, which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

11. Reliance

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

Save for (i) any responsibility to any person arising under Prospectus Regulation Rule 5.3.2R(2)(f) as and to the extent there provided to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the Addressees (save as otherwise provided for in the terms of the Engagement) for any loss suffered by any such other person as a result of, arising out of, or in connection with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex 3 item 1.2 of the Prospectus Regulation (EU) no. 2019/980 (which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended).

This Valuation Report may be relied upon only in connection with the Purpose of Valuation stated and only by:

(i) the Addressees;

(ii) the shareholders and prospective shareholders of the Company;

(iii) the shareholders and prospective shareholders of Capco; and

(iv) by such other parties who have signed a Reliance Letter.

Signed for and on behalf of Cushman & Wakefield Debenham Tie Leung Limited

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APPENDIX A: ENGAGEMENT

Services Schedule – Valuation & Advisory

1. Property Details

Appendix 1 includes the address, tenure and property type of each of the properties (**"Properties"**, and each a **"Property"**) to be valued (**"Property Schedule"**).

The Properties are held by various subsidiary companies of Shaftesbury PLC (Shaftesbury PLC and its subsidiary companies are collectively referred to as the **"Client"**).

We would draw the Client's attention to the fact that under the ESMA definition of property, only freehold, heritable, leasehold or equivalent property held may be the subject of the formal Valuation Report (as that term is defined below).

It is important to note that, where the Company holds a proportion of the ownership in an individual property via a shareholding in a separate holding vehicle, our valuation will be of the 100% legal property interest held by the holding vehicle. In respect of the properties held in joint ventures or by associates, the Valuation Report will include apportionments of the Market Values of the property interests based on the Company's share of the proportionate interests in the joint ventures or associates.

2. Client

Shaftesbury PLC ("**Client**"). For the avoidance of doubt, none of Capco, Rothschild & Co or Evercore (each as defined below) will constitute a "Client" for the purposes of the Terms of Business.

3. Addressees

The Valuation Report will be addressed to the directors of Shaftesbury PLC, to the directors and proposed directors of Capital & Counties Properties PLC (**"Capco"**), Evercore Partners International LLP (in its capacity as financial adviser and Rule 3 adviser to the Client) and to N.M. Rothschild & Sons Limited (**"Rothschild & Co"**) in its role as UK sponsor to Capco (together, the "**Addressees**"), and will also be publicly available when included in the Prospectus.

The Addressees shall be entitled to rely on and enforce the terms of the Engagement as set out in the Engagement Letter and on the Valuation Report subject in each case to the terms of the Engagement.

By relying on the Valuation Report, Capco, Evercore and Rothschild & Co shall be deemed to acknowledge and agree that C&W's duties and obligations to Capco, Evercore and Rothschild & Co under and in connection with the Valuation Report shall be no different or greater and of no longer duration than the duties and obligations which C&W owes to the Client under the Engagement.

C&W shall have no greater liability to the Addressees by virtue of such reliance, either in nature, extent, or in time, than C&W has to the Client under the Engagement and C&W shall be entitled to rely on any limitation in the Engagement and to raise the equivalent rights in defence of liability or indemnity to the Addressees (both jointly and severally) as are available to C&W against the Client under the Engagement.

C&W's limit of liability under this Engagement represents the maximum total liability to Capco, Evercore and Rothschild & Co and to all other parties permitted to rely on the Valuation Report in the aggregate save in respect of the FCA's Prospectus Regulation Rule 5.3.2(R)(2)(f) where the limit of liability does not apply.

Nothing in this Agreement excludes or limits C&W's liability to the extent that such liability may not be excluded or limited as a matter of applicable law or the requirements of the Financial Conduct Authority or the London Stock Exchange.

4. Client Instructions

The Client has instructed C&W to:

a. undertake a valuation of the legal interests in the Properties described in the Property Schedule (**"Valuation"**) as at 31 March 2022 (the **"Valuation Date"**);

b. provide a valuation report in the format referred to in the 'Scope of Services' section below (**"Valuation Report"**) for the following purposes of valuation (**"Purposes of Valuation"**). For inclusion in:

1. a prospectus and/or any supplementary prospectus to be published by Capco in connection with the issue of new ordinary shares in the capital of Capco to the existing shareholders of Shaftesbury as consideration for the acquisition by Capco of the entire issued and to be issued share capital of Shaftesbury not already owned by Capco (the prospectus prepared in connection with the Proposed Transaction being referred to in this letter as the "**Prospectus**") as a result of which new shares of Capco will be admitted (i) to listing on the premium listing segment of the Official List of the Financial Conduct Authority ("**FCA**") and to trading on the main market for listed securities on the London Stock Exchange (the "**London Stock Exchange**") and (ii) for listing and trading to the Main Board of the Johannesburg Stock Exchange;

For the purposes of this letter, the Prospectus and/or any supplementary prospectus shall together be referred to as the "**Transaction Documentation**" and "**Transaction Document**" shall mean any such document;

c. Establish whether a material change has occurred in the Valuation of the Properties since the Valuation Date and the date of the relevant Transaction Document;

d. Provide a consent letter, among other things, consenting to the inclusion of the Valuation Report in the Transaction Documentation;

e. Provide a correct extraction letter in relation to information included in any Transaction Document extracted from the Valuation Report ; and

f. Provide a bring down comfort letter dated the date of publication and/or release of the relevant Transaction Document .

5. Timetable

C&W will provide: (a) a preliminary draft Valuation Report; and (b) a final Valuation Report.

A timetable covering the delivery of the draft and final Valuation Report will be drawn up and agreed with the Client prior to the commencement of the work.

C&W's work will be dependent upon receiving full co-operation from the Client and timely disclosure of all information, as we may need for the purposes of our work.

6. Basis of Valuation

The basis of valuation for the Valuation Report as required by the FCA Prospectus Regulation Rules is Market Value and therefore the valuations have been prepared on a Market Value basis.

In accordance with the Client's instructions, C&W will undertake the Valuation on the following basis:

6.1 Market Value

Market Value as referred to in VPS4, Item 4 of the current edition of the RICS Valuation - Global Standards which incorporate the International Valuation Standards (**"IVS"**) and the RICS UK national supplement (the **"RICS Red Book"**), and applying the conceptual framework which is set out in IVS104:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"

6.2 Special Assumptions

The Glossary of the RICS Red Book states that an Assumption "*that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date"* is a **"Special Assumption"**.

As instructed, we will not make any Special Assumptions.

7. Scope of Services

Included in the Services are:

7.1 Valuation Report

Providing a Valuation Report that will be prepared in English. C&W will provide one electronic copy of the Valuation Report and, if requested, one signed hard copy. Where the Valuation Report is required to contain site plans these will be based on extracts of the Ordnance Survey or other maps showing, for identification purposes only, C&W's understanding of the extent of title based on site inspections or copy title plans supplied to C&W. The Client should not rely on C&W's plans to define boundaries.

As agreed, C&W will not provide full details of the valuation approach and reasoning in the Valuation Report. We will provide a summary property schedule for Properties with a value of over 5% of the aggregate valuation.

7.2 Currency

Providing a Valuation in UK Pounds Sterling (£).

7.3 Inspections

Inspections are undertaken in accordance with the Valuers Brief set out in the letter of appointment from the Company to C&W in respect of undertaking the biannual valuations for inclusion in Company Accounts.

7.4 Floor Areas

Adopting floor areas provided to C&W for the purpose of the Valuation, (subject to the provisions of section 12.2 of the Assumptions).

7.5 Tenancies & Leasing

Relying on tenancy information provided by the Client, subject to the provisions of section 12.3 of the Assumptions. For the avoidance of doubt, C&W will not read copy leases.

7.6 Environmental Matters (including Flooding)

Reviewing the relevant Local Authority websites regarding environmental matters, including contamination and flooding and reviewing (subject to the provisions of section 0 of the Assumptions). For the avoidance of doubt, C&W will not undertake an environmental assessment or prepare a land quality statement, which would be the responsibility of an environmental consultant or chartered environmental surveyor. In this respect, C&W will have regard to any environmental reports provided to C&W (subject to the provisions of section 12.4 of the Assumptions).

7.7 Title

Reading a Certificate of Title where this is provided to C&W and C&W will reflect its contents in the Valuation (subject to the provisions of section 12.6 of the Assumptions).

C&W will not inspect the title deeds of the Properties.

Unless agreed in writing in advance with the Client, C&W will not obtain information from the Land Registry.

7.8 Condition of Structure & Services, Deleterious Materials and Ground Conditions

Taking into account the general condition of each Property as observed from the inspections undertaken for the purposes of the valuations for accounts purposes as at 31 March 2022(subject to section 12.7 of the Assumptions). Where a separate condition or structural survey has been undertaken and made available to C&W, C&W will reflect the contents of the survey or condition report in the Valuation Report, but may need to discuss the survey or condition report with the originating surveyor.

7.9 Statutory Requirements and Planning

As previously instructed by the Client, C&W will not make enquiries of the relevant planning authorities in respect of each Property. C&W will make verbal enquiries of the Client's planning advisers as appropriate as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. C&W will also seek to ascertain whether any outstanding planning applications exist which may affect any Property, and whether any Property is listed or included in a Conservation Area. C&W will also attempt to verify the existing permitted use of each Property, and endeavour to have sight of any copies of planning permissions. For the avoidance of doubt, C&W will not undertake formal searches.

7.10 Exclusion

Where C&W is engaged to prepare a Valuation Report in connection with a proposed transaction in respect of the Properties, expressly excluded from the Services is the provision of any recommendation or otherwise by C&W as to whether to proceed with such a proposed transaction. Accordingly the Client must not in any circumstances construe the Valuation Report as a recommendation whether or not to proceed with such a proposed transaction.

8. Basis of Appointment

C&W confirms that:

1. The Valuation and Valuation Report will be undertaken in accordance with the appropriate sections of the current edition of the RICS Valuation – Global Standards which incorporate the International Valuation Standards ("**IVS**") and the RICS UK national supplement (the "**RICS Red Book**"). In this context "current edition" means the version in force at the Valuation Date. .
2. The Valuation Report will comply with Rule 5.4.5G of the FCA's Prospectus Regulation Rules, the requirements of the London Stock Exchange and Section VI.1. of the FCA's technical note 'Primary Market TN 619.1' which replaces and incorporates the ESMA update (ESMA/2011/81) of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implementation of the European Commission Regulation (EC) n. 809/2004 ("**TN 619.1**").

The Valuation will be the responsibility of Charles Smith MRICS, who is a member of the RICS Valuer Registration Scheme and is in a position to provide an objective and unbiased Valuation. The Valuation will be undertaken by suitably qualified valuers, who have the knowledge, skills and understanding to undertake the Valuation competently and who will act as "**External Valuers** " (as defined in the RICS Red Book) qualified for the Purpose of Valuation.

C&W does not (and any affiliates of C&W do not) act as external valuers as defined under the Alternative Investment Fund Manager's Directive (**"AIFMD"**) legislation, or its equivalent under local law. C&W expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing in advance by C&W.

C&W have current involvement with the Properties in that they are the incumbent valuers to the Company and provide biannual valuations for inclusion in the Company's accounts. C&W undertake various instructions in providing property advice to the Company. We therefore confirm that C&W have current, anticipated and previous recent involvement with the Properties. The advice includes regular valuations of the Properties for accounts purposes as well as ongoing agency, development and other advice.

Most recently, in September 2020, we undertook a valuation for inclusion in a combined prospectus and circular in connection with a proposed firm placing, placing and open offer and offer for subscription of new ordinary shares of the Company.

C&W acted on behalf of the vendor of the property at 47-49 Charing Cross Road and have also acted for Longmartin Properties Limited, a joint venture company owned in equal shares by Shaftesbury PLC and the Mercers' Company. C&W are currently instructed as retail letting agents by the Client.

This involvement has been discussed with the C&W compliance officer and the Company, who have provided written confirmation that, and notwithstanding our previous involvement, we may proceed with the Valuation.

C&W confirms that we have had no previous material interest in the Company or material connection or involvement with any of the Properties other than as set out above, and that copies of our conflict of interest checks have been retained within the working papers.

The proposed Valuation is a "**Regulated Purpose Valuation**" (as defined in RICS UK national supplement ("**UKNS**") UK VPS 3. C&W confirms that the Properties do not include any interests which have been acquired by the Client within the 12 months preceding the Valuation Date and in respect of which C&W has either received an introductory fee or negotiated that purchase on behalf of the Client.

In accordance with the provisions of UK VPS 3.1, in terms of any future acquisitions, C&W would be unable to undertake a valuation of a property acquired by a C&W client within the twelve months preceding the Valuation Date if, in relation to that property, C&W received an introductory fee or negotiated the purchase on behalf of that client unless another firm, unconnected with C&W, has provided a valuation of that property for the client at the time of or since the transaction was agreed.

In accordance with PS 2.5 of the RICS Red Book and UK VPS 3, the Valuation Report will set out the length of time Charles Smith MRICS has been the signatory to valuations provided to the Client for the same purpose as the Valuation Report, the length of time C&W has continuously been carrying out that valuation instruction for the Client, the extent and duration of C&W's relationship with the Client and the proportion of C&W's total fee income made up by the fees payable by the Client (to the nearest five percentage points). C&W will require these disclosures to be made in any published references to the Valuation Report.

C&W must seek to ensure there will be no potential conflicts of interest arising not only from C&W's involvement with the Properties and with the Client but also any related parties to the Client. Accordingly, the Client must advise C&W of any relevant parties connected to the Client's organisation.

In accordance with PS 2 5 of the RICS Red Book, C&W confirm our policy on rotation of the valuer accepting responsibility for Regulated Purpose Valuations and a statement of the quality control procedures that C&W has in place, as follows:

"*C&W endorses the RICS view that it is good practice to rotate the valuer responsible for Regulated Purpose Valuations at intervals of not more than seven years, unless there are overriding circumstances to the contrary. C&W discusses the method of rotation of the signatory to Regulated Purpose Valuation reports with its clients.*

C&W operates internal quality control procedures throughout its valuation practice including a system whereby the valuation of property meeting certain criteria requires the approval of an internal Value Committee."

9. Inclusion in the Transaction Documentation

The Valuation Report is required for inclusion in the Prospectus (and any supplementary prospectus) in connection with, among other things, the Proposed Transaction.C&W understands that the final Prospectus (and any supplementary prospectus) containing the final Valuation Report, will be approved by the FCA. C&W will therefore provide a final copy of the Valuation Report to be incorporated intothe Prospectus (and any supplementary prospectus)together with a consent letter addressed to each of the Addressees (in the form set out in Part A of Appendix 2) (the "**Consent Letter**") by which C&W consents to:

1. the inclusion of the Valuation Report within the Prospectus (and any supplementary prospectus) in the form and context in which it is included in each Transaction Document; and
2. the Valuation Report being put on public display in accordance with Item 15.1 of Annex 3 to the Prospectus Regulation (EU) 2019/980 which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended,

provided that: (i) C&W has first approved the form in which the Valuation Report is to appear within the Prospectus (and any supplementary prospectus) and (ii) the consent letter is factually correct.

In addition upon:

1. the date of publication of the Prospectus , to the extent that the Valuation Report is dated prior to the date of publication of any such document;
2. the admission of new shares in Capco as consideration for the Proposed Transaction to the Official List and the Main Market of the London Stock Exchange; and
3. the date of publication of any supplementary prospectus,

C&W will deliver a letter to the Addressees (the "**Bringdown Letter**") and address it to the Addressees and any person who we have allowed to rely on the Valuation Report for the Purpose of the Valuation (excluding members of the general public). The Company will confirm to us the dates on which the events set out in (1) to (3) (where applicable) will occur.

C&W will include the following confirmations in the Valuation Report substantially in the following form:

"For the purposes of the Prospectus Regulation Rule 5.3.2R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge, the information contained in this Valuation Report is in accordance with the facts and this Valuation Report contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.4.5G of the Prospectus Regulation Rules and TN 619.1."

If required by TN 619.1, the Valuation Report may be required to include an explanation of the differences between 30 September 2021 and the valuation figures as stated in the Valuation Report as required by TN 619.1.

In addition to reproduction of the full text, the other sections of the Prospectus and, if applicable, any supplementary prospectus, may contain certain information extracted or derived from the Valuation Report. If so, C&W will confirm in a letter, addressed to each of the Addressees and dated the date of publication of the Prospectus and dated the date of any supplementary prospectus , whether such information has been properly and accurately extracted or computed from the Valuation Report (in the form set out in Part C of Appendix 2, the "**Correct Extraction Letter**").

C&W also understands that the Client intends to distribute and publish announcements, presentations and other documents in connection with the Proposed Transaction both before and after the publication of the final Transaction Documentation, which may include information extracted from the Valuation Report. Accordingly, we confirm that such information may be included in such announcements, presentations and other documents without our prior written consent, save that, where such announcements, presentation or other documents

refers to C&W, the information may be included only with C&W's prior written consent (which may be by way of email) and with agreed non reliance disclaimer, which consent will not be unreasonably withheld or delayed.

C&W will, where requested: (i) circulate drafts of our Valuation Report and comfort letters and liaise with the Addressees and their respective legal advisers, (ii) provide comments and mark-ups to the draft Transaction Documentation in relation to the property valuation sections and (iii) discuss with the Client, the Addressees and their respective legal advisers, any matters and issues relating to the Valuation as they arise prior to issuing the final form Valuation Report.

C&W acknowledges that Capco and Shaftesbury shareholders or prospective shareholders may, inter alia, rely on the Valuation Report in the form that it is included in any Transaction Document.

Except forany responsibility arising to any person under the FCA's Prospectus Regulation Rule 5.3.2R(2)(f) as and to the extent provided under the FCA's Prospectus Regulation Rules

to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person (save as otherwise set out in this Engagement Letter) for any loss suffered by any such other person as a result of, arising out of, or in accordance with the Valuation Report or our statements set out above required by and given solely for the purposes of complying with:

a. Annex 3, item 1.2 of the Commission Delegated Regulation (EU) no. 2019/980;

b. Rule 5.4.5G of the Prospectus Regulation Rules; or

c. TN 619.1.

10. Special and Additional Terms

11.1 Use of Valuation Report

g. The Valuation Report may be used only for the Purpose of Valuation referred to in item (b) of 'Client Instructions' in this Services Schedule.

11.2 Areas

The areas C&W report will be appropriate for the Purpose of the Valuation but should not be relied upon for any other purpose.

11.3 Group of Properties / Lotting

Unless C&W has confirmed otherwise in this Services Schedule, each property will be valued individually; in the case of a portfolio, C&W will assume that each of the Properties would be marketed in an orderly way and not placed on the market at the same time.

In accordance with VPS1 Item 3 d) and VPGA 9 of the current edition of the RICS Valuation – Global Standards, in undertaking our valuations we will lot together certain individual properties to form a separate property in the manner we consider to be most likely to be adopted in the case of an actual sale. We consider that lotting the properties together on the basis reflected in our valuations would allow a purchaser to capitalise on the estate management advantages and opportunities available from such comprehensive ownership.

11.4 Limitations

There are no limitations.

11.6 Form of the Valuation Report

The Valuation Report will be drawn up to comply with mandatory requirements of the RICS Red Book, the requirements of the relevant provisions of the rules made by the FCA, the Prospectus Regulation Rules (in particular Rule 5.4.5G) and TN 619.1.

11.7 Disclosure

We acknowledge that the Valuation Report will be on public display in accordance with Item 15.1 of Annex 3 to the Prospectus Regulation (EU) 2019/980 which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, C&W will not consent to publication or disclosure of the Valuation Report unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Red Book referred to in this Services Schedule. Where adequate reference to such Special Assumptions and/or Departures are made, such consent will not be unreasonably withheld or delayed

C&W acknowledges that the Valuation Report may be included in the Transaction Documentation and also in draft versions of the Transaction Documentation in accordance with section 10 above.

In addition, C&W agrees to the Client and Addressees disclosing the Valuation Report, strictly on a non-reliance and no-duty basis:

1. to each of their affiliates; and its, and their respective affiliates, professional advisers, insurers, auditors or bankers;
2. where required by law, order, rule (including the rules of any applicable stock exchange or any other applicable supervisory or regulatory authority having jurisdiction over it or any of its affiliates) or regulation, or a court of competent jurisdiction;
3. in seeking to establish any defence in any legal or regulatory proceeding or investigation relating to the matters set out herein; or
4. in connection with any actual or potential dispute or claim to which it may be a party and which relates to the matters set out herein

11.8 Age of Building

h. If C&W states the age of a building in the Valuation Report, this will be an estimate and for guidance only.

11.9 Condition of Structure, Foundations, Soil & Services

It is a condition of C&W or any related entity, or any qualified employee, providing advice and opinions as to value, that the Client and/or third parties (whether notified to C&W or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

11.10 Plant & Machinery

No allowance will be made by C&W for any items of plant or machinery not forming part of the service installations of the buildings. C&W will specifically exclude all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. C&W will also exclude furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools, except where such items would ordinarily transfer to a prospective purchaser in the sale of a trading business as a going concern.

11.11 Goodwill

No account will be taken by C&W in the Valuation of any business goodwill that may arise from the present occupation of the Properties, except where such business goodwill (excluding any personal goodwill) would ordinarily transfer to a prospective purchaser in the sale of a trading business as a going concern.

11.12 Statutory Requirements & Planning

Please note the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. Where a Client needs to rely upon the information given about town planning matters, the Client's legal advisers must be instructed to institute such formal searches. C&W recommends that the Client requests C&W to review its comments and Valuation in light of any resultant findings.

11.13 Defective Premises Act 1972

No allowance will be made by C&W for rights, obligations or liabilities arising under the Defective Premises Act 1972.

11.14 Legal Issues

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted by C&W for the true interpretation of the legal position of the Client or any other parties in respect of the Valuation. Where C&W expresses an opinion on legal issues affecting the Valuation, then such opinion is subject to verification by the Client with a suitable qualified legal adviser.

11.15 Deduction of Notional Purchaser's Costs

The opinion of value which C&W will attribute to the Property will be the figure C&W considers would appear in a contract for sale, subject to the appropriate assumptions for the Basis of Value reported. Costs associated with the transaction, including any taxes, legal fees and other expenses, would be payable by the purchaser in addition to the figure reported.

Furthermore, the Client's attention is drawn to the fact that when assessing Market Value, for balance sheet purposes, C&W will not include directly attributable acquisition or disposal costs in the Valuation. Where C&W is requested to reflect these costs, they will be stated separately.

11.16 Taxation & Disposal Costs

No adjustment will be made by C&W to reflect any liability to taxation that may arise on disposal, or development of the Property nor for any costs associated with disposal incurred by the owner. Furthermore, no allowance will be made by C&W to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

C&W's valuation figure for the Property will be that receivable by a willing seller excluding VAT, if applicable.

11.17 Monitoring

The compliance of the valuations undertaken in accordance with the RICS Red Book may be subject to monitoring by the RICS under its conduct and disciplinary regulations.

11.18 Valuation Components

The components of C&W's valuation calculations (such as future rental values, cost allowances, or void periods) may only be appropriate as part of the valuation calculations and should not be taken as a forecast or prediction of a future outcome. The Client should not rely on any component of the valuation calculations for any other purpose.

11.19 Properties to be Developed or in the Course of Development or Requiring Repair/Refurbishment and Recently Completed Developments

Unless specifically agreed in writing to the contrary, C&W's fee assumes that C&W will be provided with information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date. Normally such figures will be provided by the Client’s professional advisers involved in the construction programme. Unless specifically instructed to the contrary in writing, C&W will rely on such figures, dates and information and the Client should make this fact known to such advisers. Alternatively, on request, C&W can arrange for independent quantity surveyors to provide an assessment of costs and dates at an additional fee charge.

11. Assumptions

The RICS Red Book contains a glossary that defines various terms used in the RICS Red Book that have a special or restricted meaning. One such term is an assumption which is defined as "A supposition taken to be true" ("**Assumption**"). Accordingly in this context, C&W will make certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, the Valuation that C&W will not verify as part of the valuation process but rather, in accordance with the definition in the RICS Red Book, will treat as true because it is agreed that specific investigation by C&W is not required. In the event that any of these Assumptions prove to be incorrect then the Valuation will need to be reviewed.

12.1 Confirmation of Assumptions

The Client's counter-signature of the Engagement Letter represents confirmation that all of the Assumptions, referenced within the Assumptions section, are correct.

The Client must promptly notify C&W in writing if any of the Assumptions are incorrect. Should any amendment to the Assumptions set out in the Services Schedule result in an increase in the scope of the Engagement this may result in an appropriate increase in C&W's fees and expenses due under the Engagement.

Where the Properties are subject to a revaluation without re-inspection, unless the Client advises C&W in writing in advance, C&W will make an Assumption that no material changes to the physical attributes of the Properties and the areas in which the Properties are situated have occurred since the Properties were last inspected by C&W.

12.2 Areas

Where C&W is provided with floor areas, C&W will make an Assumption that the areas have been measured and calculated in accordance with the current edition of RICS Professional Statement RICS Property Measurement.

12.3 Tenancies and Leasing

C&W's opinion of the Market Value will be subject to existing leases of which the Client or its advisors have made C&W aware but otherwise will reflect an Assumption of vacant possession. Where C&W has undertaken to read the leases and related documents provided to it, C&W will make an Assumption that copies of all relevant documents will be sent to C&W and that they are complete and up to date.

Where C&W relies on tenancy and lease information provided to it, unless such information reveals otherwise, C&W will make the Assumption that all occupational leases are on full repairing and insuring terms, with no unusual or onerous provisions or covenants that would affect value.

C&W will make an Assumption that vacant possession can be given of all accommodation which is unlet or occupied by the entity or its employees on service tenancies. C&W will not take account of any leases between subsidiaries unless C&W states otherwise in the Services Schedule.

C&W will not undertake investigations into the financial strength of any tenants unless otherwise referred to in the Valuation Report. Unless C&W has become aware by general knowledge, or has been specifically advised to the contrary, C&W will make an Assumption that:

a. where a Property is occupied under leases then the tenants are financially in a position to meet their obligations, and

b. there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, the Valuation will reflect a potential purchaser's likely opinion of the credit worthiness of the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

C&W will take into account any information the Client or its advisors provide concerning tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, C&W will make an Assumption that the relevant Property was let with all alterations and improvements evident during

C&W's inspection (or, in the case of a Valuation without internal inspection, as described within the information provided by the Client).

C&W will also make an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary changes, all notices have been served validly within the appropriate time limits.

12.4 Environmental Matters

If C&W's enquiries or any reports supplied to C&W indicate the existence of environmental problems without providing method statements and costings for remedial works, then C&W may not be able to issue a Valuation Report except on the Special Assumption that the Properties are assumed NOT to be affected by such environmental matters. In certain circumstances, the making of such a Special Assumption may be unrealistic and may be a Departure from the requirements of the RICS Red Book. In these circumstances, the Valuation Report may include a recommendation that an investigation should be undertaken to quantify the costs and that subsequently the Valuation should be reviewed.

Where C&W's enquiries lead C&W to believe that the Properties are unaffected by contamination or other adverse environmental problems, including but not limited to the risk of flooding, mining or quarrying, radon gas, and the proximity of high voltage electrical equipment then, unless the Client instructs C&W otherwise, the Valuation will be based on an Assumption that no contamination or other adverse environmental matters exist in relation to the Properties sufficient to affect value.

If any of the Properties lie within or close to a flood plain, or have a history of flooding, C&W will make the Assumption that building insurance is in place and available to be renewed to the current or any subsequent owner of the relevant Property, without payment of an excessive premium or excess.

In the absence of any information to the contrary, C&W will make the assumption that invasive species such as Japanese Knotweed are not present at the Properties.

Depending on the nature of the investigations made and the information revealed, the Valuation Report may include a statement that, in practice, a purchaser might undertake further investigations and that if these revealed contamination or other adverse environmental problems, then this might reduce the value reported.

12.5 Mineral Rights

C&W will make an Assumption that any mineral rights are excluded from the Property.

12.6 Title

Save as disclosed either in any Certificate of Title or unless specifically advised to the contrary by the Client or its legal advisers and as referred to in the Valuation Report, C&W will make the Assumption that there is good and marketable title in all cases and that the Property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. C&W will also make an assumption that the Property is free from mortgages, charges or other encumbrances.

If verification of the accuracy of any site plans contained in the Valuation Report is required, the matter must be referred to the Client's legal advisers.

C&W will make the Assumption that roads and sewers serving the Property have been adopted and that the Property has all necessary rights of access over common estate roads, paths, corridors and stairways, and rights to use common parking areas, loading areas and other facilities.

12.7 Condition of Structure and Services, Deleterious Materials and Ground Conditions

Due regard will be paid by C&W to the apparent general state of repair and condition of each Property, but a condition or structural survey will not be undertaken, nor will woodwork or other parts of the structure which are covered, unexposed or inaccessible, be inspected. Therefore, C&W will be unable to report that each Property is structurally sound or is free from any defects. C&W will make an Assumption that each Property is free from any rot, infestation, adverse toxic chemical treatments, and structural, design or any other defects other than such as may be mentioned in the Valuation Report.

The current versions of the BRE publication *"List of excluded materials – a change in practice"* and British Council for Offices publication *"Good Practice in the Selection of Construction Materials"* make recommendations for good building practice and whether construction materials are considered to be deleterious, hazardous or harmful ("**Prohibited Materials**"). C&W will not arrange for investigations to be made to determine whether any Prohibited Materials have been used in the construction or any alterations of the Properties. C&W will not be able to confirm that each Property is free from risk to health and safety or the fitness for purpose (suitability and durability) of any construction works, nor will C&W be able to confirm that the nature or application of any materials do not contravene any relevant British Standard or EU equivalent. For the purposes of the Valuation, C&W will make an Assumption that each Property has been constructed in accordance with good building practice and any investigation of each of the Properties by a Chartered Building Surveyor would not reveal the presence of Prohibited Materials in any adverse condition.

C&W will not carry out an asbestos inspection and will not act as an asbestos inspector in completing the valuation inspection of each Property that may fall within the Control of the Asbestos at Work Regulations 2012. C&W will not make an enquiry of the duty holder (as defined in the Control of Asbestos of Work Regulations 2012), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, C&W will make an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2012 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. C&W recommends that such enquiries be undertaken by the Client's legal advisers during normal pre-contract or pre-loan enquiries.

No mining, geological or other investigations will be undertaken by C&W to certify that the sites are free from any defect as to foundations. C&W will make an Assumption that all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual or adverse effect on building costs, property values or viability of any development or existing buildings.

C&W will make the Assumptions that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive, and that the site has no archaeological significance, which might adversely affect the present or future occupation, development or value of each Property.

No tests will be carried out by C&W as to electrical, electronic, heating, plant and machinery equipment or any other services nor will the drains be tested. However, C&W will make an Assumption that all building services (including, but not limited to lifts, electrical, electronic, gas, plumbing, heating, drainage, sprinklers, ventilation, air conditioning and security systems) and property services (such as incoming mains, waste, drains, utility supplies etc.) are in good working order and without any defect whatsoever.

12.8 Statutory Requirements and Planning

Save as disclosed in a Certificate of Title, or unless otherwise advised, C&W shall make the Assumption that all of the buildings have been constructed in full compliance with valid town planning and building regulations approvals and that where necessary, they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, C&W shall also make the Assumption that the Properties are not subject to any outstanding statutory notices as to construction, use or occupation and that all existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

C&W shall make the Assumption that the Properties comply with all relevant statutory requirements.

Energy Performance Certificates (**"EPC"**) must be made available for all properties, when bought or sold, subject to certain exemptions. If the Properties are not exempt from the requirements of this Directive C&W shall make an Assumption that an EPC is made available, free of charge, to a purchaser of all the interests which are the subject of the Valuation.

In addition, in England and Wales the Minimum Energy Efficiency Standards Regulations are effective from 1 April 2018. The regulations prohibit the granting of a new tenancy or lease renewal of privately rented residential or business premises which do not have an EPC rating of 'E' or above. C&W will ask the Client or its advisors for information relating to the EPC ratings of the Properties if the Properties are not exempt from these requirements. In any instance where C&W is not provided with an up to date EPC rating C&W will make the Assumption that the Properties meet the minimum requirements to enable it to be let.

In any instance where C&W is to value Properties with the benefit of a recently granted planning consent, or on the Special Assumption that planning consent is granted, C&W will make an Assumption that it will not be

challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the Properties, or the area in which it is located) within a period of three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

If a planning consent is subject to Judicial Review, the Client must inform C&W and request C&W to reconsider its opinion of value. Advice would be required from the Client's legal advisers and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which C&W will reflect in its reconsideration of value.

If a planning consent is subject to Judicial Review, the Client must inform C&W and request C&W to reconsider its opinion of value. Advice would be required from the Client's legal advisers and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which C&W will reflect in its reconsideration of value.

12.9 Information

Notwithstanding the Terms of Business, C&W will make an Assumption that the information provided by the Client and/or its professional advisers in respect of each Property to be valued is both full and correct. C&W will make an Assumption that details of all matters relevant to value within their collective knowledge, including but not limited to matters such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to it, and that such information is up to date.

If the Valuation is required for the purpose of purchase, loan security or other financial transaction, the Client accepts that full investigation of the legal title and any leases is the responsibility of its legal advisers.

Where comparable evidence is included in the Valuation Report, this information is often based on C&W's verbal enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where C&W had reason to believe its general accuracy or where it was in accordance with expectation. It is unlikely that C&W will have inspected comparable properties.

12.10 Landlord and Tenant Act 1987

The Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable, C&W will make an Assumption that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold or head leasehold interest, and therefore disposal into the open market is unrestricted.

12.11 Leasehold Reform Housing and Urban Development Act 1993 and Leasehold Reform Act 1967

If C&W value the freehold or leasehold interest in either blocks of flats or in houses, the following will apply. The Leasehold Reform Housing and Urban Development Act 1993, as amended by the Commonhold and Leasehold Reform Act 2002, or The Leasehold Reform Act 1967 (collectively the "Act") give certain rights to residential tenants to acquire either the freehold/leasehold interest in any building which qualifies under the Act, or the right to lease extension. If this is applicable, C&W shall make an Assumption that no residential tenants have elected under the provisions of that Act to acquire the freehold or head leasehold interests, nor have they elected to acquire a lease extension, unless the Client and/or its advisers specifically inform C&W to the contrary.

12.12 Properties to be developed or in the course of development or requiring repair/refurbishment and recently completed developments

Where C&W undertake a Valuation of the completed Properties this will be based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specification, current British Standards and any relevant codes of practice. C&W will also make an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.

13. Information requested from Client

Please provide the following information:

- Tenancy schedules
- Service charge details
- Irrecoverable outgoings information
- Details of current negotiations such as rent reviews / lettings / lease renewals / dilapidation claims
- Development costs to be expended/dates of practical completion/ specifications
- Any available information regarding potential EPC capital expenditure

C&W believes that reliance on this information will not render our Valuation Report unreliable.

Appendix 1 - Property Schedule (all properties have been inspected externally between 31 March 2021 and 31 March 2022 and internally in accordance with the rolling programme referred to in 7.3 above)

PROPERTY	INTEREST	PROPERTY TYPE
CARNABY		
The Carnaby Estate Main Block which comprises the following: South Block, Carnaby Estate, London W1: 44-57 Carnaby Street; 1-17 Kingly Street; 15-23 (odd) Ganton Street; 17-25 (odd) Beak Street and Kingly Court; North Block, Carnaby Estate, London W1: 32-43 Carnaby Street, 6-22 Foubert's Place (even), 19-30 Kingly Street, 14-22 Ganton Street and 26 Ganton Street; Foubert's Place East, Carnaby Estate, London W1: 23-43 (odd) Foubert's Place * and 30/31 Great Marlborough Street; 37/39 Great Marlborough Street, Carnaby Estate, London W1 & 31-35 (odd numbers) Beak Street and 2-4 (inclusive) Carnaby Street, 37, 41*, 43*, 45*, 47 Beak Street, 61-69 Broadwick Street, 5-7 (inclusive) 5a, 8, 9, 10-20 Carnaby Street & 74 Broadwick Street*, 21, 22, 23, 24, 25, 26-27, 28-28a, 29, 30, 31 Carnaby Street, 9-11 (odd numbers), 13-15 (odd numbers), 17, 19, 21, 30-32 (even numbers) Fouberts Place, 2, 4-6 (even numbers), 8, 10, 12, 13, Ganton Street, 27/28 & 35/36 Great Marlborough Street, Lasenby House, Kingly Street, 31 Kingly Street (inc 5 and 7 Fouberts Place), 2 Lowndes Court (inc 12a Newburgh Street), 3 Lowndes Court, 1, 2 Marlborough Court, 33, 34, 35, 36, 37, 47, 49, 51 Marshall Street, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 Newburgh Street, 13-15 (inclusive) Newburgh Street (inc 3, 4 Marlborough Court, 5, 6 Lowndes Court), 16, 17 Newburgh Street, London W1.	All properties are freehold except where marked with an asterisk (within 23-43 Foubert's Place, 23-27 Foubert's Place are held leasehold)	Investment
20 Beak Street & 6 Upper John Street, London, W1	Freehold	Investment
46-48 Beak Street, London W1	Freehold	Investment
61-63 Beak Street, London W1	Freehold	Investment
1 & 2 Marshall Street, London W1	Freehold	Investment
57 Broadwick Street, London W1	Freehold	Investment
37-38 Golden Square, 5-6 Upper James Street & 36 Beak Street, London W1	Leasehold	Investment
SOHO		
The Berwick Street Single Lot which comprises the following: 1-4 Berwick Street & 4 Peter Street*, 8, 11, 12, 17, 18, 19, 20, 22, 24, 26, 27-29 (inclusive), 30 Berwick Street & 13 Wardour Mews,	Freehold with the exception of properties marked with an asterisk	Investment

PROPERTY	INTEREST	PROPERTY TYPE
32, 36, 37, 40, 45, 46 Berwick Street & 6a Noel Street, 52, 60, 61, 68, 75, 79, 80, 81, 90 Berwick Street, 18 Broadwick Street, 29 D'Arblay Street, London W1*		
15/35 Brewer Street, London W1	Freehold	Investment
26/28 Brewer Street, London W1	Freehold	Investment
49 Brewer Street, London W1*	Leasehold	Investment
58 Brewer Street, London W1	Freehold	Investment
60 Brewer Street, London W1	Freehold	Investment
8-12 Broadwick Street, London W1	Freehold	Investment
19-25 Broadwick Street, London W1	Freehold	Investment
46 Broadwick Street, London W1	Freehold	Investment
103 Charing Cross Road, London WC2	Freehold	Investment
2/4 Denman Street, London W1	Freehold	Investment
12/14 Denman Street.	Freehold	Investment
15 Denman Street, London W1	Freehold	Investment
50 Frith Street, London W1	Freehold	Investment
41 Lexington Street, London W1	Freehold	Investment
48 Lexington Street, London W1	Freehold	Investment
49 Lexington Street, London W1	Freehold	Investment
53 Lexington Street, London W1	Freehold	Investment
14/14a Old Compton Street, London W1	Freehold	Investment
16 Old Compton Street, London W1	Freehold	Investment
61 Old Compton Street, London W1	Freehold	Investment
23 Romilly Street, London W1	Freehold	Investment
1-2 Silver Place and Flat 3, London W1	Freehold	Investment
CHINATOWN		

PROPERTY	INTEREST	PROPERTY TYPE
The Central Chinatown Block, which comprises the following: 64-92 (even nos.) 96 & 98 Shaftesbury Avenue and Macclesfield Chambers, 3, 4, 5, 6, 7-11, 13-23, 36, 37, 38, 39 & 48 Gerrard Street, 1/2a Gerrard Place, 1/3, 4 & 8 Horse & Dolphin Yard, 32-32A, 34 & 36 Wardour Street, 2-7 Dansey Place and 2-5, 12 & 13 Macclesfield Street, London W1, 14, 15, 18, 19, 20, 21, 26/27* & 28-30 Lisle Street, 1 & 11-13 Newport Place, 7, 8, 9, 12-13 & 15 Little Newport Street, 21-24a Newport Court, London WC2; Parts of 100-124 Shaftesbury Avenue, London W1* which comprise the following: at ground floor and basement level 100, 102, 104 (no basement), 108, 110, 112, 114, 118, 120 and 124 Shaftesbury Avenue. 7 and 8 Egmont House on the first floor of 116 Shaftesbury Avenue and 5 Egmont House on the second floor. 5 and 7 Nassau House on the first floor and 8 Nassau House on the second floor of 122 Shaftesbury Avenue. Flats 1, 3, 4, 5, 6 and 8 Exeter Mansions on the first, second and fourth floors of 106 Shaftesbury Avenue. Flats 1, 2, 3 and 4 Egmont House on the third and fourth floors of 116 Shaftesbury Avenue. Flat 3 on the fourth floor of Nassau House, 122 Shaftesbury Avenue, London W1; 47-49 Charing Cross Road, London WC2; Central Cross, London WC2* which comprises 51-59 (odd) Charing Cross Road, 28-35 Newport Court and 10-18 (even) Newport Place.	Freehold with the exception of properties marked with an asterisk	Investment
The Western Chinatown Block, which comprises properties at 9, 11, 20, 21, 22/22A & 24, 25, 27, 31, 33/37 & 39 Wardour Street; 29 Wardour Street & 1-4 Rupert Court; 5-8 Rupert Court; 13/21 Wardour Street & 14/16 Rupert Street; 16a, 20, 24, 26, 28, 30, 34, 36/40 & 42 Rupert Street; 50/56, 58/60 & 62 Shaftesbury Avenue; 5 Lisle Street*, London W1	All properties are freehold with the exception of 5 Lisle Street	Investment
4 Leicester Street, London W1	Freehold	Investment
FITZROVIA		
8 Charlotte Street, London W1	Freehold	Investment
10 Charlotte Street, London W1	Freehold	Investment
11/13 Charlotte Street, London W1	Freehold	Investment
18 Charlotte Street, London W1	Freehold	Investment
19/23 Charlotte Street, London W1	Freehold	Investment
22 Charlotte Street, London W1	Freehold	Investment
28 Charlotte Street, London W1*	Leasehold	Investment
30 Charlotte Street, London W1	Freehold	Investment

PROPERTY	INTEREST	PROPERTY TYPE
1 Charlotte Place, London W1	Freehold	Investment
2 Charlotte Place, London W1	Freehold	Investment
5 Charlotte Place, London W1	Freehold	Investment
6 Rathbone Place, London W1	Freehold	Investment
25 Rathbone Place, London W1	Freehold	Investment
29/30/31 Rathbone Place, London W1	Freehold	Investment
47 Rathbone Street, London W1	Freehold	Investment
23 Rathbone Street, London W1	Freehold	Investment
36-39 Newman Street, London W1*	Leasehold	Investment
48 Newman Street, London W1	Freehold	Investment
22 Goodge Street, London W1	Freehold	Investment
27 Goodge Street, London W1	Freehold	Investment
32/34 Goodge Street, London W1	Freehold	Investment
43 Goodge Street, London W1	Freehold	Investment
47 Goodge Street, London W1	Freehold	Investment
49 Goodge Street, London W1	Freehold	Investment
62/64 Goodge Street, London W1	Freehold	Investment
62/63 Tottenham Court Road, 1-7 & 11-13 Goodge Street*	Leasehold	Investment
OPERA QUARTER		
The Opera Quarter, which comprises properties at 20/26a, 30/40 & 44 Wellington Street, 1-3 Russell Street, 15/17 & 21/33 Catherine Street and 13/21 & 34/42 Tavistock Street, London WC2	Freehold	Investment
Bow Street, London WC2	Freehold	Investment
SEVEN DIALS		
The Covent Garden Single Lot which comprises the following: 1/1A, 3, 5, 7, 8, 9, 10,15-23, 36, 38/39 & 43 Earlham Street, 1/1A, 3, 4, 14-18, 23, 29-39, 42, 44, 46, 48, 50/52, 53, 55, 57/59, 61, 63, 65/67, 69/71 & 73 Monmouth Street, 5/7, 9-11, 13-16, 20-23	Freehold (except 7/7A Neals Yard, 8 & 36/38 Earlham Street	Investment

PROPERTY	INTEREST	PROPERTY TYPE
Shorts Gardens, 148, 150, 154/6, 178, 180, 184, 186/8 Shaftesbury Avenue, 22, 25A, 27/27A, 29, 30-32, 31, 33, 35/7, 39, 41/45, 47-51, 50, 52, 53A, 54, 55-59, 56, 58, 62, 64, 66, 68-70, 72 & 74 Neal Street, 1-2/2A, 3-7, 8/10, 11/13, 14/15, 16 & 17 Neals Yard, 21 Tower Street,1, 5, 11-13, 15/17, 19 & 25 Shelton Street, 33-34 Mercer Street, Thomas Neals Centre, London WC2	and Flat 5, 148 Shaftesbury Avenue which are Leasehold)	
140 Cambridge Circus WC2	Freehold	Investment
15/21 Endell Street & 45 Shelton Street, London WC2	Freehold	Investment
18 Endell Street, London WC2	Freehold	Investment
31 Endell Street, London, WC2	Freehold	Investment
37 Endell Street, London, WC2	Freehold	Investment
24 Litchfield Street, London WC2	Freehold	Investment
25 Litchfield Street, London, WC2	Freehold	Investment
27/29 Shorts Gardens, London WC2	Leasehold	Investment
4-10 Tower Street, London WC2	Freehold	Investment
2-4 Upper St Martins Lane, London WC2	Freehold	Investment
7a Upper St Martins Lane, London WC2	Freehold	Investment
36/38 West Street & 142 Shaftesbury Avenue, London, London WC2	Freehold	Investment
COLISEUM		
4 Bedfordbury, London, WC2	Freehold	Investment
60/61 Chandos Place, London WC2	Freehold	Investment
William IV Street & Chandos Place Lot, London WC2	Freehold	Investment
32/34 Cranbourn Street & 77 St Martins Lane, London WC2	Freehold	Investment
44a & 44b Floral Street, London WC2	Freehold	Investment
23/25 Garrick Street, London, WC2	Freehold	Investment
39 King Street, London, WC2	Freehold	Investment
11 Long Acre, London, WC2	Freehold	Investment

PROPERTY	INTEREST	PROPERTY TYPE
4 New Row, London WC2	Freehold	Investment
7-8 New Row, London WC2	Freehold	Investment
12 New Row, London WC2	Freehold	Investment
13 New Row, London WC2	Freehold	Investment
19 New Row, London WC2	Freehold	Investment
21-22 New Row, London W1	Freehold	Investment
23-27 New Row, London WC2	Leasehold	Investment
36/36a St Martins Lane, London WC2	Freehold	Investment
37/39 St Martins Lane, London WC2	Freehold	Investment
55/58 St Martins Lane, London WC2	Freehold	Investment

APPENDIX B: SOURCES OF INFORMATION

In addition to information established by us, we have relied on the information as listed below:

Information
Floor areas
Leasing information
Floor areas
Details of planning uses and relevant planning consents
Service charge information
Details of irrecoverable outgoings
Details of current negotiations in hand, including rent reviews, dilapidation claims, details of any CPOs, highway schemes, outstanding requirements under legislation or similar
Details of recent, current or proposed marketing of the Property and offers received
Costs, timetables and specification details relating to properties in the course of refurbishment / development or to be refurbished / developed in the future
Potential EPC capital expenditure



Valuation Report

Longmartin Properties Limited

Prepared for Shaftesbury PLC
Valuation date: 31 March 2022

Important Notice to all readers of this report

Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank LLP does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.

The Directors
Shaftesbury PLC ("Shaftesbury")
22 Ganton Street
Carnaby
London W1F 7FD

For the attention of Shaftesbury PLC

The Directors and Proposed Directors
Capital & Counties Properties PLC ("Capco")
Regal House
14 James Street
London WC2E 8BU

And

Evercore Partners International LLP ("Evercore")
15 Stanhope Gate
London W1K 1LN

N.M. Rothschild & Sons Limited ("Rothschild & Co.")
New Court
St Swithin's Lane
London EC4N 8AL

Date of issue: 07 July 2022
Our Ref: I:1093115

Valuation Report - Longmartin Properties Limited

Further to your instructions, we are pleased to provide our Valuation Report in respect of the above properties. If you have any queries regarding this report, please let us know as soon as possible.

Signed for and on behalf of Knight Frank LLP

Signature.

Tony Dunnett MRICS
RICS Registered Valuer
Associate, Valuation & Advisory
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M +44 7468 727 954

Signature.

Simon Gillespie MRICS
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Knight Frank is the trading name of Knight Frank LLP. Knight Frank LLP is a limited liability partnership registered in England and Wales with registered number OC305934. Our registered office is at 55 Baker Street, London W1U 8AN where you may look at a list of members' names. If we use the term 'partner' when referring to one of our representatives, that person will either be a member, employee, worker or consultant of Knight Frank LLP and not a partner in a partnership. Regulated by RICS.

This report has been reviewed, but not undertaken, by:

Signature.

Andrew Low MRICS
RICS Registered Valuer

Partner, Valuation & Advisory

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Executive summary

Properties to be valued in London WC2 (the "Properties"):

- 1124/138 Long Acre
- 1/5 (odd) Mercer Street
- 10/12 Upper St. Martin's Lane
- Slingsby Place
- 13/14 Upper St. Martin's Lane
- 15-17 Mercer Street & Wellington House
- 6/9 Upper St. Martin's Lane
- Wellington Court
- 2/8 (even) Shelton Street and 7/13 (odd) Mercer Street
- 16/19 Upper St. Martin's Lane
- 139/142 Long Acre, Sussex House and the Sussex Public House, 143 Long Acre
- 20 Upper St. Martin's Lane

1. Terms of engagement

Engagement of Knight Frank LLP

1.1 This valuation report (the “Valuation Report”) has been prepared in accordance with our Terms of Engagement letter dated 23 May 2022 and our General Terms of Business for Valuation Services (together the “Agreement”).

1.2 We now report to you formally our valuation of properties held in the Longmartin Properties Limited joint venture between Shaftesbury PLC and the Mercers’ Company ("The Parties") (the "Valuation"). The Properties have been valued free and clear of the joint venture agreement and the figure reported represents 100% of the Market Value of the Properties.

Client

1.3 Our client for this instruction is Shaftesbury PLC (the “Client”, “you”, “your”). We agree that our Valuation Report will be addressed to you, Shaftesbury directors, the directors and proposed directors of Capco, Evercore and Rothschild & Co (together the "Addressees").

1.4 The Addressees shall be entitled to rely on and enforce the terms of the Engagement as set out in the Engagement Letter and on the Valuation Report subject in each case to the terms of the Engagement.

Valuation standards

1.5 This valuation has been undertaken in accordance with the current editions of RICS Valuation – Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. References to the “Red Book” refer to either or both of these documents, as applicable. As required by the Red Book, some key matters relating to this instruction are set out below. In this context "current edition" means the version in force at the Valuation Date.

1.6 The valuation and the Valuation Report will comply with Rule 5.4.5G of the Prospectus Regulation Rules, the requirements of the London Stock Exchange and Part III.1. of the FCA's technical note 'Primary Market TN 619.1' which replaces and incorporates the ESMA update (ESMA/2011/81) of the Committee of European Securities Regulators’ (CESR) recommendations for the consistent implementation of the European Commission Regulation (EC) n. 809/2004 ("**TN 619.1**").

Independence and expertise

Regulated Purpose Valuations (RPVs)

1.7 This valuation is a Regulated Purpose Valuation within the meaning of the Red Book, which requires us to make the following disclosures:

- It is our policy to rotate persons responsible for valuations and the signatory to valuations on a seven yearly basis, unless specifically agreed otherwise. In relation to our preceding financial year, the total fees payable by you as a percentage of our total fee income was less than 5%.
- We have acted for the Client for eighteen years. Please note that this relates to any service, not necessarily to valuation services.

- We have been undertaking this valuation role for eighteen years.
- The Lead Valuer (as defined below) has been the signatory to this report for three years. Simon Gillespie has been responsible for this instruction since 2019 and Anthony Dunnett since 2009.

Disclosure of any conflicts of interest.

We confirm that we do have a material connection or involvement giving rise to a potential conflict of interest, as set out below:

- We have valued the Properties for the Client within the last 2 years for accounts purposes and for the inclusion in the prospectus for the offering of the Company's securities, known as Project Cooper.

1.8 This has been disclosed to you and you have given your consent to us proceeding with this instruction. We confirm that we are not aware of any undisclosed matter giving rise to a potential conflict of interest and that we are providing an objective and unbiased valuation.

Valuer and expertise

1.9 The valuers, on behalf of Knight Frank LLP, with the responsibility for this report are Simon Gillespie MRICS and Anthony Dunnett MRICS, RICS Registered Valuers. We confirm that the valuer and additional valuers meet the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

1.10 For the purposes of the Red Book, we are acting as External Valuers, as defined therein and by regulations made by the Financial Conduct Authority.

1.11 We are appointed as your valuation advisors; our role is limited to providing property valuation services in accordance with the Red Book and the terms of this Agreement.

1.12 For the avoidance of doubt, we are not acting as an "External Valuer" for the purposes of Directive 2011/61/EU and/or any implementing legislation, laws or regulations thereof (including, but not limited to, the Alternative Investment Fund Manager's Regulations 2013) ("AIFMD"). We shall not perform the valuation function referred to in Article 19 of AIFMD for the Fund, and, we are not responsible for making the final determination of the value of the Properties nor for the calculation of the Net Asset Value of the Fund.

1.13 By entering into this Agreement and instructing us you represent that no notice purporting to appoint or to have appointed us, or any member, employee, partner or consultant of Knight Frank LLP, as your 'external valuer' under AIFMD (or in any respect to have any meaning other than that defined by the Red Book) has been or will be sent to any regulatory body, nor will any announcement or communication of any nature to similar effect be made or sent to your investors. If we are determined to be or reasonably consider that we are at risk of being determined to be an 'external valuer' within the meaning of AIFMD then we reserve the right to terminate this Agreement immediately.

1.14 This report has been vetted as part of Knight Frank LLP's quality assurance procedures.

Use of this Valuation

Purpose of valuation

1.15 The Valuation is provided solely for the purpose (the "Purpose") of inclusion in

> a prospectus and/or any supplementary prospectus to be published by Capco in connection the Proposed Transaction (the prospectus prepared in connection with the Proposed Transaction being referred to in this letter as the "**Prospectus**") in connection with which new shares of Capco will be admitted (i) to listing on the premium listing segment of the Official List of the Financial Conduct Authority ("FCA") and to trading on the main market for listed securities on the London Stock Exchange (the "London Stock Exchange") and (ii) for listing and trading to the Main Board of the Johannesburg Stock Exchange.

The Valuation may not be used for any other purpose (other than the Purpose set out in this letter), without our express written consent.

For the purposes of this Agreement, the Prospectus and any supplementary prospectus shall together be referred to as the "**Transaction Documentation**" and "**Transaction Document**" shall mean any such document.

Third party reliance and liability

1.16 Save for: (a) the Addressees; and (b) any responsibility to any person arising under Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules as and to the extent there provided, in accordance with Clauses 3 & 4 of the General Terms and to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with the Valuation Report or our statement, required by and given solely for the purposes of complying with Annex 3 Item 1.2 to the Prospectus Regulation (EU) 2019/980 which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

1.17 We acknowledge that shareholders or prospective shareholders of Shaftesbury and/or Capco may rely on the Valuation Report in the form it is included in any Transaction Document.

1.18 The Client agrees and acknowledges that we shall have no liability for any error, omission or inaccuracy in the Valuation Report to the extent resulting from our reliance on information provided by or on behalf of the Client unless such use was negligent, reckless or in bad faith or unless otherwise stated.

Disclosure

1.19 Clauses 4.3 to 4.6 of the General Terms limit disclosure and generally prohibits publication of the Valuation and the Valuation Report. As stated therein, the Valuation is confidential to you and the Addressees and neither the whole, nor any part, of the Valuation nor any reference thereto may be included in any published document, circular or statement, nor published in any way, without our prior written consent and written approval of the form or context in which it may appear.

1.20 Notwithstanding this, the Valuation Report may be disclosed in accordance with the terms of the Agreement, for the Purpose and as set out below.

1.21 Our final Valuation Report will be included in the Prospectus to be published by Capco. We will review the sections of the Prospectus relating to the Properties and you agree to not publish the Prospectus containing the Valuation Report until you have received a Consent Letter from us. We further hereby consent to our Valuation Report being put on public display in accordance with Item 15.1 of Annex 3 to the Prospectus Regulation (EU) 2019/980, which forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

1.22 We confirm that, in our opinion, the current valuation on the Property as at the date of this Valuation Report would not be materially different from the valuation of the property as at the Valuation Date.

Limitations on liability

1.23 Knight Frank LLP's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited in accordance with the terms of the Agreement. Knight Frank LLP accepts no liability for any indirect or consequential loss or for loss of profits.

1.24 We confirm that we hold adequate and appropriate PII cover for this instruction.

1.25 No claim arising out of or in connection with this Valuation may be brought against any member, employee, partner or consultant of Knight Frank LLP. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank LLP.

1.26 Nothing in this Agreement excludes or limits our liability to the extent that such liability may not be excluded or limited as a matter of applicable law or the requirements of the Financial Conduct Authority or the London Stock Exchange.

Scope of work

Information provided to us which we have relied upon

1.27 In this report we have been provided with the following information by you, your advisors or other third parties and we have relied upon this information as being materially correct in all aspects.

1.28 In particular, we detail the following:

- Tenancy Schedules provided by Shaftesbury PLC & CBRE
- Reports on title produced by Herbert Smith LLP on behalf of the Mercers' Company and by Lovells on behalf of Shaftesbury PLC
- Headleases and occupational leases produced by Shaftesbury PLC

1.29 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

Investigations carried out by us

1.30 We have not made planning enquiries of the Local Authority, but have relied upon information provided Shaftesbury PLC.

Responsibility

1.31 For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge, the information contained in this Valuation Report is in accordance with the facts and the Valuation Report makes no omission likely to affect its import. This Valuation Report complies with Prospectus Regulation Rule 5.4.5G and TN 619.1The valuation and the Valuation Report comply with Rule 5.4.5G of the Prospectus Regulation Rules and TN 619.1, as amended.

Consent to publication

1.32 Knight Frank has given and has not withdrawn its consent to the inclusion of this Valuation Report in the Prospectus published by Capco dated 7 July 2022 in the form and context in which it is included.

2. The Properties

Interests held in the Joint Venture

2.1 The head-leasehold interest held by Longmartin Properties Limited in 124/138 Long Acre, 1/5 (odd) Mercer street, 10/12 Upper St. Martin's Lane and Slingsby Place, London WC2, dated 1 February 2005, subject to the existing occupational leases.

2.2 The head-leasehold interest held by Longmartin Properties Limited in 13/14 Upper St. Martin's Lane, 17 Mercer Street and Wellington House, 6/9 Upper St. Martin's Lane, Wellington Court, 2/8 (even) Shelton Street and 7/13 (odd) Mercer Street, and 15 Mercer Street (basement), London WC2, dated 15 March 2005, subject to the existing occupational leases.

2.3 The head-leasehold interest held by Longmartin Properties Limited in 16/19 Upper St. Martin's Lane and 139/142 Long Acre, London WC2 dated 24 May 2005, subject to the existing occupational lease.

2.4 The head-leasehold interest held by Longmartin Properties Limited in Sussex House and the Sussex Public House at 143 Long Acre and 20 Upper St. Martin's Lane, London WC2 dated 8 November 2005, subject to the existing occupational leases.

2.5 Summary of property information:

Table 1:

Property	Description, Age & Tenure	Terms of Existing Tenancies
124-143 Long Acre, 6-19 Upper St Martin's Lane, 2-8 Shelton Street and 1-11 & 15/17 Mercer Street, London WC2	A mixed-use scheme, completed is 2010, comprises retail, restaurants, offices and residential uses. The total area is c.266,000 sq ft. **Tenure:** Held leasehold under 4 head-leases with lease expiries between March 2125 and March 2180. 3 of the leases are subject to paying 7.50% of the net rents, with the 4th lease subject to a peppercorn rent.	The property is multi-let on approximately 94 commercial and residential lease. The commercial leases are mostly on effectively full repairing and insuring terms, including rent review. The residential units are predominantly let on Assured Shorthold terms with the landlord responsible for the maintenance and insurance. There are 10 vacant commercial units and 20 residential units representing c. 13% of the total estimated rental value of the property. The WAULT to break/expiry is c 4.3 years, 4.9 years excluding the residential element.

Scope of inspection

2.6 We were instructed to inspect the Properties externally and we will internally inspect selected parts as part of our ongoing bi-annual inspections of the Estate. We inspected the Properties on 19 January 2022.

2.7 In accordance with instructions from The Parties, we have relied on full measurements provided to us by both parties.

2.8 We have not undertaken either structure or condition surveys on The Properties and are, therefore, unable to report that The Properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. No tests were carried out on the technical services and we have not investigated ground conditions. In the course of our inspections, due regard has been paid to the apparent state of repair and condition of the Properties. We have had regard to these factors in arriving at our valuation.

Environmental considerations

Contamination

2.9 Investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank LLP is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.

2.10 Subject to the above, while carrying out our valuation inspection, we have not been made aware of any uses conducted at the subject property that would give cause for concern as to possible environmental contamination. Our valuation is provided on the assumption that the property is unaffected.

Legal title

2.11 We have assumed there to be a good and marketable title to the Properties. We have taken account of comments, as far as we are aware, of unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the Properties. We confirm that we have taken account of the limited guarantee with which the Mercers Lease is transferred by Mercers Reconstructions.

2.12 We have previously been provided with Reports on Title prepared by Herbert Smith LLP on behalf of The Mercers' Company and Lovells on behalf of Shaftesbury PLC and confirm that we have had regard to their contents in carrying out our valuations.

2.13 We recommend that our understanding of all legal title issues is referred to your legal advisers. It is also particularly important that your legal advisers should be asked to check whether there have been any transactions relating to the property which reveal price paid information which we should be made aware of.

2.14 If any matters come to light as a result of your legal adviser's review of these issues, we request that these matters are referred back to us as this information may have an important bearing upon the values reported.

Statutory licences & certificates

2.15 We have assumed that the premises comply with all necessary statutory requirements including fire and building regulations.

Fire safety

2.16 It is a requirement for a fire safety risk assessment to be carried out and for a fire management plan to be maintained. These requirements, which were introduced in 2006 replace the previous requirement for a Fire Certificate. We have not viewed any such documents relating to the property and have assumed for the purposes of our valuation that the relevant requirements have been fully complied with.

Taxation and costs

2.17 We have made no allowances in our valuations for expenses of realisation or for taxation which may arise in the event of development or disposals and our valuations are expressed exclusive of any Value Added Tax that may become chargeable.

2.18 We have made deductions in our valuations to reflect purchaser's acquisition costs.

3. Valuation

Methodology

3.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

Investment method

3.2 Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.

Valuation bases

Market Rent

3.3 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation - Global Standards as:

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value

3.4 The Properties have been valued on the basis of Market Value which is defined within RICS Valuation - Global Standards as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation date

Valuation date

3.5 The valuation date is 31 March 2022.

Market Value

Market Value

3.6 We are of the opinion that the Market Value of the long leasehold interest in the property, at the valuation date is:

£345,500,000 Three Hundred and Forty Five Million Five Hundred Thousand Pounds).

3.7 The Market Value of the Client's apportioned share of the Client's interest in the long leasehold interest in The Properties, at the valuation date is:

£172,750,000 (One Hundred and Seventy Two Million Seven Hundred and Fifty Thousand Pounds)

Paragraph 130 (vi), TN 619.1

3.8 Since 30 September 2021 to the Valuation Date, the Longmartin valuation has increased by 5%. This is due to the stabilisation of the retail market plus the improvement in the F&B and Residential markets. Whilst the office market has been broadly stable there has been £2.2 million of capital expenditure plus offers from prospective tenants have been ahead of the Company's September ERVs on the refurbished space on Upper St Martin's Lane. We have increased the Company's ERVs on this space in March (Overall office ERVs up 1.25%). Interest in F&B units has led to a 25 bps improvement on our yields for the best F&B units. Retail rents and yields have been stable and some retail has been reassigned to F&B. In terms of residential an increase in income plus an improvement in market sentiment has led to a 5% valuation improvement.

APPENDIX 3

SHAFTESBURY FINANCIAL STATEMENTS

Section A: Historical Financial Information relating to the Shaftesbury Group for the six months ended 31 March 2022

Overview

The continuing strong rebound in the West End economy since the lifting of pandemic restrictions last summer has continued throughout the period, with just a short period of disruption during December and January as some limited Covid restrictions were reintroduced. This robust performance reflects the West End's exceptional and enduring appeal and its inherent resilience. The patient, long-term stewardship of our high profile, centrally-located ownerships, and the actions we took to support our occupiers and stakeholders through the long period of pandemic challenges, have underpinned the welcome recovery we are now seeing in key operating metrics, EPRA earnings and net tangible assets.

In the six months ended 31 March 2022, net property income grew by 55% to £41.1 million (2021: £26.5 million), which contributed to an increase in EPRA earnings to £15.6 million (2021: £2.1 million). EPRA earnings per share rose 3.5p to 4.1p per share. Profit after tax for the period was £247.6 million (2021: loss of £338.5 million), largely due to revaluation surpluses of £232.9 million (2021: revaluation deficits of £342.6 million).

The Board has declared an interim dividend of 4.8 pence per share (31.3.2021: 2.4p), which is fully covered by Covid-adjusted EPRA earnings per share.

The valuation of our wholly-owned portfolio now stands at £3.3 billion, reflecting a like-for-like increase over six months of 7.5%. The return of tension between demand for, and availability of, space in our villages has driven a 6.4% recovery in rental values in the period, which was the main component of the valuation increase. Encouragingly, almost half of the ERV decline during the pandemic has now reversed, with both offices and residential uses now ahead of 2019 levels. Over the last twelve months, we have now recovered over one third of the valuation decline reported in the period from October 2019 to March 2021.

EPRA NTA increased over the period by 9.7% from £6.19 to £6.79 per share following revaluation surpluses in both the wholly-owned portfolio and Longmartin.

We continue to improve, reconfigure and repurpose our buildings to unlock latent value and enhance our exceptional portfolio's long-term income prospects. With strong occupier demand and limited vacancy, we are beginning to actively secure vacant space to deliver new value- and income-enhancing opportunities. At 31 March 2022, schemes underway extended to 180,000 sq. ft., over 9% of our portfolio's total area. Capital expenditure in the period totalled £16.6 million.

Our Balance Sheet remains robust. At 31 March 2022, available resources amounted to £303.9 million and our loan-to-value ratio was 23.2%. We are compliant with all financial covenants in our debt facilities and deposits linked to interest cover covenant waivers during the pandemic have now been returned.

The central section of the Elizabeth Line is scheduled to open to passengers today, with a full service expected by Spring 2023. Over the longer term, the West End is set to benefit from the material increase in visitor numbers and spending this line should bring. Our portfolio is well-placed to benefit, with all our ownerships a short walk from the new Tottenham Court Road and Bond Street interchanges.

Although Covid concerns are receding, new challenges are now coming to the fore, both in the UK and in many other economies, exacerbated by macroeconomic and political issues, including the war in Ukraine. Inflationary pressures, tax increases, rising cost of finance and supply chain disruption could weigh on the outlook for consumer confidence and spending. Along with continuing staff shortages and the cessation of Government Covid support, businesses are now having to deal with a complex range of operational challenges. Whilst London and the West End cannot be completely sheltered from these headwinds, their global status, appeal and broad-based, dynamic economies should provide a considerable degree of protection, which few other locations can match.

With the prospect of an extended period of uninterrupted trading as we enter the important summer season, further enhanced by the improving outlook for international leisure and business travel, the revival in confidence and growth we are now seeing is already providing a firm foundation for the return to long-term prosperity for the West End and our exceptional portfolio.

Operating environment

The previously reported recovery in confidence, footfall and sales across our villages continues. Whilst the Omicron Covid variant led to the Government reintroducing certain restrictions for seven weeks between December and January, the impact on activity was limited and short-lived, and, from the end of January, we saw a rapid rebound in our popular areas.

Footfall continues to improve, typically building through the working week and peaking at weekends. Whilst it has largely comprised domestic visitors, residents and workers, we are now seeing growing numbers of international tourists, a trend we expect will continue through the summer, further improving trading performance.

Hospitality, retail and leisure occupiers are reporting growing turnover. Where we have comparable data, monthly sales are now 7% ahead of pre-pandemic levels on average. With recovering operational conditions, rent collection continues to improve, with 95% of invoiced rent in respect of the six months to 31 March 2022 now collected.

Occupier demand, leasing and occupancy

With strong interest from potential occupiers across all uses, leasing momentum continues, and vacancy is trending towards pre-pandemic levels. During the period, we completed lettings, renewals and rent reviews with a rental value of £18.9 million, achieving healthy increases over September 2021 ERVs and previous rents.

Leasing transactions concluded in the six months ended 31 March 2022

	H1 2022		2021	
	Rental value		H1	H2
	£m		£m	£m
Commercial				
Lettings and lease renewals[1]	**13.3**	+6.3% vs 30.9.2021 ERV	7.9	12.7
Rent reviews	**3.3**	+17.9% vs previous rent	2.0	1.4
	16.6		9.9	14.1
Residential	**2.3**	+6.2% vs previous rent	4.1	5.8
	18.9		14.0	19.9

(1) Includes estimated turnover rent where applicable.

Leasing momentum has continued since 1 April 2022 with commercial and residential lettings and renewals with a rental value of £5.7 million concluded (including £1.8 million at our 72 Broadwick Street scheme, see below) and further lettings have been put into solicitors' hands.

Occupancy

During the period, EPRA vacancy fell 1.3 percentage points to 4.7% (ERV: £6.7 million), of which 2.6% was available to let (ERV: £3.6 million) and 2.1% was under offer (ERV: £3.1 million).

Available-to-let space at 31 March 2022

	Hospitality and leisure	Retail	Offices	Residential	Total
ERV[1] (£m)	**0.5**	**1.7**	**1.3**	**0.1**	**3.6**
% of portfolio ERV	**0.4%**	**1.2%**	**0.9%**	**0.1%**	**2.6%**
Area ('000 sq. ft.)	7	19	20	2	48
30.9.21					
% of portfolio ERV	*0.4%*	*1.5%*	*1.0%*	—	*2.9%*
Area ('000 sq. ft.)	*6*	*25*	*22*	—	*53*

(1) Includes space let on temporary basis with an ERV of £0.8 million, 0.6% of portfolio ERV (30.9.21: £1.0 million; 0.8% of portfolio ERV).

Hospitality and leisure (322 restaurants, cafés, bars and pubs; 0.7 million sq. ft.; 38% of ERV)

Trading levels on average have recovered strongly across our villages and, in April 2022, were 9% above pre-pandemic levels. With a positive outlook in our busy, central locations, occupier demand remains strong. We have limited space to offer, with just seven restaurants and cafés available at 31 March 2022 (7,000 sq. ft.; ERV: £0.5 million).

During the period, we concluded lettings and renewals with a passing rent of £3.6 million, 7.6% above ERV at 30 September 2021. Rent reviews with a rental value of £2.3 million were agreed, 20.0% ahead of previous rents.

Retail (291 shops; 0.4 million sq. ft.; 28% of ERV)

Retail trading continued to improve throughout the period, albeit at a slower pace than we have seen for hospitality and leisure. However, sales data shows trade is now on average 4% ahead of pre-pandemic levels. Occupier demand is showing a similar recovery. We are seeing healthy numbers of enquiries and an improvement in letting terms, with leases now commonly structured based on a contracted rent that rises to ERV over the first two years of the lease, rather than being based on turnover.

Lettings and renewals with a rental value of £6.5 million were completed in the period, with rents achieved 6.8% ahead of September 2021 ERV. Rent reviews totalled £0.5 million, 2.1% ahead of previous rents. At 31 March 2022, 17 shops were available to let (ERV: £1.7 million, 19,000 sq. ft.), including nine units (ERV: £0.8 million) let on a temporary basis.

Offices (312 suites; 0.4 million sq. ft.; 21% of ERV)

Demand for office space in our villages continues to be strong, particularly for high quality suites. Encouragingly, as occupiers implement their post-pandemic workplace strategies, we are receiving an increasing number of enquiries from existing occupiers for additional or higher-specification space. Our "Assemble" fitted product continues to be popular and we are working on plans to improve amenities, such as further shared meeting room availability across our areas and a new cycle hub in Seven Dials, a feature which has proved popular in Carnaby.

During the period, we concluded lettings and renewals with a rental value of £3.2 million, 3.8% up on September 2021 ERV. Rent reviews with rental value of £0.5 million were completed, 26.9% ahead of previous rents. At 31 March 2022, 22 office suites (20,000 sq. ft.) were available to let (ERV: £1.3 million), which included 2,200 sq. ft. of space in recently completed refurbishment schemes.

Residential (631 apartments; 0.4 million sq. ft.; 13% of ERV)

With sustained demand for our apartments, and for residential accommodation generally across the West End, any space we get back typically goes under offer within days, and our rental levels have now recovered to pre-pandemic levels. We have now reinstated RPI-linked uplifts across our residential leases, having paused temporarily during the pandemic.

During the period, we completed 81 lettings. Overall, rents achieved were 6.2% above previous levels, although we have seen an acceleration in this performance during the period, with rents achieved in the second quarter up 11.5%. At 31 March 2022, just three apartments were available to let.

Space under offer

At 31 March 2022, space under offer extended to 40,000 sq. ft. and comprised six restaurants and cafés (ERV: £0.9 million), six shops (ERV: £1.0 million), 14,000 sq. ft. of office accommodation (ERV: £1.0 million) and six apartments (ERV: £0.2 million).

Rent collection

With the operating environment recovering strongly, our pandemic-related rental support ceased at the end of September 2021. Rent collection rates have continued to recover, reflecting the much-improved trading environment and the lifting of the Government's moratorium on landlords' ability to recover commercial rent arrears in late March 2022. We have now collected 95% of invoiced rents for the period and expect both a continued improvement in collection rates and further recoveries of aged arrears.

Wholly-owned portfolio valuation

Valuation analysis at 31 March 2022

	Hospitality and leisure	Retail	Offices	Residential	2022 Total	30.9.2021 Total
Valuation (£m)	1,216	880	596	570	**3,262**	3,011
Annualised current income (£m)[1]	42.9	30.1	18.3	15.9	**107.2**	107.8
ERV (£m)	52.9	39.3	30.0	18.7	**140.9**	131.7
Topped up initial yield	3.7%	3.7%	3.1%	N/A	**3.3%**	3.5%
Reversionary yield	4.1%	4.2%	4.5%	2.4%	**3.9%**	3.9%
LfL movement[2][3]						
Valuation	7.8%	7.1%	8.6%	6.4%	**7.5%**	(5.4)%
ERV	6.4%	5.9%	4.0%	11.1%	**6.4%**	(6.4)%
Stats						
% of total fair value	37%	27%	18%	18%	**100%**	
% of ERV	38%	28%	21%	13%	**100%**	
Average ERV (£ psf)	76	89	67	49	**72**	67
WAULT (years)	7.9	3.2	2.4	Note 4		
Area (sq. ft. m)[5]	0.7	0.4	0.4	0.4	**1.9**	1.9

(1) Including estimated turnover-related income; excluding income realised on expiry of rent-free periods and contractual rent increases.

(2) 31 March 2022: 6-month change; 30 September 2021: 12-month change.

(3) Like-for-like, taking into account acquisitions, disposals, capital expenditure and adjusting for reclassifications between categories.

(4) Residential typically let on three-year assured shorthold tenancies with mutual rolling two-month break options after the first six months.

(5) Excluding apartments which are sold off on long leases, covering approximately 0.2 million sq. ft.

At 31 March 2022, the external valuation of the wholly-owned portfolio was £3.26 billion (30.9.21: £3.01 billion). On a like-for-like basis, this represents an increase of 7.5% over the period and brings valuation growth over the past 12 months to 13.1%. Together with the 5.2% like-for-like increase in the second half of our last financial year, our portfolio has now recovered over a third of the 26.6% revaluation decline experienced during the eighteen months to 31 March 2021.

The valuation increase over the period was largely driven by like-for-like ERV growth of 6.4%, with increases across all uses, reflecting sustained occupier demand and low levels of vacancy, as footfall and trading in our locations continues to recover towards pre-pandemic levels.

The strength of our occupational market and improved investor sentiment has led to a tightening of the portfolio's equivalent yield of 6 basis points to 3.86% (30.9.21: 3.92%). This compares with 3.47% at 30 September 2019, prior to the pandemic.

Now that our pandemic rental support has ceased, the valuers have removed the remaining provision for Covid waivers, which totalled £10.6 million at 30 September 2021.

After allowing for acquisitions and capital expenditure, the revaluation surplus for the period was £226.7 million.

Rental growth

Estimated rental values have recovered during the period, reversing almost half the 12.5% decline experienced during the pandemic. At 31 March 2022, portfolio ERV was 6.9% below pre-pandemic levels (at 30 September 2019), with hospitality and leisure now just 6.4% lower and retail down 16.2% overall. Office and residential ERVs are now higher than those at 30 September 2019, with residential reversing all the pandemic decline in the current six-month period, reflecting the strength of occupational demand.

Like-for-like ERV growth/(decline)

	Decline	Recovery period		Net decline/ growth since 1.10.2019
	18 months to 31.3.21	6 months to 30.9.21	6 months to 31.3.22	
Hospitality and leisure	-12.0%	-0.1%	+6.4%	-6.4%
Retail	-20.6%	-0.2%	+5.9%	-16.2%
Offices	-3.4%	1.9%	+4.0%	+2.4%
Residential	-6.4%	-2.8%	+11.1%	+1.0%
	-12.5%	**-0.1%**	**+6.4%**	**-6.9%**

Hospitality and leisure

The valuation of our hospitality and leisure space increased by 7.8% (like-for-like) during the period, largely driven by 6.4% ERV growth, reflecting the strength of occupational demand and low vacancy levels. Capitalisation rates have improved by thirteen basis points with positive occupier sentiment fuelled by the improved operational outlook.

The valuers continue to largely exclude the potential value from turnover-related rental top-ups. However, as the likelihood of returning to reliable revenue streams increases, they may then be reflected in the valuation.

Retail

Like-for-like retail valuation growth of 7.1% during the period, was largely due to 5.9% growth in rental values, reflecting leasing activity and a general improvement in retailer sentiment as trading volumes and footfall continue to recover. Growth was particularly strong in Carnaby Street, where rental tones increased 12.5% to £450 per sq. ft. (30.9.21: £400 per sq. ft.), although still 18% below pre-pandemic levels (30.9.19: £550 per sq. ft.). Capitalisation rates were broadly stable over the period.

Offices

The valuation of our offices increased by 8.6% (like-for-like) during the period, with ERVs increasing by 4.0% on the back of lettings and improved occupier demand for West End offices, and particularly for the best space in the best locations. Capitalisation rates have reduced by c. 21 basis points reflecting continued strong investor sentiment.

Residential

Our residential values increased by 6.4% in the period, reflecting the buoyancy of the West End residential investment market. The average capital value of our apartments is £1,500 per sq. ft. (30.9.21: £1,405 per sq. ft.).

Portfolio reversionary potential

At 31 March 2022, portfolio ERV was £140.9 million (30.9.21: £131.7 million), 31.4% ahead of annualised current income. The components of the reversionary potential are set out below:

	Total £m	How it will be realised
Annualised current income	**107.2**	
Contracted income	11.6	On expiry of rent-free periods, and contractual rent increases
EPRA vacancy	6.7	Letting of vacant space at 31 March 2022
Asset management schemes	13.1	Completion and letting of schemes in progress at 31 March 2022
Under-rented leases	2.3	Through normal cycle of rent reviews, lease renewals and lettings
ERV	**140.9**	

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

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

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

Longmartin valuation

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

At 31 March 2022, Longmartin's long leasehold property was valued at £172.8 million (30.9.21: £164.5 million). The like-for-like increase was 4.0%, reflecting ERV growth of 4.0%, with the overall equivalent yield stable at 4.0%. After allowing for capital expenditure and changes in lease incentives, the revaluation surplus was £6.2 million.

Growth/(decline) by use

	% of portfolio	Like-for-like[1] growth		Valuation £m
		ERV	Valuation	
Hospitality and leisure	24%	+0.1%	+4.5%	**40.8**
Retail	16%	-0.8%	+1.5%	**28.1**
Offices	43%	+4.4%	+4.1%	**74.3**
Residential	17%	+15.4%	+5.3%	**29.6**
	100%	+4.0%	+4.0%	**172.8**

(1) After adjusting for reclassifications of space between uses.

As with the wholly-owned portfolio, all uses have delivered valuation growth in the period. Hospitality and leisure has increased by 4.5% with ERVs flat and yields reducing for the best space. Retail rental values have stabilised and yields are broadly unchanged. However, with letting progress during the period, the valuers' assumed vacancy has decreased, leading to a like-for-like valuation increase of 1.5%.

The value of offices has increased by 4.1%, with rental values up 4.4% during the period and yields stable. Residential rental values have rebounded, up 15.4% over six months and capital values have increased by 5.3% reflecting good investment market conditions.

Asset management

A key aspect of our management strategy is to continually improve and, where appropriate, repurpose buildings to ensure they meet ever-changing occupier requirements and their environmental performance is improved. Our initiatives unlock latent value and enhance our portfolio's long-term income prospects.

Our focus during the pandemic was to protect existing income and new schemes were put on hold, other than by exception. With the return of sustained occupier demand, and limited vacancy across our portfolio, we are now beginning to actively secure vacant possession of space where we see opportunities to accelerate schemes, including those put on hold during the pandemic.

At 31 March 2022, space held for, or under, refurbishment in the wholly-owned portfolio extended to 180,000 sq. ft., and represented 9.3% of total ERV, up 0.4% since 30 September 2021. Capital expenditure during the period totalled £16.6 million.

Space held for or undergoing refurbishment at 31 March 2022

	Hospitality and leisure	Retail	Offices	Residential	Total	% of portfolio ERV
ERV (£m)						
72 Broadwick Street						
31.3.2022	**—**	**—**	**5.2**	**0.7**	**5.9**	**4.2%**
30.9.2021	2.6	—	2.3	0.7	5.6	4.2%
Other schemes						
31.3.2022	**1.6**	**1.2**	**3.3**	**1.1**	**7.2**	**5.1%**
30.9.2021	0.8	1.1	3.6	0.7	6.2	4.7%
Total						
31.3.2022	**1.6**	**1.2**	**8.5**	**1.8**	**13.1**	**9.3%**
30.9.2021	3.4	1.1	5.9	1.4	11.8	8.9%
Area ('000 sq. ft.)						
31.3.2022	**21**	**18**	**110**	**31**	**180**	
30.9.2021	45	17	84	24	170	

72 Broadwick Street, Carnaby

- **Scheme status**

Our mixed-use scheme at 72 Broadwick Street will complete imminently. Capital expenditure during the period was £4.7 million and, at 31 March 2022, the remaining cost to complete this project was £3.1 million.

- **Letting update**

	Hospitality and leisure	Offices	Residential	Total	% of total
	£m	£m	£m	£m	ERV
ERV at 30 Sept 2021	2.6	2.3	0.7	5.6	4.2%
Change in ERV	—	0.3	—	0.3	
ERV at 31 March 2022	**2.6**	**2.6**	**0.7**	**5.9**	**4.2%**
Space to now be let as offices	(2.6)	2.6	—	—	
Pro-forma ERV at 31 March 2022	**—**	**5.2**	**0.7**	**5.9**	**4.2%**
Under offer[(1)] at 31 March 2022	—	1.8	—	1.8	1.3%
Available to let once completed	—	3.4	0.7	4.1	2.9%

(1) Excluding leisure space now to be fitted out as offices.

We have now completed the letting of the 17,500 sq. ft. fourth floor office space, which was under offer at 31 March 2022 (1.3% of portfolio ERV). The first floor office space (9,000 sq. ft.) is being fitted out to enable an occupier to take immediate occupation.

Disappointingly, Equinox, the US gym operator, has now informed us it is no longer able to complete its lease of the second and third floors. Upon termination of the agreement for lease, the 32,750 sq. ft.

it would have occupied will be fitted out and marketed for office use, following the successful letting of the fourth floor. Whilst this will result in incremental expenditure, estimated at £4.9 million, we expect increased rental income from the space.

Having taken handover of the residential accommodation in late April 2022, we are now furnishing the fifteen apartments, with a view to launching to the market in early June 2022.

- **Sustainability**

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

Other schemes

At 31 March 2022, other schemes extended to 111,000 sq. ft. (30.9.21: 101,000 sq. ft.) and represented 5.1% of portfolio ERV. Schemes underway included 21,000 sq. ft. of hospitality space, 18,000 sq. ft. of retail, 50,000 sq. ft. of office accommodation and 33 apartments.

During the period, we commenced new schemes with an ERV of £2.7 million, including £0.4 million in respect of recently acquired buildings, and completed projects with an ERV of £2.7 million. New projects include two grade A office-led schemes in Carnaby:

Scheme	Description	Estimated cost	Estimated completion
		£m	
5–7 Carnaby Street	• Extension and refurbishment of 3rd floor office space, and construction of new 4th and 5th floor offices with terrace at 6th floor • Sustainability features including living wall, terrace greening, improved energy rating • Scheme ERV: £1.0m, c. 45% higher than pre-scheme ERV	£4.7m	Spring 2023
2–4 Kingly Street . .	• Combination and reconfiguration of three buildings, including one acquired during the pandemic, to provide four floors of offices with roof terrace, a bar (pre-let) and a new restaurant, both fronting Kingly Street and Kingly Court • Retaining most of the original building structures • Sustainability features including terrace greening, improved energy rating • 3,200 sq. ft. newly configured bar pre let • Scheme ERV: £1.2m, c. 33% higher than pre-scheme ERV	£8.1m	Summer 2023

In addition to 72 Broadwick Street, currently, we anticipate schemes with an ERV of £2.7 million will complete in the second half of this financial year, and whilst they will initially increase EPRA vacancy, they will provide opportunities to improve rental tones across our streets and deliver long-term enhancements to earnings. Importantly, we expect to complete the refurbishment of 27 apartments in the second half, which will deliver new stock into the current supply-constrained market.

Longmartin asset management

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

For the six months to 31 March 2022, 99% of invoiced rent has been collected to date. During the period, lettings, renewals and rent reviews with a rental value of £0.7 million were concluded. At 31 March 2022, our 50% share of the ERV of Longmartin's vacant space was £0.4 million (30.9.21: £0.7 million), of which £0.2 million was under offer. Space with an ERV of £0.9 million was under refurbishment (30.9.21: £0.6 million), the majority of which relates to two office suites (ERV: £0.7 million) which have now completed and of which nearly 60% of the space is now under offer.

Acquisitions and disposals

Acquisitions in the six months to 31 March 2022

During the six months to 31 March 2022, we acquired five buildings in Covent Garden, Chinatown and Fitzrovia for £19.6 million (including acquisition costs). These buildings further consolidate the holdings in our ownership clusters, bringing additional long-term value creation opportunities.

92–104 Berwick Street, Soho

In May 2022, we acquired a 200-year ungeared leasehold interest in the lower floors of 92-104 Berwick Street, Soho, for £27.5 million (excluding purchase costs). Purchased from the administrator of Berwick Street Securities LLP, the interest comprises c. 15,600 sq. ft. of retail accommodation and c. 3,600 sq. ft. which is suitable for restaurant uses. Importantly, this strategic acquisition takes our ownership to over 50% of active frontages on Berwick Street.

Of the total space, 5,400 sq. ft. is let to a supermarket, which is open and trading, and the remainder is vacant. Capital expenditure of £2.6 million is anticipated to put the vacant space in a market-standard lettable condition for occupiers.

Further opportunities

We continue to seek further opportunities to acquire assets which offer the potential for future rental and capital value growth, either individually or through combination with our existing ownerships. Inevitably, with the strong recovery in the West End's prospects firmly established, existing owners of the type of assets we seek to acquire may now be less keen to dispose of buildings, particularly where reinvestment opportunities are limited.

Disposals

During the period, we sold two non-core buildings for £11.4 million (gross), 9.6% above book value at 30 September 2021. Further disposals from a limited pool of buildings no longer core to our long-term strategy are currently being considered.

Sustainability

In November 2021, we launched our refreshed sustainability strategy, following an in-depth review of our most material issues. This refresh includes our commitment to become a net zero carbon business by 2030, in line with our science-based target. It enshrines our long-established strategy of focusing on re-use and repurposing of our buildings, prioritising retaining existing structures wherever possible and ambitious improvements to environmental performance, rather than demolition and re-building.

In addition to continually up-grading our properties, we are now stepping up engagement with our occupiers to reduce the carbon impact of their activities, to enable us to meet, and, where feasible, exceed our own carbon reduction targets and the more stringent energy performance standards being introduced by the Government.

We also re-iterated our continuing commitment to support local communities, particularly focusing on young people, and to use our practical experience to influence, motivate and collaborate with stakeholders to promote our sustainability agenda.

Financial results

The continued recovery in operating conditions has materially improved our results during the six months ended 31 March 2022, with an increase in net property income and growth in the valuation of investment properties.

Presentation of financial information

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

note 16 to the condensed consolidated half year financial statements ("the financial statements"). Further details on APMs used, and how they reconcile to IFRS, are set out below.

Summary income statement

	Six months ended		Year ended
	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Rental income[1]	**54.5**	48.9	105.0
Charges for expected credit losses and impairments	**(2.2)**	(10.6)	(17.7)
Property costs[1]	**(11.2)**	(11.8)	(22.6)
Net property income	**41.1**	26.5	64.7
Administrative expenses	**(11.2)**	(9.3)	(21.6)
Valuation surplus/(deficits) and disposal profits	**227.5**	(331.4)	(196.8)
Operating profit/(loss)	**257.4**	(314.2)	(153.7)
Net finance costs	**(14.9)**	(15.3)	(30.2)
Share of Longmartin post-tax profit/(loss)	**5.1**	(9.0)	(11.0)
Profit/(loss) before tax	**247.6**	(338.5)	(194.9)
Tax	**—**	—	—
Reported profit/(loss) for the period	**247.6**	(338.5)	(194.9)
Basic earnings/(loss) per share[3]	**64.4p**	(92.7)p	(52.0)p
EPRA earnings[2]	**15.6**	2.1	13.3
EPRA earnings per share[2][3]	**4.1p**	0.6p	3.5p
Covid-adjusted EPRA earnings[2]	**18.4**	(10.6)	(7.4)
Covid-adjusted EPRA earnings per share[2]	**4.8p**	(2.9)p	(2.0)p

(1) Net of recoverable service charge costs.

(2) Alternative performance measure.

(3) Earnings/(loss) per share for the period ended 31.3.2021 has been adjusted for the bonus element inherent in the equity raise in November 2020.

Profit after tax for the period of £247.6 million compares with a loss after tax for the six months ended 31 March 2021 of £338.5 million. The difference, amounting to £586.1 million, was predominantly due to investment property revaluation surpluses in both the wholly-owned portfolio and the Longmartin joint venture, which together amounted to £232.9 million, compared with deficits in the corresponding period last year of £342.6 million.

EPRA earnings

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

Under IFRS, income was accrued during the pandemic where rent waivers were granted to occupiers, the impact of which was that EPRA earnings were higher than the related cash flows. Over the coming years, this accrued income amortises as a non-cash charge to rental income, and consequently EPRA earnings will be lower than the related cash flows. Covid-adjusted EPRA earnings is an alternative performance measure which eliminates this non-cash impact, reporting EPRA earnings "as if" rent waivers granted to occupiers had been recognised immediately in the Income Statement rather than spread over the remaining terms of the underlying leases. This only applies to waivers where there were no value accretive associated lease modifications e.g. lease extensions. We consider that this provides useful supplementary information to assess earnings on a normalised basis, as well as under IFRS and is one measure the Board uses in considering dividends.

EPRA earnings[1]	£m	£m	Pence
Six months ended 31.3.2021		2.1	0.6
Movements:			
Rental income	5.6		
Expected credit losses and impairment charges	8.4		
Property costs	0.6		
Net property income		14.6	3.8
Administrative costs	(1.9)		
Net finance costs	0.4		
Longmartin	0.4		
		(1.1)	(0.3)
Six months ended 31.3.2022		**15.6**	**4.1**

(1) Alternative performance measure.

EPRA earnings increased by £13.5 million to £15.6 million (31.3.2021: £2.1 million), largely due to improvements in rental income, with vacancy continuing to decline, together with significant decreases in charges for expected credit losses and impairments reflecting the improved operating environment. EPRA earnings per share amounted to 4.1p, compared with 0.6p for the same period last year, which was materially impacted by the consequences of pandemic restrictions.

Covid-adjusted EPRA earnings were £18.4 million (31.3.2021: £10.6 million loss), 17.9% ahead of EPRA earnings, reflecting non-cash charges to EPRA earnings from the amortisation of Covid waivers in the period. Covid-adjusted EPRA earnings per share amounted to 4.8p, 0.7p above EPRA earnings per share.

Operating profit before investment property disposals and valuation movements

Rental income increased by 11.5% to £54.5 million (31.3.2021: £48.9 million) and includes (non-cash) amortisation from lease incentives of £2.1 million (31.3.2021: £15.9 million accrued income). Like-for-like growth, excluding the impact of acquisitions and disposals, was 11.5%, which reflects improved occupancy across our portfolio and the cessation of rental support for occupiers.

With improving operating conditions for our occupiers, charges for expected credit losses and impairments have reduced by £8.4 million to £2.2 million.

Property charges, excluding recoverable service charge costs, decreased by £0.6 million to £11.2 million (31.3.2021: £11.8 million), predominantly due to lower irrecoverable costs, including a reduction in vacancy-related costs, and improved service charge recoveries. These savings were partly offset by increases in property management fees and marketing costs, with activity reverting to pre-pandemic levels. After irrecoverable costs and charges for expected credit losses and impairments, net property income for the period was £41.1 million, £14.6 million above the same period last year (31.3.2021: £26.5 million).

Administrative expenses totalled £11.2 million (31.3.2021: £9.3 million). The increase was largely due to higher total employee costs which amounted to £7.4 million (31.3.2021: £5.8 million). This reflects higher share option and bonus charges (£0.9 million), together with the impacts of the 2021 pay review and an increase in headcount last year, which added to the skills and resource in our team.

	Six months ended		Year ended
	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Total employee costs	**7.4**	5.8	14.7
Other administrative expenses	**3.8**	3.5	6.9
Total administrative expenses	**11.2**	9.3	21.6

Valuation deficit and disposal profits

Our wholly-owned portfolio's revaluation surplus was £226.7 million (31.3.2021: deficit of £331.4 million). This represented a like-for-like valuation increase of 7.5%, largely due to a 6.4% like-for-like increase in ERV and a reduction in the equivalent yield of six basis points. See above.

During the period, we sold two properties, realising disposal profits, after sales costs, of £0.8 million. See above.

Net finance costs

Net finance costs decreased by £0.4 million to £14.9 million (31.3.2021: £15.3 million), largely reflecting savings in bank interest and loan issue cost amortisation following the equity raise in November 2020.

Share of Longmartin post-tax profit

Our share of Longmartin's post-tax profit was £5.1 million, which compares with a £9.0 million share of post-tax loss in the same period last year. The profit this year included a revaluation surplus, our share of which amounted to £6.2 million (31.3.2021: £11.2 million deficit). Excluding revaluation movements, and the related deferred tax impact, our share of EPRA earnings from Longmartin increased by £0.4 million to £0.6 million (31.3.2021: £0.2 million), largely due to improved net property income.

Tax

As a REIT, the Group's activities are largely exempt from corporation tax and, as a result, there is no tax charge in the period (31.3.2021: £nil).

Dividends

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

The Board has declared an interim dividend of 4.8p per share, an increase of 100% on last year's interim dividend of 2.4p, which was paid to fulfil the Group's REIT obligations for the year ended 30 September 2020. The distribution, totalling £18.4 million, will be paid as a PID on 1 July 2022. The dividend is covered by Covid-adjusted EPRA earnings.

Balance Sheet

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Investment properties[1]	**3,216.6**	2,808.7	2,964.1
Investment in joint venture[2]	**90.9**	87.8	85.8
Net debt	**(755.9)**	(722.6)	(748.5)
Other net assets	**53.2**	63.3	71.3
Net assets[3]	**2,604.8**	2,237.2	2,372.7
EPRA NTA per share[3][4]	**£ 6.79**	£ 5.83	£ 6.19
Total Accounting Return[4][5]	**10.3%**	(19.9)%	(14.6)%

(1) Adjustments made to the fair value of the Group's investment properties to arrive at the book value of £3,216.6 million are set out in note 5 to the financial statements.

(2) The net asset value of the Group's investment in the Longmartin joint venture of £90.9 million is set out in note 7 of the financial statements. Adjustments made to the fair value of Longmartin's investment properties to arrive at the book value at 31 March 2022 are also set out in note 7 of the financial statements.

(3) Adjustments made to net assets of £2,604.8 million to calculate EPRA NTA of £2,615.9 million and EPRA NTA per share of £6.79 are set out in note 16 to the financial statements.

(4) Alternative performance measure.

(5) Total accounting return has been restated for 31.3.2021 by adjusting the number of shares to include the impact of the bonus element inherent in the equity raise in November 2020.

Net assets increased by £232.1 million in the period, largely due to the profit after tax for the period of £247.6 million, less the payment of the final dividend for 2021, which amounted to £15.4 million.

EPRA NTA

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

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

EPRA NTA per share increased over six months by 60p (9.7%) to £6.79 (30.9.2021: £6.19), bringing growth over twelve months to 16.5%. With EPRA earnings of 4.1p per share being largely offset by the 2021 final dividend (4.0p per share), the growth in EPRA NTA over the six months ended 31 March 2022 was due to revaluation surpluses in the wholly-owned portfolio and Longmartin which added 60p per share. Total Accounting Return was 10.3% (six months) and 17.6% (twelve months).

EPRA NTA[1]	Pence per share
30 September 2021	619
Revaluation surpluses	60
EPRA earnings	4
2021 final dividend	(4)
31 March 2022	**679**

(1) Alternative performance measure.

Liquidity

At 31 March 2022, available liquidity was £303.9 million (30.9.2021: £311.3 million) comprising £203.9 million of cash and our undrawn RCF (£100 million). Capital commitments to be funded from these resources totalled £27.8 million, excluding the acquisition of 92-104 Berwick Street (see above).

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Cash	**203.9**	237.2	211.3
Undrawn floating rate RCF	**100.0**	100.0	100.0
Available resources	**303.9**	337.2	311.3
Commitments	**(27.8)**	(25.2)	(18.8)
Pro-forma available resources	**276.1**	312.0	292.5

Net debt and cash flows

Net debt increased by £7.4 million to £755.9 million over the period:

Movement in net debt	£m
30 September 2021	748.5
Operating cash inflow	(22.0)
Net portfolio investment	16.0
Interest waiver deposits	(2.0)
Dividends paid	15.4
31 March 2022	**755.9**

Net cash inflow from operating activities was £22.0 million, which compares with a £3.2 million net cash outflow in the same period last year, reflecting the improvement in earnings through the pandemic recovery.

Net portfolio investment was £16.0 million (31.3.2021: £20.9 million), comprising capital expenditure of £15.4 million, acquisitions amounting to £11.8 million and disposals which generated £11.2 million.

During the period, a deposit of £2.0 million which had previously been made in respect of an interest cover covenant waiver was returned, now that the waiver period has ended and we are compliant with

financial covenants. Since 1 April 2022, all remaining waiver deposits in respect of our wholly-owned group's debt facilities, amounting to £11.8 million, have been returned.

Our loan-to-value ratio decreased to 23.2% (30.9.2021: 24.9%), largely due to the portfolio revaluation gain in the period. At 31 March 2022, the weighted average maturity of debt facilities was 7.5 years with the earliest maturity being our £100 million RCF in February 2023. Initial discussions to refinance this facility have commenced. The blended cost of debt was unchanged over the period at 3.1% and the marginal cost of drawing on our RCF was 1.7% (30.9.2021: 1.1%).

Net debt summary[1]

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Debt	**959.8**	959.8	959.8
Cash	**(203.9)**	(237.2)	(211.3)
Net debt	**755.9**	722.6	748.5
Loan-to-value[2][3]	**23.2%**	25.4%	24.9%
Gearing[2][3][5]	**28.9%**	32.2%	31.4%
Interest cover[2][4]	**2.0x**	1.1x	1.4x
% drawn debt fixed	**100%**	100%	100%
Blended cost of debt[2][6]	**3.1%**	3.1%	3.1%
Marginal cost of undrawn floating rate facilities	**1.7%**	1.0%	1.1%
Weighted average maturity of debt facilities (years)	**7.5**	8.5	8.0
Sources of finance (fully drawn basis)			
Bonds	**54%**	54%	54%
Term loans	**36%**	36%	36%
Revolving credit facilities	**10%**	10%	10%

(1) Data excludes our 50% share of Longmartin's non-recourse debt.

(2) Alternative performance measure.

(3) Based on net debt.

(4) Ratio of operating profit before investment property disposals and valuation movements to net finance costs.

(5) Based on EPRA net assets.

6. Including non-utilisation fees on undrawn bank facilities.

Debt maturity profile

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

(1) Undrawn at 31 March 2022.

Longmartin finance

The figures below represent our 50% share.

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

At 31 March 2022, Longmartin's net debt was £57.5 million, representing a loan-to-value ratio of 33.3%, down from 34.9% at 30 September 2021, largely due to the property revaluation surplus in the period. Longmartin is compliant with its term loan financial covenants.

Offer update

On 7 May 2022, the Company made an announcement under rule 2.4 of the City Code on Takeovers and Mergers confirming that it was in advanced discussions regarding a possible all-share merger of

the Company with Capco. These discussions are ongoing and the full terms of a possible merger have not been finalised. There can be no certainty that any offer will be made.

Principal Risks and Uncertainties

Successful management of risk is critical to the successful delivery of the Group's strategic priorities. Ultimate responsibility for risk rests with the Board but the effective day-to-day management of risk is integral to the way the Group does business and its culture. The Board sets the risk culture, determines the risk appetite and reviews principal and emerging risks. It is supported by the Audit Committee, which reviews the effectiveness of the risk management process and systems of internal controls. The Risk Committee formally reviews the risk landscape and emerging risks bi-annually (or more frequently, as required) and reports to the Audit Committee and the Board. On a day-to-day basis, operational risks are addressed as they arise and, where significant, are discussed more widely with the Strategy and Operations Executive. Issues that have arisen and how risks have changed are key inputs to the Risk Committee. Details of how we manage risk are set out on pages 86 to 87 of the 2021 Annual Report.

The Omicron Covid variant and associated restrictions had only a limited and short-term impact on operating environment and trading conditions have subsequently rebounded strongly. Consequently, our overall risk environment has improved throughout the period. However, the macroeconomic environment has changed, particularly following the start of the Ukraine war, which is exacerbating inflationary pressures and supply chain issues, which were already evident in the UK and other economies. Whilst this is likely to manifest in higher operating and refurbishment costs for us, it will increase operational challenges for our occupiers, who are also dealing with the cessation of Government Covid support, staff shortages and the potential impact on consumer confidence from a squeeze on disposable income, higher taxation and increases in finance rates.

Given the improving operational conditions, balanced against the headwinds noted above, the principal strategic risks and uncertainties facing the Group for the remaining six months of the financial year are unchanged from those set out on pages 88 to 92 in the 2021 Annual Report and fall into four categories: external factors, geographic concentration, market and consumer, and climate risk.

Unaudited Group Statement of Comprehensive Income

For the six months ended 31 March 2022

	Notes	Six months ended 31.3.2022	Six months ended 31.3.2021	Year ended 30.9.2021
		£m	£m	£m
Revenue		**62.2**	53.2	112.7
Expected credit losses		**(1.9)**	(8.1)	(16.4)
Impairment charges		**(0.3)**	(2.5)	(1.3)
Property charges		**(18.9)**	(16.1)	(30.3)
Net property income	2	**41.1**	26.5	64.7
Administrative expenses		**(11.2)**	(9.3)	(21.6)
Operating profit before investment property disposals and valuation movements		**29.9**	17.2	43.1
Profit on disposal of investment properties		**0.8**	—	0.1
Net revaluation surplus/(deficit) on investment properties	5	**226.7**	(331.4)	(196.9)
Operating profit/(loss)		**257.4**	(314.2)	(153.7)
Finance income		**0.3**	0.4	0.7
Finance costs	3	**(15.2)**	(15.7)	(30.9)
Share of post-tax profit/(loss) from joint venture	7	**5.1**	(9.0)	(11.0)
Profit/(loss) before tax		**247.6**	(338.5)	(194.9)
Tax charge for the period	4	**—**	—	—
Profit/(loss) and total comprehensive income/(loss) for the period		**247.6**	(338.5)	(194.9)
Earnings/(loss) per share[1]:				
Basic	16	**64.4p**	(92.7)p	(52.0)p
Diluted	16	**64.3p**	(92.7)p	(52.0)p

(1) The 31.3.2021 comparative per share data has been restated following the equity raise in November 2020 to adjust for the inherent bonus element. See notes 13 and 16 for further information.

Unaudited Group Balance Sheet

As at 31 March 2022

	Notes	31.3.2022	31.3.2021	30.9.2021
		£m	£m	£m
Non-current assets				
Investment properties	5	**3,216.6**	2,808.7	2,964.1
Accrued income	6	**32.1**	25.6	34.1
Investment in joint venture	7	**90.9**	87.8	85.8
Property, plant and equipment		**0.9**	1.1	1.0
Trade and other receivables	8	**17.9**	3.7	15.9
		3,358.4	2,926.9	3,100.9
Current assets				
Trade and other receivables	8	**32.3**	46.5	44.4
Cash and cash equivalents	9	**203.9**	237.2	211.3
Total assets		**3,594.6**	3,210.6	3,356.6
Current liabilities				
Trade and other payables	10	**36.9**	21.6	31.6
Non-current liabilities				
Borrowings	11	**952.9**	951.8	952.3
Total liabilities		**989.8**	973.4	983.9
Net assets		**2,604.8**	2,237.2	2,372.7
Equity				
Share capital	13	**96.1**	96.1	96.1
Share premium		**653.8**	653.8	653.8
Share-based payments reserve		**1.6**	1.2	2.4
Retained earnings		**1,853.3**	1,486.1	1,620.4
Total equity		**2,604.8**	2,237.2	2,372.7

Unaudited Group Cash Flow Statement

For the six months ended 31 March 2022

	Notes	Six months ended 31.3.2022	Six months ended 31.3.2021	Year ended 30.9.2021
		£m	£m	£m
Cash flows from operating activities				
Cash generated from operating activities	15	**36.6**	11.6	38.3
Interest received		**—**	0.1	0.2
Interest paid		**(14.6)**	(14.9)	(29.6)
Net cash from/(used in) operating activities		**22.0**	(3.2)	8.9
Cash flows from investing activities				
Investment property acquisitions		**(11.8)**	(3.6)	(19.1)
Investment property disposals		**11.2**	—	5.2
Capital expenditure on investment properties		**(15.4)**	(17.3)	(34.9)
Purchase of property, plant and equipment		**—**	—	(0.1)
Increase in cash held in restricted accounts		**—**	(5.4)	(5.4)
Decrease in cash held in restricted accounts		**2.0**	0.3	0.3
Increase in loans to joint venture		**—**	(0.8)	(1.5)
Net cash used in investing activities		**(14.0)**	(26.8)	(55.5)
Cash flows from financing activities				
Proceeds from share issue	13	**—**	307.0	307.0
Share issue costs	13	**—**	(12.6)	(12.6)
Repayment of borrowings		**—**	(100.0)	(100.0)
Equity dividends paid	14	**(15.4)**	—	(9.3)
Net cash (used in)/from financing activities		**(15.4)**	194.4	185.1
Net change in cash and cash equivalents		**(7.4)**	164.4	138.5
Cash and cash equivalents at the beginning of the period	9	**211.3**	72.8	72.8
Cash and cash equivalents at the end of the period	9	**203.9**	237.2	211.3

Unaudited Group Statement of Changes in Equity

For the six months ended 31 March 2022

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
At 1 October 2021	**—**	**96.1**	**653.8**	**2.4**	**1,620.4**	**2,372.7**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**247.6**	**247.6**
Dividends paid	14	**—**	**—**	**—**	**(15.4)**	**(15.4)**
Share-based payments		**—**	**—**	**(0.1)**	**—**	**(0.1)**
Release on exercise of share options	**—**	**—**	**—**	**(0.7)**	**0.7**	**—**
At 31 March 2022		**96.1**	**653.8**	**1.6**	**1,853.3**	**2,604.8**
At 1 October 2020		76.9	378.6	1.3	1,823.8	2,280.6
Loss and total comprehensive loss for the period		—	—	—	(338.5)	(338.5)
Share-based payments		—	—	0.7	—	0.7
Release on exercise of share options		—	—	(0.8)	0.8	—
Share issue	13	19.2	275.2	—	—	294.4
At 31 March 2021		96.1	653.8	1.2	1,486.1	2,237.2
At 1 October 2020		76.9	378.6	1.3	1,823.8	2,280.6
Loss and total comprehensive loss for the year		—	—	—	(194.9)	(194.9)
Dividends paid	14	—	—	—	(9.3)	(9.3)
Share-based payments		—	—	1.9	—	1.9
Release on exercise of share options		—	—	(0.8)	0.8	—
Share issue	13	19.2	275.2	—	—	294.4
At 30 September 2021		96.1	653.8	2.4	1,620.4	2,372.7

Notes to the half year results

For the six months ended 31 March 2022

1. Accounting policies

Basis of preparation

The Group's condensed consolidated half year financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and in accordance with UK adopted IAS 34 'Interim Financial Reporting'. They should be read in conjunction with the annual financial statements for the year ended 30 September 2021, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Group's financial statements were prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group's annual financial statements for the year ending 30 September 2022 will be prepared in accordance with UK-adopted International Accounting Standards.

The financial information in these condensed consolidated half year financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information presented for the year ended 30 September 2021 is derived from the statutory accounts for that year. Statutory accounts for the year ended 30 September 2021 were approved by the Board on 29 November 2021 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

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

Going concern

The economic environment in which the Group operates has continued to improve in the period as the significant uncertainties resulting from the impact of Covid-19 on the economic environment have continued to recede and footfall and occupier confidence have continued to recover in our villages. However, new challenges are now coming to the fore both in the UK and in many other economies. Macro-economic and political issues, including the war in Ukraine, are exacerbating the risks and impact of inflation, tax increases and supply chain disruption, particularly on the outlook for consumer confidence and spending.

In adopting the going concern basis in preparing the condensed consolidated financial statements for the six months ended 31 March 2022, the Board has considered the Group's business activities, and its principal risks and uncertainties in this wider economic context.

The Group's going concern assessment covers the period from the date of authorisation of these condensed consolidated financial statements to 30 June 2023 (the "going concern period").

Key assumptions in forecasts and debt covenant compliance

In preparing the assessment of going concern, the Board has considered forecasts of the Group's available liquidity, committed expenditure, likely ongoing levels of costs, cash flows, income, debt covenants and other performance measures in a severe-but-plausible downside scenario which envisages an economic shock, possibly a re-emergence of a Covid-19 variant and associated government restrictions, or a similar interruption to trade, leading to falling consumer and occupier confidence, impacting rent collection, vacancy levels and rental growth. While there are other risks faced by the Group, an economic shock or interruption to trade of this nature allows us to model the simultaneous confluence of the impact of the Group's principal risks in a single near-term scenario.

Relative to our base forecast, this scenario envisages an immediate decline in the Group's rent collection by 25% of contracted rents for a period of 12 months; increases in our total vacancy of approximately 5% of ERV throughout the going concern period, a reduction in assumed ERV growth of 5-10 percentage points over the going concern period and an additional 3 percentage point increase in general inflation affecting all expenditure. It is also assumed that there would be an immediate increase in property costs as a result of increased vacancy.

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

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

At 31 March 2022, the Group's loan-to-value ratio was 23.2%. It is the Group's expectation that it will remain in compliance with the loan-to-value covenants of its individual debt arrangements even under the severe-but-plausible downside scenario. However, were these covenants to come under pressure they can be managed through the addition of security from the Group's pool of unsecured assets. Through charging these unsecured properties, the Group estimates that it could withstand a circa 45% decrease in valuations before reaching the limit of its loan-to-value covenants. If it were to cancel the undrawn revolving credit facility and release its assets to be charged against other loans, this tolerance would increase to circa 51%. The Board considers the likelihood of a decline of this magnitude to be remote in view of the prime nature of the assets in the portfolio and the 26.6% decline already experienced in the eighteen months ended 31 March 2021, which was largely as a result of the Covid-19 pandemic, and the subsequent 13.1% recovery in values in the twelve months ended 31 March 2022.

The undrawn revolving credit facility expires in February 2023, but the Group does not expect to rely on it for liquidity in its severe-but-plausible downside scenario. There are no other debt maturities until 2027.

Going concern statement

Prior to available mitigations, the severe-but-plausible downside scenario would present significant challenges over the going concern period. However, the Board's assessment is that, in view of the Group's cash reserves, its expected covenant compliance and cure rights, and the reverse stress testing set out above, but before considering the possible all-share merger of the Company and Capital & Counties Properties PLC ("Capco") (the "Possible Merger") set out in note 18, it has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period.

Impact of the Possible Merger on going concern

As set out in note 18, on 7 May 2022 the Company made an announcement under rule 2.4 of the Takeover Code (the "Rule 2.4 Announcement") regarding a possible all-share merger of the Company and Capco. Discussions are ongoing and the full terms of the Possible Merger have not been agreed. Subject to agreement of such terms, it is currently envisaged that the Possible Merger will be structured as an acquisition of the Company by Capco.

There can be no certainty that an offer will be made. Were an offer for the Company to be made and a transaction were to complete before 30 June 2023, this would be within the going concern period, and could trigger the change of control clauses in certain of the Group's debt facilities that may, at the relevant debt providers' discretion, require repayment in part or in full.

It would then be the responsibility of Capco to secure the necessary future financing arrangements of the combined group, including the liquidity requirements to satisfy possible repayments of the Group's debt noted above. As set out in the Rule 2.4 Announcement, following completion of the Possible Merger, the Board will contain strong non-executive representation from both companies, with Jonathan Nicholls as Chairman and Richard Akers as the Senior Independent Director. An executive committee, containing equal representation from the existing Shaftesbury and Capco leadership teams, will be responsible for the day-to-day management and operation of the combined company.

In assessing any firm offer that may be made for the Company, the availability of sufficient liquidity to fund potential debt repayments and the ability of the combined group to remain compliant with its financing arrangements and meet its financial obligations as they fall due over the going concern period will be key considerations for the Board.

Prior to any decision by the Board to support the Possible Merger and as to the nature of any recommendation to shareholders in connection with it, the Board will consider, amongst other things, the above factors, due diligence and the advice it receives, to gain confidence that the combined group is able to meet its financial obligations as they fall due. Based on its proposed structure, the Board would not expect to recommend the Possible Merger to Shaftesbury Shareholders without an appropriate level of confidence that the Possible Merger would not create a material risk to the Company's ability to continue as a going concern. On this basis, the Board has continued to adopt the going concern basis in preparing the condensed consolidated financial statements.

Changes in accounting policies

The accounting policies and methods of computation used are consistent with those of the previous financial year, with the exception of amendments to standards which became effective in the financial period from 1 October 2021, as set out below.

New standards adopted during the period

The following amendments to existing standards were relevant to the Group, adopted from 1 October 2021, and did not have a significant impact on the financial statements:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments)—Interest rate benchmark reform Phase 2

Standards relevant to the Group but not yet effective

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

- IAS 1 (amendments)—Classification of liabilities as current or non-current; Disclosure of Accounting Policies
- IAS 8 (amendments)—Definition of Accounting Estimates
- IAS 12 (amendments)—Deferred taxes related to assets and liabilities arising from a single transaction
- IAS 16 (amendments)—Proceeds before intended use
- IAS 37 (amendments)—Onerous contract; Cost of fulfilling a contract
- IFRS 3 (amendments)—Reference to the Conceptual Framework

Significant judgements, assumptions and key estimates

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

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

Significant areas of estimation uncertainty

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

Investment property valuation

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

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

Further information on the approach taken by the valuers in valuing the portfolio and a sensitivity analysis on equivalent yields and ERV, which are the most significant assumptions impacting the fair values, is set out in note 5 to the financial statements.

Provisions for expected credit losses and impairment of lease incentives and deferred letting costs

In preparing the financial statements, estimates are made in assessing expected credit losses in respect of trade receivables, lease incentives and deferred letting costs. These estimates draw on historical information as well as forecast information, taking into account expectations about trading levels, footfall and tenants' ability to pay arrears, and, with respect to lease incentives and deferred letting costs, whether it is likely tenants will serve out the remainder of the contractual terms of their leases. In assessing provisions, the Group identifies risk factors associated with each use (hospitality and leisure, retail, office and residential).

The Group assesses the likely recovery of trade receivables for potential provisions, which are estimated using a forward-looking expected credit loss model for each receivable from an occupier. In determining the provision, the Group considers both recent payment history and future expectations of occupiers' ability to pay or possible default in order to recognise a lifetime expected credit loss allowance. Expected credit losses totalling £1.9 million (31.3.2021: £8.1 million; 30.9.2021: £16.4 million) were charged to the Income Statement in the period.

At 31 March 2022, the gross trade receivables balance subject to estimation uncertainty was £14.5 million and the provision for expected credit losses totalled £8.5 million. An increase of 5% to the provision percentage applied would increase the provision by £0.3 million. A decrease of 5% to the provision percentage applied would decrease the provision by £0.6 million. Whilst occupiers' trading has improved, the prospect of recovering material amounts of arrears that built up during periods of Government restrictions still remains uncertain, which is reflected in the Group's provisions for expected credit losses.

Accrued income from lease incentives and deferred letting costs are subject to impairment review at each period end. In determining the impairment provision, the Group reviews leases on an individual basis, making a provision based on an expected credit loss model, using information available about the likelihood of a lease terminating earlier than the date of contractual break option or expiry. With trading conditions improving, the risk of tenant default has lessened, which has led to reduced impairment provisions against lease incentive and deferred letting cost balances.

At 31 March 2022, the gross accrued income balance from lease incentives subject to estimation uncertainty was £44.0 million and the provision for expected credit losses totalled £2.6 million. An increase of 1% to the provision percentage applied would increase the provision by £0.3 million. A decrease of 1% to the provision percentage applied would decrease the provision by £0.7 million. The gross deferred letting costs balance which is subject to estimation uncertainty was £3.7 million and the provision for expected credit losses totalled £nil.

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different tenants with no single debtor representing more than 4% of the total balance due (30.9.2021: 2%).

See note 2 for further information on expected credit losses and impairment charges.

Segmental information

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

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, it is provided at a Group level and includes both the IFRS reported results and Alternative Performance Measures (APMs), including EPRA measures. See below for an explanation of the APMs used in these financial statements).

The Group's properties are all located in London's West End and are all of a similar type. The properties are typically mixed-use buildings with hospitality, leisure and retail on the lower floors and offices and apartments on the upper floors. As the properties share similar economic characteristics the Board considers them to be one operating segment. As such, no segmental financial information is presented.

2. Net property income

	Six months ended 31.3.2022	Six months ended 31.3.2021	Year ended 30.9.2021
	£m	£m	£m
Rental income (excluding lease incentives)	**56.6**	33.0	82.0
Adjustment for lease incentives	**(2.1)**	15.9	23.0
Rental income	**54.5**	48.9	105.0
Service charge income	**7.7**	4.3	7.7
Revenue	**62.2**	53.2	112.7
Expected credit losses	**(1.9)**	(8.1)	(16.4)
Impairment charges	**(0.3)**	(2.5)	(1.3)
	60.0	42.6	95.0
Service charge expenses	**(7.7)**	(4.3)	(7.7)
Other property charges	**(11.2)**	(11.8)	(22.6)
Property charges	**(18.9)**	(16.1)	(30.3)
	41.1	26.5	64.7

Impairment charges of £0.3 million (31.3.2021: £2.5 million; 30.9.2021: £1.3 million) include £0.3 million for tenant lease incentive balances (31.3.2021: £2.8 million; 30.9.2021: £1.7 million) and £nil (31.3.2021: £0.3 million credit; 30.9.2021: £0.4 million credit) for deferred letting cost balances.

3. Finance costs

	Six months ended 31.3.2022	Six months ended 31.3.2021	Year ended 30.9.2021
	£m	£m	£m
Mortgage bond interest	**6.9**	6.9	13.9
Bank and other interest	**7.7**	8.0	15.7
Loan issue cost amortisation	**0.6**	0.8	1.3
	15.2	15.7	30.9

4. Tax charge for the period

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

5. Investment properties

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
At 1 October	**2,964.1**	3,115.5	3,115.5
Acquisitions	**19.6**	5.6	13.2
Disposals	**(10.4)**	—	(5.1)
Refurbishment and other capital expenditure	**16.6**	19.0	37.4
Net revaluation surplus/(deficit) on investment properties	**226.7**	(331.4)	(196.9)
Book value at end of period	**3,216.6**	2,808.7	2,964.1
Fair value at end of period:			
Properties valued by Cushman & Wakefield	**3,261.7**	2,844.0	3,010.5
Lease incentives and costs included in receivables	**(45.1)**	(35.3)	(46.4)
Book value at end of period	**3,216.6**	2,808.7	2,964.1

The investment properties valuation comprises:

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Freehold properties	**3,049.3**	2,652.1	2,805.7
Leasehold properties	**212.4**	191.9	204.8
	3,261.7	2,844.0	3,010.5

The Group's investment properties (other than its interest in the Longmartin joint venture) were valued at 31 March 2022 by professionally qualified external valuers, Cushman & Wakefield, who are members of the Royal Institution of Chartered Surveyors (RICS). Disclosures relating to the valuation of investment properties owned by the Longmartin joint venture are set out in note 7.

Adjustments are made to the fair value of the Group's investment properties to arrive at the book value at 31 March 2022, as set out above. The valuation prepared by Cushman & Wakefield at 31 March 2022 is appended to these interim results, in accordance with the requirements of Rule 29 of the Takeover Code.

For the purposes of Rule 29.5 of the Takeover Code, the Directors confirm that Cushman & Wakefield have confirmed to them that the valuation of the Group's investment properties (other than its interest in the Longmartin joint venture) as at the date of these interim statements would not be materially different from the valuation provided by Cushman & Wakefield as at 31 March 2022 and contained in Cushman & Wakefield's valuation report which is appended to these interim statements.

For the purposes of Rule 29.6 of the Takeover Code, the Directors confirm that in the event that the Group's investment properties (other than its interest in the Longmartin joint venture) were sold at an amount represented by the valuation at 31 March 2022, any gains arising from the disposal of investment properties used for the purposes of the Group's property rental business would not be chargeable to tax under UK REIT legislation. Any disposal gains on assets not connected with the Group's rental business would be chargeable to corporation tax but would be fully offset by available brought forward tax losses so no tax liability would arise.

Disclosures in respect of the Group's interest in the Longmartin joint venture, in accordance with Rules 29.5 and 29.6 of the Takeover Code, are set out in note 7.

All properties were valued on the basis of fair value and highest and best use, in accordance with IFRS 13 and the RICS Valuation—Global Standards, which incorporate the International Valuation Standards and the Valuation UK National Supplement (the "RICS Red Book") edition current at the valuation date. When considering a property's highest and best use, the valuer considers its actual and potential uses which are physically, legally and financially viable. Where the highest and best use

differs from the existing use, the valuer considers the use a market participant would have in mind when formulating the price it would bid and reflects the cost and likelihood of achieving that use.

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. These assumptions include, but are not limited to, market yields, ERVs and void periods.

The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out in the valuation analysis above. Equivalent yields are based on current market prices, depending on, inter alia, the location and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and occupancy levels. Whilst there is market evidence for the key inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable.

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the period (31.3.2021: none; 30.9.2021: none).

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

Sensitivity analysis

As noted in the significant judgements, assumptions and key estimates section in note 1, the valuation of the Group's investment property is inherently subjective. As a result, the valuations the Group places on its investment property 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 investment properties, from changes in the key assumptions.

	Change in ERV			
	-10%	-5%	+5%	+10%
	£m	£m	£m	£m
(Decrease)/increase in the fair value	(282.6)	(141.7)	145.3	292.4

	Change in Yield			
	-0.5%	-0.25%	+0.25%	+0.5%
	£m	£m	£m	£m
Increase/(decrease) in the fair value	549.7	251.9	(216.4)	(405.4)

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

At 31 March 2022, the Group had capital commitments of £27.8 million (31.3.2021: £25.2 million; 30.9.2021: £18.8 million). This included £24.1 million relating to future capital expenditure for the enhancement of the Group's investment properties (31.3.2021: £25.2 million; 30.9.2021: £15.1 million) and £3.7 million for an investment property acquisition, conditional on certain requirements being met (31.3.2021: £nil; 30.9.2021: £3.7 million).

See above for a discussion of the valuations at 31 March 2022 and the Group's property activity during the period.

6. Accrued income

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Accrued income in respect of lease incentives	**41.4**	33.7	43.9
Less: included in trade and other receivables (note 8)	**(9.3)**	(8.1)	(9.8)
	32.1	25.6	34.1

At 31 March 2022, the Group held impairment provisions totalling £2.6 million (31.3.2021: £5.1 million; 30.9.2021: £2.6 million) against lease incentive balances. See note 1 for further information.

7. Investment in joint venture

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
At 1 October	**85.8**	96.8	96.8
Share of profits/(losses)	**5.1**	(9.0)	(11.0)
Book value at end of period	**90.9**	87.8	85.8

At 31 March 2022, the joint venture had capital commitments of £1.2 million (31.3.2021: £0.1 million; 30.9.2021: £3.6 million) relating to future capital expenditure for the enhancement of its investment properties, of which, the Group's share is 50%.

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

	Six months ended 31.3.2022	Six months ended 31.3.2021	Year ended 30.9.2021
	£m	£m	£m
Statement of Comprehensive Income			
Rental income	**6.9**	7.3	14.1
Service charge income	**1.0**	0.6	1.3
Revenue	**7.9**	7.9	15.4
Expected credit losses	**(0.1)**	(0.9)	(2.1)
Impairment reversal/(charges)	**0.1**	(0.7)	(0.4)
Other property charges	**(1.7)**	(1.3)	(2.7)
Service charge expenses	**(1.0)**	(0.6)	(1.3)
Net property income	**5.2**	4.4	8.9
Administrative expenses	**(0.1)**	(0.2)	(0.3)
Operating profit before investment property valuation movements	**5.1**	4.2	8.6
Net revaluation surplus/(deficit) on investment properties	**12.4**	(22.4)	(22.6)
Operating profit/(loss)	**17.5**	(18.2)	(14.0)
Finance costs	**(3.5)**	(3.5)	(7.2)
Profit/(loss) before tax	**14.0**	(21.7)	(21.2)
Current tax	**(0.4)**	(0.2)	(0.4)
Deferred tax	**(3.5)**	3.9	(0.3)
Profit/(loss) and total comprehensive income/(loss) for the period	**10.1**	(18.0)	(21.9)
Profit/(loss) attributable to the Group	**5.1**	(9.0)	(11.0)

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Balance Sheet			
Non-current assets			
Investment properties at book value	**351.9**	335.4	336.4
Accrued income	**3.1**	2.1	2.4
Other receivables	**1.3**	1.3	1.3
	356.3	338.8	340.1
Cash and cash equivalents	**4.9**	2.4	5.1
Other current assets	**8.4**	7.5	8.5
Total assets	**369.6**	348.7	353.7
Current liabilities	**36.3**	29.4	34.1
Non-current liabilities			
Secured term loan	**120.0**	120.0	120.0
Other non-current liabilities	**31.5**	23.7	28.0
Total liabilities	**187.8**	173.1	182.1
Net assets	**181.8**	175.6	171.6
Net assets attributable to the Group	**90.9**	87.8	85.8

Investment properties

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Fair value at end of period:			
Properties valued by Knight Frank LLP	**345.5**	327.5	329.0
Finance lease asset	**11.2**	11.2	11.2
Lease incentives and costs included in receivables	**(4.8)**	(3.3)	(3.8)
Book value at end of period	**351.9**	335.4	336.4

Investment properties owned by the Longmartin joint venture (in which the Group has a 50% interest) have been valued at 31 March 2022 by professionally qualified external valuers, Knight Frank LLP, who are members of the Royal Institution of Chartered Surveyors (RICS). Adjustments are made to the fair value of Longmartin's investment properties to arrive at the book value at 31 March 2022, as set out above. The valuation prepared by Knight Frank LLP at 31 March 2022 is appended to these interim results, in accordance with the requirements of Rule 29 of the Takeover Code.

For the purposes of Rule 29.5 of the Takeover Code, the Directors confirm that Knight Frank LLP have confirmed to them that the valuation of Longmartin's investment properties as at the date of these interim statements would not be materially different from the valuation provided by Knight Frank LLP as at 31 March 2022 and contained in Knight Frank's valuation report which is appended to these interim statements.

For the purposes of Rule 29.6 of the Takeover Code, the Directors would expect an immaterial tax liability to arise on the sale of the Group's investment in the Longmartin joint venture at the carrying value of that investment in the Group's Balance Sheet. This tax liability would be fully offset by available brought forward tax losses such that no tax liability would arise. In accordance with IFRS, Longmartin's Balance Sheet includes a provision for deferred tax that would crystallise only on a disposal of the Longmartin properties. As a result, the net asset value of the interest in the Longmartin joint venture reported in the Group's financial statements includes a provision for the estimated tax liability should a disposal of the Longmartin properties occur.

8. Trade and other receivables

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Trade receivables	**14.5**	24.0	20.8
Provision for expected credit losses[1]	**(8.5)**	(19.3)	(14.1)
	6.0	4.7	6.7
Accrued income in respect of lease incentives (note 6)	**9.3**	8.1	9.8
Amount due from joint venture	**—**	12.9	1.7
Other taxation	**—**	3.5	0.9
Prepayments	**4.4**	3.5	11.3
Other receivables	**12.6**	13.8	14.0
Total current trade and other receivables	**32.3**	46.5	44.4
Non-current trade and other receivables			
Amounts due from joint venture	**14.2**	—	12.2
Other receivables	**3.7**	3.7	3.7
Total non-current trade and other receivables	**17.9**	3.7	15.9

(1) See significant judgements, assumptions and key estimates in note 1.

Trade receivables represent amounts due from tenants. Within this balance is £3.3 million (31.3.2021: £5.6 million; 30.9.2021: £3.9 million) owed for service charges.

At 31 March 2022, cash deposits totalling £14.0 million (31.3.2021: £10.8 million; 30.9.2021: £8.3 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents and are not included within the Group Balance Sheet.

Amounts due from joint venture are classified as non-current when the Group has the expectation that the amounts will be settled more than one year from the Balance Sheet date.

9. Cash and cash equivalents

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Cash at bank	**203.9**	237.2	211.3
Restricted cash (included in other receivables in note 8):			
Non-current other receivables	**3.7**	3.7	3.7
Current other receivables	**11.8**	13.8	13.8
	15.5	17.5	17.5

Restricted cash relates to cash held on deposit as security for certain secured term loans and secured bank facilities, and where there are certain conditions restricting their use. Since 31 March 2022, cash deposits totalling £11.8 million (included in current other receivables) have been returned to the Group.

10. Trade and other payables

	31.3.2022	31.3.2021	30.9.2021
	£m	£m	£m
Deferred rental income	**5.5**	3.1	3.1
Accruals and deferred service charge income	**1.9**	2.2	3.3
	7.4	5.3	6.4
Trade payables and accruals in respect of capital expenditure	**8.5**	6.5	7.3
Other taxation and social security	**4.4**	0.7	1.2
Other payables and accruals	**16.6**	9.1	16.7
	36.9	21.6	31.6

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

11. Borrowings

	Nominal value	Unamortised issue costs	Book value 31.3.2022	Book value 31.3.2021	Book value 30.9.2021
	£m	£m	£m	£m	£m
Mortgage bonds	**575.0**	**(3.7)**	**571.3**	570.8	571.1
Secured bank facility	**—**	**(0.3)**	**(0.3)**	(0.6)	(0.4)
Secured term loans	**384.8**	**(2.9)**	**381.9**	381.6	381.6
Total borrowings	**959.8**	**(6.9)**	**952.9**	951.8	952.3

At 31 March 2022, there were no drawings against the Group's secured bank facility. Unamortised issue costs continued to be carried in the Balance Sheet. Details of the Group's current financial position are discussed above.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £2,653.0 million (31.3.2021: £2,308.1 million; 30.9.2021: £2,444.1 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property.

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

Net debt reconciliation

		Cash flows			
	1.10.2021	Inflows	Outflows	Non-cash items	31.3.2022
	£m	£m	£m	£m	£m
Non-current borrowings					
Mortgage bonds	**575.0**	**—**	**—**	**—**	**575.0**
Secured term loans	**384.8**	**—**	**—**	**—**	**384.8**
Loan issue costs	**(7.5)**	**—**	**—**	**0.6**	**(6.9)**
	952.3	**—**	**—**	**0.6**	**952.9**
Loan issue costs[1]	**7.5**	**—**	**—**	**(0.6)**	**6.9**
Cash & cash equivalents (note 9)	**(211.3)**	**(49.8)**	**57.2**	**—**	**(203.9)**
Net debt at 31 March 2022	**748.5**	**(49.8)**	**57.2**	**—**	**755.9**
Net debt at 31 March 2021	987.0	(319.0)	54.6	—	722.6
Net debt at 30 September 2021	987.0	(351.0)	112.5	—	748.5

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

Availability and maturity of borrowings

	Committed	Drawn	Undrawn
	£m	£m	£m
Repayable within 1 year	**100.0**	**—**	**100.0**
Repayable between 5 and 10 years	**839.8**	**839.8**	**—**
Repayable after 10 years	**120.0**	**120.0**	**—**
At 31 March 2022	**1,059.8**	**959.8**	**100.0**
At 31 March 2021	1,059.8	959.8	100.0
At 30 September 2021	1,059.8	959.8	100.0

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

Interest rate profile of interest bearing borrowings

	31.3.2022		31.3.2021		30.9.2021	
	Debt £m	Interestrate	Debt £m	Interestrate	Debt £m	Interestrate
Secured term loans	**384.8**	**3.85%**	384.8	3.85%	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%	285.0	2.49%
Weighted average cost of drawn borrowings		**2.99%**		2.99%		2.99%

The Group also incurs non-utilisation fees of 0.64% on its undrawn £100 million bank facility. The credit margin on this bank facility is 1.60%.

12. Financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. The fair value of these financial instruments is £956.0 million (31.3.2021: £976.2 million; 30.9.2021: £1,005.1 million). The difference between the fair value and the book value is not recognised in the reported results for the period. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt yield and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy in IFRS 13.

The fair values of the Group's cash and cash equivalents, and those financial instruments included within trade and other receivables, interest bearing borrowings, (excluding the mortgage bonds and the secured term loans), and trade and other payables are not materially different from the values at which they are carried in the financial statements.

13. Share capital

	Number of shares million	Share capital £m
Allotted and fully paid (ordinary 25p shares)		
At 1 October 2021 and 31 March 2022	**384.2**	**96.1**
At 31 March 2021	384.2	96.1
At 30 September 2021	384.2	96.1

On 18 November 2020, the Company issued 76.75 million shares, representing approximately 25% of its issued share capital, at £4 per share. After issue costs of £12.6 million, the net proceeds were £294.4 million. Issue costs directly attributable to the transaction were accounted for as a deduction from share premium. Following the share issue, the Company's issued share capital was 384,167,537.

In accordance with IFRS, the discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares. Earnings per share information (see note 16) has been restated for the period ended 31 March 2021, by adjusting the weighted average number of shares to include the impact of the bonus shares.

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

There were no shares issued during the period under the Group's LTIP scheme (31.3.2021: 47,323 shares; 30.9.2021: 47,323 shares).

14. Dividends

	Pence per share		Six months ended 31.3.2022	Six months ended 31.3.2021	Year ended 30.9.2021
	PID	Ordinary	£m	£m	£m
Final dividend for:					
Year ended 30 September 2021	2.75p	1.25p	**15.4**	—	—
Interim dividend for:					
Year ended 30 September 2021	2.4p	—	**—**	—	9.3
Dividends for the period			**15.4**	—	9.3

An interim dividend of 4.8p per share was declared by the Board on 23 May 2022. The interim dividend will be paid as a PID on 1 July 2022 to shareholders on the register on 10 June 2022. The dividend will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2022.

15. Cash flows from operating activities

Operating activities	Six months ended 31.3.2022	Six months ended 31.3.2021	Year ended 30.9.2021
	£m	£m	£m
Profit/(loss) before tax	**247.6**	(338.5)	(194.9)
Adjusted for:			
Lease incentives recognised net of impairment (note 2)	**2.4**	(13.1)	(21.3)
Share-based payments	**(0.1)**	0.7	1.9
Depreciation	**0.1**	0.1	0.3
Net revaluation (surplus)/deficit on investment properties (note 5)	**(226.7)**	331.4	196.9
Profit on disposal of investment properties	**(0.8)**	—	(0.1)
Net finance costs	**14.9**	15.3	30.2
Share of post-tax (profit)/loss from joint venture (note 7)	**(5.1)**	9.0	11.0
Cash flows from operations before changes in working capital	**32.3**	4.9	24.0
Changes in working capital:			
Change in trade and other receivables	**0.1**	6.6	6.4
Change in trade and other payables	**4.2**	0.1	7.9
Cash generated from operating activities	**36.6**	11.6	38.3

16. Performance measures

Basic and diluted earnings per share

	31.3.2022		31.3.2021 (as restated)[1]		30.9.2021	
	Profit after tax	Earnings per share pence	Loss after tax	Loss per share pence	Loss after tax	Loss per share pence
	£m		£m		£m	
Basic	**247.6**	**64.4**	(338.5)	(92.7)	(194.9)	(52.0)
Dilutive effect of share options	**—**	**(0.1)**	—	—	—	—
Diluted	**247.6**	**64.3**	(338.5)	(92.7)	(194.9)	(52.0)
Number of shares for Basic and EPRA EPS (million)[2]	—	**384.2**	—	365.3	—	374.8
Number of shares for Diluted EPS (million)[2]	—	**385.0**	—	365.3	—	374.8

(1) Earnings per share information has been restated for 31.3.2021 by adjusting the weighted average number of shares to include the impact of the equity issue (see note 13). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

(2) Weighted average number of shares. In the periods ended 31 March 2021 and 30 September 2021, potential ordinary shares are excluded from the weighted average diluted number of shares when calculating diluted loss per share, in accordance with IFRS.

EPRA earnings per share

	31.3.2022		31.3.2021 (as restated)[1]		30.9.2021	
	Earnings	Earnings per share	Earnings	Earnings per share	Earnings	Earnings per share
	£m	pence	£m	pence	£m	pence
Basic	**247.6**	**64.4**	(338.5)	(92.7)	(194.9)	(52.0)
EPRA adjustments:						
Investment property valuation (surplus)/deficit (note 5)	**(226.7)**	**(59.0)**	331.4	90.7	196.9	52.5
Profit on disposal of investment properties	**(0.8)**	**(0.2)**	—	—	(0.1)	—
Adjustments in respect of the joint venture:						
Investment property valuation (surplus)/deficit	**(6.2)**	**(1.6)**	11.2	3.1	11.3	3.0
Deferred tax	**1.7**	**0.5**	(2.0)	(0.5)	0.1	—
EPRA earnings	**15.6**	**4.1**	2.1	0.6	13.3	3.5

Covid-adjusted EPRA earnings/(loss) per share

	31.3.2022		31.3.2021 (as restated)[1]		30.9.2021	
	Profit after tax	Earnings per share	Loss after tax	Loss per share	Loss after tax	Loss per share
	£m	pence	£m	pence	£m	pence
EPRA earnings	**15.6**	**4.1**	2.1	0.6	13.3	3.5
Amortisation/(income) recognised for tenant waivers	**3.2**	**0.8**	(15.6)	(4.3)	(22.4)	(6.0)
Movement in associated impairment provisions & write-offs	**(0.4)**	**(0.1)**	2.9	0.8	1.7	0.5
Covid-adjusted EPRA earnings/ (loss)	**18.4**	**4.8**	(10.6)	(2.9)	(7.4)	(2.0)

(1) Earnings per share information has been restated for 31.3.2021 by adjusting the weighted average number of shares to include the impact of the equity issue (see note 13). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

Like-for-like rental growth

	Six months ended 31.3.2022	Six months ended 31.3.2021	Year ended 30.9.2021
	£m	£m	£m
Rental income in current year	**54.5**	48.9	105.0
Adjusted for impact of:			
Impact of acquisitions	**(0.3)**	(0.2)	(0.3)
Impact of disposals	**(0.1)**	—	(0.2)
Like-for-like rental income in current year (A)	**54.1**	48.7	104.5
Rental income in previous year	**48.9**	60.4	114.4
Adjusted for impact of:			
Impact of disposals	**(0.4)**	—	(0.2)
Like-for-like rental income in previous year (B)	**48.5**	60.4	114.2
Like-for-like growth/(decline) in rental income (A/B-1)	**11.5%**	(19.4)%	(8.5)%

EPRA net asset value measures

	31.3.2022		
	EPRA NRV	**EPRA NTA**	**EPRA NDV**
	£m	**£m**	**£m**
IFRS net assets	**2,604.8**	**2,604.8**	**2,604.8**
Dilutive effect of share options[1]	**0.7**	**0.7**	**0.7**
Deferred tax[2]	**10.4**	**10.4**	**—**
Difference between fair value and carrying value of debt:			
Secured term loans[3]	**—**	**—**	**(27.4)**
Mortgage bonds	**—**	**—**	**26.7**
Investment property purchasers' costs	**230.9**	**—**	**—**
Total	**2,846.8**	**2,615.9**	**2,604.8**
Number of diluted shares (million)	**385.4**	**385.4**	**385.4**
Diluted net assets per share (£)	**7.39**	**6.79**	**6.76**

	31.3.2021			30.09.2021		
	EPRA NRV	**EPRA NTA**	**EPRA NDV**	**EPRA NRV**	**EPRA NTA**	**EPRA NDV**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
IFRS net assets	2,237.2	2,237.2	2,237.2	2,372.7	2,372.7	2,372.7
Dilutive effect of share options[1]	0.7	0.7	0.7	0.8	0.8	0.8
Deferred tax[2]	6.5	6.5	—	8.6	8.6	—
Difference between fair value and carrying value of debt:						
Secured term loans[3]	—	—	(35.1)	—	—	(51.5)
Mortgage bonds	—	—	12.2	—	—	(1.1)
Investment property purchasers' costs	202.0	—	—	213.3	—	—
Total	2,446.4	2,244.4	2,215.0	2,595.4	2,382.1	2,320.9
Number of diluted shares (million)	385.0	385.0	385.0	385.0	385.0	385.0
Diluted net assets per share (£)	6.35	5.83	5.75	6.74	6.19	6.03

(1) Increase in shareholders' equity, which would arise on the exercise of share options.

(2) Our 50% share of deferred tax in the joint venture.

(3) Includes the wholly-owned Group's secured term loans and our 50% share of secured term loans in the joint venture.

Total accounting return (TAR)

	31.3.2022	**As restated[1] 31.3.2021**	**30.9.2021**
	Pence	**Pence**	**Pence**
Opening EPRA NTA per share (A)	**619.0**	728.0	728.0
Closing EPRA NTA per share	**679.0**	583.0	619.0
Increase/(decrease) in the period	**60.0**	(145.0)	(109.0)
Dividends paid in the period per share	**4.0**	—	2.4
TAR (B)	**64.0**	(145.0)	(106.6)
TAR % (B/A)	**10.3%**	(19.9)%	(14.6)%

(1) Net asset per share information has been restated for the comparative period presented by adjusting the number of shares to include the impact of the equity issue (see note 13). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

Financing ratios

	31.3.2022 £m	31.3.2021 £m	30.9.2021 £m
Loan-to-value and gearing	—		
Nominal value of debt	**959.8**	959.8	959.8
Cash and cash equivalents	**(203.9)**	(237.2)	(211.3)
Net debt (A)	**755.9**	722.6	748.5
Fair value of investment properties (B)	**3,261.7**	2,844.0	3,010.5
Loan-to-value (A/B)	**23.2%**	25.4%	24.9%
EPRA net assets (C)	**2,615.9**	2,244.4	2,382.1
Gearing (A/C)	**28.9%**	32.2%	31.4%
Interest cover	—		
Operating profit before investment property disposals & valuation movements (A)	**29.9**	17.2	43.1
Finance costs	**15.2**	15.7	30.9
Finance income	**(0.3)**	(0.4)	(0.7)
Net finance costs (B)	**14.9**	15.3	30.2
Interest cover (A/B)	**2.0x**	1.1x	1.4x
Cost of debt			
Blended cost of drawn borrowings	**3.0%**	3.0%	3.0%
Commitment fees on undrawn bank facilities	**0.6%**	0.6%	0.6%
Blended cost of debt (including commitment fees on undrawn facilities)	**3.1%**	3.1%	3.1%

17. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. See note 13 for disclosure of related party transactions regarding the share issue in the prior year.

Transactions and balances between the Company and its joint venture, which have not been eliminated on consolidation are summarised below:

	31.3.2022 £m	31.3.2021 £m	30.9.2021 £m
Transactions with joint venture:			
Administrative fees receivable	**0.1**	0.1	0.1
Loans advanced to the joint venture	**—**	0.8	1.5
Interest receivable	**0.3**	0.3	0.6

Amounts due from the joint venture are disclosed in note 8. All amounts are unsecured, repayable on demand and bear a market rate of interest. These balances have been assessed for expected credit losses under IFRS 9.

18. Post Balance Sheet events

In May 2022, the Group completed the acquisition of a 200-year ungeared leasehold interest in the lower floors of 92-104 Berwick Street for £27.5 million (excluding purchase costs). See above.

In accordance with Rule 2.4 of the Takeover Code, on 7 May 2022, the Boards of Shaftesbury PLC and Capital & Counties Properties PLC ("Capco") announced that they are in advanced discussions regarding a possible all-share merger of the two companies (the "Possible Merger"). Under the terms of the Possible Merger, it is envisaged that Shaftesbury shareholders, excluding the Shaftesbury shareholding owned by Capco, will own 53% of the combined company and Capco shareholders will own 47% of the combined company.

Discussions are ongoing and the full terms of a Possible Merger have not been finalised. There can be no certainty that an offer will be made. The announcement of a firm intention to make an offer

remains subject to the satisfaction or waiver of a number of customary pre-conditions including, inter alia, completion of reciprocal confirmatory due diligence.

In accordance with Rule 2.6(a) of the Takeover Code, Capco is required, by not later than 5.00 p.m. on 4 June 2022, to either announce a firm intention to make an offer for the Company in accordance with Rule 2.7 of the Takeover Code or announce that it does not intend to make an offer. This deadline can be extended with the consent of the Takeover Panel in accordance with Rule 2.6(c) of the Takeover Code.

Responsibility Statement

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

- important events that have occurred during the first six months ended 31 March 2022 and their impact on the condensed set of half year financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months ended 31 March 2022 and a fair review of any material changes in the related party transactions described in the last Annual Report.

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

The directors of Shaftesbury PLC are listed in its Annual Report for the year ended 30 September 2021.

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

On behalf of the Board

Brian Bickell
Chief Executive

Chris Ward
Chief Financial Officer

23 May 2022

Independent Review Report to Shaftesbury PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2022 which comprises the Unaudited Group Statement of Comprehensive Income, the Unaudited Group Balance Sheet, the Unaudited Group Cash Flow Statement, the Unaudited Group Statement of Changes in Equity and the related notes to the financial statements 1 to 18. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

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

Ernst & Young LLP

London

23 May 2022

Other information

Alternative Performance Measures (APMs)

The Group has applied the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures in this interim statement. An APM is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS. APMs provide supplementary information which we consider to be useful to the users of the interim statement but should not be viewed in isolation.

Set out below is a summary of APMs used in this interim statement. EPRA performance measures are a set of standard disclosures for the property sector as set out in EPRA's in its Best Practices Recommendations (BPR). The recommendations are designed to make the financial statements of public real estate companies more comparable across Europe, enhancing the transparency and coherence of the sector. Except for EPRA measures, APMs may not be comparable with similarly titled measures presented by other companies.

APM	Nearest IFRS measure	Explanation and reconciliation
EPRA earnings and earnings per share	Profit and total comprehensive income for the period Basic earnings per share	Note 16 and Financial Results (see above)
Covid-adjusted EPRA earnings and earnings per share	Profit and total comprehensive income for the period and earnings per share	Note 16 and Financial Results (see above)
Like-for-like growth/decline in rental income	Revenue	Note 16 and Financial Results (see above)
EPRA net tangible assets (NTA) and NTA per share	Net assets	Note 16 and Balance Sheet (see above)
EPRA net disposal value (NDV) and NDV per share	Net assets	Note 16
EPRA net reinstatement value (NRV) and NRV per share	Net assets	Note 16
Total Accounting Return	N/A	Note 16 and Balance Sheet (see above)
Valuation growth/decline	Net surplus on revaluation of investment properties	Wholly-owned portfolio valuation (see above)
Net debt	Borrowings less cash and cash equivalents	Note 16 and Net debt and cash flows (see above)
Loan-to-value	N/A	Note 16 and Net debt and cash flows (see above)
Gearing	N/A	Note 16 and Net debt summary (see above)
Blended cost of debt	N/A	Note 16 and Net debt summary (see above)
Interest cover	N/A	Note 16 and Net debt summary (see above)

Covid-adjusted EPRA earnings, is used by the Board as a benchmark in making dividend decisions. It removes the impact of rent waivers (where there were no associated lease modifications, such as lease extensions) granted during the pandemic from EPRA earnings.

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

Shareholder Information

Corporate Timetable

Financial Calendar

Annual results	November 2022
Annual General Meeting and AGM statement	February 2023

Dividend and bond interest

Proposed 2022 interim dividend:

Ex-dividend	9 June 2022
Record date	10 June 2022
Payment date	1 July 2022
Bond interest	30 September/31 March

Shareholder enquiries

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

Company website

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

Effect of REIT status on payment of dividends

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

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

Further information and the forms for completion to apply for PIDs to be paid gross are available on our website or from the registrar. Where we pay an ordinary dividend this will be treated in the same way as dividends from non-REIT companies.

Registrar

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

Telephone 0371 384 2294 (International +44 121 415 7047). Lines open 8.30 am to 5.30 pm, Monday to Friday (excluding public holidays in England and Wales). Equiniti can also be contacted by email. Emails should be sent to customer@equiniti.com

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

Secretary and registered office

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

Glossary of terms

Alternative Performance Measure (APM)

A financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Annualised current income

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

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

Best Practices Recommendations (BPR)

Standards set out by EPRA to provide comparable reporting between investment property companies.

Blended cost of debt

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

Building Research Establishment Environmental Assessment Method (BREEAM)

An environmental impact assessment method for commercial buildings. Performance is measured across a series of ratings: Pass, Very Good, Excellent and Outstanding.

Covid-adjusted EPRA earnings/earnings per share

EPRA earnings/earnings per share adjusted to remove the impact of rent waivers (where there were no associated lease modifications, such as lease extensions) granted during the pandemic.

EPRA

European Public Real Estate Association.

EPRA adjustments

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

EPRA earnings

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

EPRA earnings per share

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

EPRA net assets

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

EPRA Net Disposal Value (NDV)

The value of net tangible assets, assuming an orderly sale of the business' assets, achieving fair values as reported in the Balance Sheet. It includes deductions for liabilities that would crystallise in this scenario, including deferred tax and the difference between the fair value and carrying value of financial liabilities. When presented as a per share figure, it takes into account the potentially dilutive effect of outstanding options granted over ordinary shares.

EPRA Net Reinstatement Value (NRV)

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

EPRA Net Tangible Assets (NTA)

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

EPRA vacancy

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

Equivalent yield

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

Estimated Rental Value (ERV)

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

Fair value

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

FCA

Financial Conduct Authority

Gearing

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

IFRS

International Financial Reporting Standards.

Interest cover ratio (ICR)

Operating profit before investment property disposals and valuation movements, divided by finance costs net of finance income.

Leasing activity

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

Like-for-like growth in rental income

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

Loan-to-value (LTV)

Net debt expressed as a percentage of the fair value of property assets.

Long Term Incentive Plan (LTIP)

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

Net debt

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

Net initial yield

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

Net Zero Carbon

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

Property Income Distribution (PID)

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

Real Estate Investment Trust (REIT)

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

Reversionary potential

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

Reversionary yield

The anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

Science-based target

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

Sharesave or SAYE (Save-As-You-Earn)

A savings-related share option scheme. Employees are granted options to acquire shares at the end of a three or five-year vesting period using savings accumulated through salary sacrifice.

Topped-up net initial yield

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

Total Accounting Return (TAR)

The change in EPRA NTA per ordinary share plus dividends paid per ordinary share during the period of calculation, expressed as a percentage of the EPRA NTA per share at the beginning of the period.

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.

WAULT

Weighted average unexpired lease term, assuming tenant break options are exercised.

Section B: Historical Financial Information relating to the Shaftesbury Group for the year ended 30 September 2021

Independent Auditor's Report

To the members of Shaftesbury PLC

Opinion

In our opinion:

- Shaftesbury PLC's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent company's affairs as at 30 September 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union;
- the Parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Shaftesbury PLC (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2021 which comprise:

	Group	Parent company
Balance Sheet		
Statement of Comprehensive Income		
Cash flow statement		
Statement of changes in equity		
Related notes 1 to 27, including a summary of significant accounting policies		

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the Parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting included the following:

- We confirmed our understanding of management's process and evaluated the method used to prepare the Group's going concern assessment for the going concern period, being the period to 31 December 2022, which is at least 12 months from when the financial statements are

authorised for issue. We obtained management's assessment, including identifying the key assumptions which influenced the cash flow forecasts, liquidity and covenant compliance. We focused on management's assumptions around the continued recovery from the Covid-19 pandemic and their assumptions used in modelling a downside scenario of further restrictions being imposed in winter 2021-22.

- We challenged the appropriateness of the forecasts by comparing assumptions to historical performance and our knowledge of current trading conditions and external benchmarking. We assessed management's considerations related to material climate change impacts, including in relation to capital expenditure, in the going concern period. We challenged key assumptions by checking consistency with corroborative evidence, including to our work on the investment property valuations, and by searching for independent contradictory evidence. We applied further sensitivities to stress test the liquidity of the Group over the going concern period.
- We agreed key terms in the financing arrangements such as loan maturity dates, covenants and cure rights to the underlying agreements and obtained copies of waivers received from lenders.
- We recalculated covenant calculations using the forecasts and evaluated whether the covenants would be met during the going concern period. We considered the assessment of our Chartered Surveyors of the likelihood of future falls in property values which would result in future breaches of loan to value covenants. We assessed the effectiveness of mitigating actions available to management and the existence of sufficient cure rights to cover the duration of forecast breaches within and immediately following the going concern period to avoid breaching the covenants when current waivers received from lenders expire.
- We read board minutes to identify any matters that may impact the going concern assessment.
- We reviewed the disclosures in the financial statements relating to going concern with a view to confirming that they appropriately disclose the risk, the impact on the Group's operations and results and potential mitigating actions.

In assessing the Group's ability to continue as a going concern, we made the following observations:

- the Covid-19 pandemic has impacted on the operations and results of the Group. The most significant have been the collection of rent and service charges and the decline in property values. There continues to be judgement in assessing the future impact of the pandemic and the UK Government's response to it;
- we have not identified any material climate-related risks that should be incorporated into the company's forecasts not already included in the base case;
- waivers received from term loan lenders expire in January 2022, however the Group has cash cure rights available to mitigate forecast interest cover covenant breaches within and immediately following the going concern period under a severe but plausible downside scenario; and
- management conclude that following the Group's equity raise, the Group will continue to maintain sufficient liquidity over the going concern period. In the 'severe but plausible' downside scenario where interest cover covenants are forecast to be breached after existing interest cover waivers expire, management's assessment concludes that the Group has sufficient liquidity to cure these breaches through, and immediately following, the going concern period, and the Group has sufficient unencumbered assets to remain in compliance with the loan to value covenants on its facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for the going concern period, being the period to 31 December 2022, which is at least 12 months from when the financial statements are authorised for issue. Going concern has also been determined to be a key audit matter.

In relation to the Group and Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions

can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• The Group operates in London's West End and consists of a single reporting segment across eleven statutory entities. All of the Group's Companies were included in the scope of the audit. The Group audit team performed direct testing of the Longmartin joint venture balances which are included within the Group. The Group audit scope is consistent with the prior year.
Key audit matters	• The valuation of investment property • Revenue recognition including the timing of revenue recognition, and the treatment of rents and incentives • Provisions for expected credit losses on rent receivables and lease incentives
Materiality	• Overall Group Materiality: £34m which represents 1% of total assets. • Specific Group Materiality: £3.1m which represents 5% of operating profit before investment property valuation movements and net finance costs and excluding the provision for expected credit losses.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group, effectiveness of Group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk: The valuation of investment property

£3,010.5m (2020: £3,137.4m) (plus £164.5m (2020: £195.0m) being the Group's share in the Longmartin joint venture)

Refer to the Audit Committee Report: page 133

Accounting policies: pages 189–190

Note 10 of the Consolidated Financial Statements: pages 173–174

The valuation of investment property (including properties held in the joint venture) requires significant estimation by management and the external valuers. Any input inaccuracies or unreasonable assumptions used in the estimate (such as the estimated rental value and yield profile applied) could result in a material misstatement in the statement of comprehensive income and balance sheet.

There is also a risk that management may unduly influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets.

Our response to the risk

Our audit procedures around the valuation of investment property included:

- We obtained an understanding of the Group's controls over data used in the valuation of the investment property portfolio, including management's review of the valuations, to ensure the controls were designed and implemented correctly.
- We met with the external valuers, Cushman & Wakefield and Knight Frank, to understand the methodology used, and the basis for assumptions adopted including yields, ERVs, void periods, tenant incentives and how climate risk considerations have been reflected in the valuation.
- We assessed how the valuers have reflected the continued impact of and future uncertainties associated with COVID-19 in the valuations. We assessed the assumptions around rent collection levels in the short term, taking into account potential further government action, trading restrictions and the risk of tenant failure. We challenged these assumptions and looked for contra indicators in other evidence we obtained during the audit including:
    - recent rent collection data from tenants and subsequent cash receipts
    - the level of waivers and concessions granted to tenants by the Group
    - Management's assessment of the recoverability of tenant related balances, and performing a search for known Company Voluntary Arrangements and tenants with financial issues
- The Group audit team includes Chartered Surveyors who tested a sample of properties. They challenged the valuation approach and assumptions. The sample size they tested accounted for 83.5% of the fair value of investment properties. They additionally tested the investment properties held in the Longmartin joint venture.
- Our Chartered Surveyors compared the equivalent yields applied to each property to an expected range of yields taking into account market data and asset specific considerations. They also assessed the other assumptions applied by the external valuers, such as the estimated rental values and corroborated these to the rental tones set by relevant open market lettings, rent renewals and market reports.
- Together with our Chartered Surveyors, we obtained the sources of information used by the external valuers. We searched for available market evidence by researching leasing and investment transactional evidence from property transaction databases and market reports, looking for contra indicators to challenge the yields and ERVs adopted.
- In respect of the properties not in the sample tested by our Chartered Surveyors (16.5% of the fair value), we performed detailed analytical procedures on a property-by-property basis. This involved forming an expectation of the fair value of each property in the portfolio by reference to relevant external market data relating to capital growth rates. We investigated further the valuations of those properties which were not in line with our initial expectations which included further discussions with management and the external valuers and, where appropriate, involvement of our Chartered Surveyors.
- We evaluated the competence of the external valuers which included consideration of their qualifications and expertise, as well as their independence.
- We made enquiries of the external valuers and inspected their terms of reference to confirm that they had not been subject to undue influence or direction from management.
- The audit team and our Chartered Surveyors performed site visits for a sample of properties to enable us to assess the stage of completion of, and gain specific insights into, these refurbishments/developments.
- We utilised our detailed analytical procedures and work of the Chartered Surveyors described above in order to assess for evidence of undue management influence.
- For properties under significant refurbishment. We vouched the costs incurred to date and agreed the cost to complete estimates to approved budgets and contractual arrangements. We met with property surveyors to discuss the project costs and risks associated with the significant projects.
- We performed testing over the inputs to the valuations. For a sample of properties, we tested the contracted rent and key lease terms used by the valuers back to lease agreements.

Key observations communicated to the Audit Committee

We audited the inputs, assumptions and reviewed the methodology used by the external valuers.

We did not identify any exceptions or material errors in the input testing for the sample we tested.

We conclude that the valuation of each of the assets in the sample tested by our Chartered Surveyors are within a reasonable range.

We conclude that management provided an appropriate level of review and challenge over the valuations and we did not identify evidence of undue management influence or bias.

We concluded that the inputs and methodology applied are reasonable and that the external valuations are an appropriate assessment of the fair value of investment properties at 30 September 2021.

Risk: Revenue recognition, including the timing of revenue recognition, and the treatment of rents and incentives

£82.0m of rental income (FY20: £102.5m), £23.0m adjustment for lease incentives (FY20: £11.9m)

Refer to the Audit Committee Report (page 133); Accounting policies: page 189 Note 5 of the Consolidated Financial Statements (page 172)

Market expectations and profit based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.

In order to distort rental income, management could manipulate the deferred revenue balance, the IFRS rent adjustment for lease incentives, or the treatment of operating lease modifications resulting from COVID-19 which relate to the current year.

Our response to the risk

- We performed detailed testing for a sample of leases by agreeing the annual rent back to the terms of the lease agreements, including identifying rent-free periods, turnover rents, break dates and other incentives.
- Our audit procedures in respect of rental income included using the underlying invoice and rent collection data from Shaftesbury's managing agents. We used data analytics-based auditing techniques to ensure the correct recognition of revenue recorded in the year ended 30 September 2021. To do this we:
    - Correlated the posting of transactions between revenue, receivables and cash accounts;
    - Agreed a sample of cash receipts to lease agreements, invoices, and bank statements;
    - Reviewed the pattern of revenue recognised on a monthly basis and investigated any unusual journals entries or trends; and
    - Considered cut-off risk by selecting a sample of journals before and after 30 September 2021 and agreed these to supporting invoices.
- In respect of the deferred income recognised at year end we:
    - Performed analytical procedures to confirm the deferred income balance is materially within our expectations, based on the timing of invoicing.
    - Substantively tested a sample of balances by agreeing the timing of rent recognised to invoices or rent agreements.
- Our audit procedures in respect of lease incentives included:
    - Testing that the lease income, including the treatment of lease incentives and concessions, is on a straight-line basis, and in accordance with IFRS 16 Leases.
    - Verifying the completeness of the lease incentives recorded by confirming that leases with rent frees or other concessions from our detailed testing of the tenancy schedule have been included in the calculation.
    - Assessing the operating lease modifications arising from COVID-19 through:

    - Obtaining an understanding of the types of rent concessions provided to tenants and assessing the impact on revenue recognition under IFRS 16
    - Updating our understanding of the controls in place to record the lease modifications
  - Testing, on a sample basis, lease incentives recognised through recalculation based on rent concession invoices and the audited tenancy schedule, to verify the accuracy of management's lease modification calculations
  - Assessing the 'effective date' of the lease modifications with reference to available evidence of the agreement between landlord and tenant
- We have assessed the adequacy of the disclosures in the financial statements and whether they appropriately reflect the current impact of COVID-19 on the revenue recognition of the Group.
- We evaluated whether the revenue recognition policies adopted complied with IFRS.
- We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing to confirm that the processing and timing of journals to record revenue is consistent with our expectations.

Key observations communicated to the Audit Committee

We audited the timing of revenue recognition, treatment of rents and incentives, and assessed the risk of management override.

We assessed the accuracy and completeness of the accounting for operating lease modifications, in response to COVID-19.

Based upon the audit procedures performed, we conclude that revenue has been recognised on an appropriate basis in the year.

The procedures we carried out over revenue recognition apply to all the Group's revenue and the revenue in the Longmartin joint venture.

Risk: Provisions for expected credit losses on rent receivables and lease incentives

£14.1m provision for expected credit losses on rent receivables (FY20: £14.3m) and £2.6m for lease incentives (FY20: £8.2m)

Refer to the Audit Committee Report (page 133); Accounting policies (page 190); and

Note 5 of the Consolidated Financial Statements (page 172)

The provision for expected credit losses on rents receivable and lease incentive assets requires estimation using historical and forecast information available at the balance sheet date.

This estimation is more difficult with events brought on by the COVID-19 pandemic and government action restricting trading for the Group's tenants. There is a risk that the provision recognised in the financial statements is not in accordance with IFRS 9 and does not represent the credit risk to the Group at the year end.

The provision for expected credit losses on rent receivables is an estimation of the likelihood that tenants will settle unpaid rents owing to Shaftesbury at 30 September 2021. The provision for expected credit losses on lease incentives requires an assessment of whether the lease contract is likely to remain in place until the planned end of the lease term.

Our response to the risk

We performed procedures to address the heightened risk of non-payment of rent receivables and the risk of future tenant default in the current environment, including:

- We obtained an understanding of the Group's controls over the calculation of the provisions, including management's assessment of the risk of non-payment and risk of future tenant default, to ensure the controls were designed and implemented correctly.
- We performed additional procedures to assess the financial health of the Group's tenants. These procedures included: obtaining a list of known Company Voluntary Arrangements, performing press searches for evidence of tenant financial difficulty, holding discussions with the external

valuers and with the Group's property surveyors and reviewing tenancy information and rent collection data to identify those tenants with a higher risk of default. We assessed whether those higher risk tenants had been appropriately provided for at the year end, in both the provision for expected credit losses on rent receivables and lease incentives.

- We assessed the significant assumptions adopted by management in the provision for expected credit losses on rent receivables and lease incentives. The most significant of these being the probability of default for the tenants, based on their risk profile. We challenged this assumption in light of other information we obtained during the audit including the rent collection assumptions made by external valuers, and by management in their going concern assessment.
- Given the high degree of estimation uncertainty, we performed sensitivity analysis on the probability of default in order to derive a range of reasonable outcomes for the provision for expected credit losses on rent receivables and lease incentives.
- We assessed the credit risk assessment prepared by management. We validated the tenant deposits in place, obtaining confirmations of balances held by the managing agents.
- We tested the completeness of the expected credit loss provision by comparing the tenants included in the provision workings to audited tenancy schedules and to the audited lease incentive schedule.
- We tested the clerical accuracy of the provision workings and verified that the provision was calculated in accordance with management's policy. For any exceptions to this policy, we obtained supporting evidence to validate the provision amount.
- We assessed the adequacy of the disclosures in the financial statements for the provision for expected credit losses on rent receivables and lease incentives.

Key observations communicated to the Audit Committee

We audited the provision for expected credit losses on rent receivables and lease incentives.

We assessed the risk of tenant default and non-collection of rents as a result of current market conditions. We searched for indicators of tenant financial distress and considered whether the risk of default was appropriately considered in the provisions. We have also considered the consistency of management's estimates about future rent collections with other information we obtained during the audit.

We have tested the key inputs to the provisions including the existence of available rent deposits which reduce the Group's exposure to credit losses.

We conclude that the provision for expected credit losses on rent receivables and lease incentives recognised is fairly stated as at 30 September 2021, and that the disclosures in the financial statements are in accordance with IFRS.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality	Performance Materiality	Audit Differences
Overall	1% of total assets	£ 34m	£ 26m	£1.7m
Specific				
Applicable for account balances not related to investment properties, loans and borrowings	5% of operating profit before investment property valuation movements, net finance costs and excluding the provision for expected credit losses.	£3.1m	£2.3m	£153k
Parent Company	2% of net assets	£ 34m	£ 25m	£1.7m

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Overall materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that total assets would be the most appropriate basis for determining overall materiality given that key users of the Group's financial statements are primarily focused on the valuation of the Group's assets, mainly comprising the investment property portfolio. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. For planning purposes this was initially based on total assets as at 31 March 2021.

During the course of our audit, we reassessed our planning materiality. As a result, there was an increase in our overall materiality reflecting the valuation gain on investment properties between the time we set planning materiality and 30 September 2021. Our materiality basis and threshold have remained consistent with planning. In the prior year audit we adopted an overall materiality of £33m based on 1% of total assets.

Specific materiality

We assessed that for account balances not related to investment properties (either wholly owned or within the joint venture) and loans and borrowings, a misstatement of less than overall materiality for the financial statements could influence the economic decisions of users. We have determined that specific materiality for these areas should be based on operating profit before investment property valuation movements, net finance costs and excluding the provision for expected credit losses. We believe that it is appropriate to use a profit-based measure for specific materiality as profit is also a focus of users of the financial statements.

In the prior year, we considered the impact of Covid-19 on the Group and the reduction in operating profit in 2020 and adopted a specific materiality of £3.4m based on a normalised basis, being 5% of the average operating profit before investment property valuation movements and net finance costs for 2018, 2019 and 2020.

For the current year, we have not applied a normalised basis based on a three-year average, in recognition of there being a longer term impact on the Group's performance as a result of concessions granted due to Covid 19 rather than the impact being limited to a single year. We have reverted to the previous basis used prior to 2020 of basing specific materiality on operating profit before investment property valuation movements and net finance costs and adjusted this to exclude the provision for expected credit losses. We assessed this as being appropriate due to our audit having a specific response to this area as explained in the key audit matters section above. The adoption of an adjusted basis in setting materiality reflects our assessment of what a user considers to be material to the financial statements.

Accordingly, we calculated the specific materiality that we apply to all balances other than investment properties and loans and borrowings, based on operating profit before investment property valuation movements, net finance costs and excluding the provision for expected credit losses. This resulted in a lower specific materiality being adopted of £3.1m.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2020: 75%) of the respective materiality. Our objective in adopting this approach is to

confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee any uncorrected audit differences relating to investment properties and loans and borrowings in excess of £1.7m, as well as uncorrected audit differences in excess of £153k that relate to our specific testing of the other account balances not related to investment properties and loans and borrowings. These are set at 5% of their respective planning materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, including the Strategic report, Governance and Other information set out on pages 1 to 158, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 170;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 170;
- Directors' statement on fair, balanced and understandable set out on page 158;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 86;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on pages 86 to 95, and;
- The section describing the work of the audit committee set out on pages 130 to 135.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 158, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most relevant to the presentation of the Annual Report and

Accounts are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code), the relevant tax regulations in the United Kingdom, including the UK REIT regulations. There are no significant industry specific laws or regulations that we considered in determining our approach. We understood how the Group is complying with those frameworks through enquiry with Management, and by identifying the Group's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and the Audit Committee, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up. Our assessment included the tone from the top and the emphasis on a culture of honest and ethical behaviour.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by reviewing the Company's risk register and enquiry with Management and the Audit Committee during the planning and execution phases of our audit. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how Management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
    - Enquiry of members of senior management, and when appropriate, those charged with governance, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
    - Reading minutes of meetings of those charged with governance;
    - Obtaining electronic confirmations from the Group's banking providers to vouch the existence of cash balances and completeness of loans and borrowings;
    - Obtaining and reading correspondence from legal and regulatory bodies, including the FRC and HMRC; and
    - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed auditors of the Company on 7 December 2015 and we were reappointed by the Company at the AGM on 5 February 2016 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ended 30 September 2016 to 30 September 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit. As disclosed in the company's audit committee report, we have obtained an exemption from the FRC in respect of the non-audit services provided to the Group in 2020 and 2021, which exceeded the 70% non-audit services fee cap. We confirm that there are appropriate safeguards in place and that we remain independent.
- The audit opinion is consistent with our conclusion report to the audit committee

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006.Our audit work has been undertaken so that we might state to the

company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Saunders
Senior statutory auditor

for and on behalf of Ernst & Young LLP
Statutory Auditor
London

29 November 2021

Group statement of comprehensive income

For the year ended 30 September 2021

	Notes	2021	2020
		£m	£m
Revenue		**112.7**	124.5
Expected credit losses		**(16.4)**	(13.0)
Impairment charges		**(1.3)**	(8.9)
Property charges		**(30.3)**	(28.3)
Net property income	5	**64.7**	74.3
Administrative expenses	6	**(21.6)**	(14.4)
Operating profit before investment property disposals and valuation movements		**43.1**	59.9
Profit on disposal of investment properties	7	**0.1**	0.3
Net revaluation deficit on investment properties	10	**(196.9)**	(698.5)
Operating loss		**(153.7)**	(638.3)
Finance income		**0.7**	0.7
Finance costs	8	**(30.9)**	(32.5)
Share of post-tax loss from joint venture	12	**(11.0)**	(29.4)
Loss before tax		**(194.9)**	(699.5)
Tax charge for the year	9	**—**	—
Loss and total comprehensive loss for the year		**(194.9)**	(699.5)
Loss per share:			
Basic and diluted[1]	24	**(52.0)p**	(222.7)p

(1) The 2020 comparative per share data has been restated following the equity raise in November 2020 to adjust for the inherent bonus element. See note 24 for further information.

Balance sheets

As at 30 September 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		£m	£m	£m	£m
Non-current assets					
Investment properties	10	**2,964.1**	3,115.5	**—**	—
Accrued income	11	**34.1**	16.3	**—**	—
Investment in joint venture	12	**85.8**	96.8	**59.0**	59.0
Property, plant and equipment		**1.0**	1.2	**4.7**	5.4
Trade and other receivables	14	**15.9**	3.7	**12.2**	—
Investment in subsidiaries	13	**—**	—	**1,409.7**	1,226.8
		3,100.9	3,233.5	**1,485.6**	1,291.2
Current assets					
Trade and other receivables	14	**44.4**	45.0	**97.4**	161.5
Cash and cash equivalents	15	**211.3**	72.8	**195.6**	61.5
Total assets		**3,356.6**	3,351.3	**1,778.6**	1,514.2
Current liabilities					
Trade and other payables	16	**31.6**	19.7	**51.8**	4.4
Non-current liabilities					
Trade and other payables	16	**—**	—	**3.3**	3.8
Borrowings	17	**952.3**	1,051.0	**(0.4)**	99.0
Total liabilities		**983.9**	1,070.7	**54.7**	107.2
Net assets		**2,372.7**	2,280.6	**1,723.9**	1,407.0
Equity					
Share capital	19	**96.1**	76.9	**96.1**	76.9
Share premium	20	**653.8**	378.6	**653.8**	378.6
Share-based payments reserve	20	**2.4**	1.3	**2.4**	1.3
Retained earnings	20	**1,620.4**	1,823.8	**971.6**	950.2
Total equity		**2,372.7**	2,280.6	**1,723.9**	1,407.0

The Company made a profit of £29.9 million (2020: £59.8 million) in the year.

On behalf of the Board who approved and authorised for issue the financial statements on pages 166 to 190 on 29 November 2021.

Brian Bickell	Chris Ward
Chief Executive	Chief Financial Officer

Cash flow statements

For the year ended 30 September 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		£m	£m	£m	£m
Operating activities					
Cash generated from/(used in) operating activities	23	**38.3**	33.5	**(14.7)**	(17.0)
Interest received		**0.2**	0.4	**0.2**	0.3
Interest paid		**(29.6)**	(31.4)	**(0.9)**	(2.6)
Net cash from/(used in) operating activities		**8.9**	2.5	**(15.4)**	(19.3)
Investing activities					
Investment property acquisitions		**(19.1)**	(13.3)	**—**	—
Investment property disposals	7	**5.2**	0.3	**—**	—
Capital expenditure on investment properties		**(34.9)**	(31.2)	**—**	—
Purchase of property, plant and equipment		**(0.1)**	(0.1)	**(0.1)**	(0.1)
Increase in cash held in restricted accounts	15	**(5.4)**	(8.7)	**(1.0)**	(1.3)
Decrease in cash held in restricted accounts	15	**0.3**	—	**0.3**	—
Dividends received from joint venture		**—**	1.4	**—**	1.4
Increase in loans to joint venture		**(1.5)**	(4.3)	**(1.5)**	(4.3)
Amounts received from subsidiaries		**—**	—	**15.9**	40.2
Amounts provided to subsidiaries		**—**	—	**(49.2)**	(64.2)
Net cash used in investing activities		**(55.5)**	(55.9)	**(35.6)**	(28.3)
Financing activities					
Proceeds from share issue	19	**307.0**	—	**307.0**	—
Share issue costs	19	**(12.6)**	—	**(12.6)**	—
Proceeds from borrowings	17	**—**	150.0	**—**	150.0
Repayment of borrowings	17	**(100.0)**	(50.0)	**(100.0)**	(50.0)
Equity dividends paid	22	**(9.3)**	(27.8)	**(9.3)**	(27.8)
Net cash from financing activities		**185.1**	72.2	**185.1**	72.2
Net change in cash and cash equivalents		**138.5**	18.8	**134.1**	24.6
Cash and cash equivalents at the beginning of the year	15	**72.8**	54.0	**61.5**	36.9
Cash and cash equivalents at the end of the year	15	**211.3**	72.8	**195.6**	61.5

Statements of changes in equity

For the year ended 30 September 2021

	Notes	Share capital	Share premium	Share-based paymentsreserve	Retained earnings	Total equity
		£m	£m	£m	£m	£m
Group						
At 1 October 2020		**76.9**	**378.6**	**1.3**	**1,823.8**	**2,280.6**
Loss and total comprehensive loss for the year		**—**	**—**	**—**	**(194.9)**	**(194.9)**
Dividends paid	22	**—**	**—**	**—**	**(9.3)**	**(9.3)**
Share-based payments		**—**	**—**	**1.9**	**—**	**1.9**
Release on exercise of share options		**—**	**—**	**(0.8)**	**0.8**	**—**
Share issue	19	**19.2**	**275.2**	**—**	**—**	**294.4**
At 30 September 2021		**96.1**	**653.8**	**2.4**	**1,620.4**	**2,372.7**
At 1 October 2019		76.9	378.6	1.3	2,550.4	3,007.2
Loss and total comprehensive loss for the year		—	—	—	(699.5)	(699.5)
Dividends paid	22	—	—	—	(27.8)	(27.8)
Share-based payments		—	—	0.7	—	0.7
Release on exercise of share options		—	—	(0.7)	0.7	—
At 30 September 2020		76.9	378.6	1.3	1,823.8	2,280.6
Company						
At 1 October 2020		**76.9**	**378.6**	**1.3**	**950.2**	**1,407.0**
Profit and total comprehensive income for the year		**—**	**—**	**—**	**29.9**	**29.9**
Dividends paid	22	**—**	**—**	**—**	**(9.3)**	**(9.3)**
Share-based payments		**—**	**—**	**1.9**	**—**	**1.9**
Release on exercise of share options		**—**	**—**	**(0.8)**	**0.8**	**—**
Share issue	19	**19.2**	**275.2**	**—**	**—**	**294.4**
At 30 September 2021		**96.1**	**653.8**	**2.4**	**971.6**	**1,723.9**
At 1 October 2019		76.9	378.6	1.3	917.5	1,374.3
Profit and total comprehensive income for the year		—	—	—	59.8	59.8
Dividends paid	22	—	—	—	(27.8)	(27.8)
Share-based payments		—	—	0.7	—	0.7
Release on exercise of share options		—	—	(0.7)	0.7	—
At 30 September 2020		76.9	378.6	1.3	950.2	1,407.0

The Company's distributable reserves are disclosed in note 20 to the financial statements.

1. Basis of preparation

Shaftesbury PLC ("the Company") is a public company limited by shares, incorporated, registered and domiciled in England and Wales. It is listed on the London Stock Exchange. The address of the registered office and its registered number are given on page 157.

The financial statements of the Company, and the consolidated financial statements of the Company and its subsidiaries (collectively, "the Group"), have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Group financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared in Pounds Sterling and under the historical cost convention as modified by the revaluation of investment properties.

The Company is the ultimate parent company of the Group. The Company has not presented its own Statement of Comprehensive Income, as permitted by Section 408 of the Companies Act 2006. The Company made a profit of £29.9 million (2020: £59.8 million) in the year.

Going concern

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

Nevertheless, in light of remaining uncertainty, the Board has placed a particular focus on the appropriateness of adopting the going concern basis in preparing the consolidated financial statements for the year ended 30 September 2021.

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

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

The most severe impacts of this severe-but-plausible downside scenario are assumed to occur within the going concern period, including rent collection falling to c.40% in Q2 FY 2022, total vacancy reaching a peak of c.23% in Q3 FY 2022 as well as an immediate increase in property costs. Our assumptions are outlined in detail in the viability statement on page 98.

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

The near-term impact of climate change risks within the going concern period is expected to be very limited. Interruptions to trade from severe weather events are possible but would be consistent with impacts considered in the severe-but-plausible downside scenario. Our forecasts assume an increase

in capital expenditure to enable us to meet our net zero carbon targets and evolving minimum energy efficiency standards.

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

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

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

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

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

Whilst the severe-but-plausible downside scenario would present significant challenges over the going concern period, the directors' assessment is that, in view of the Group's cash reserves, its expected covenant compliance and cure rights, and the reverse stress testing set out above, they can have a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Changes in accounting policies

The Group's significant accounting policies are disclosed in note 27. The accounting policies and methods of computation used are consistent with those of the previous financial year, with the exception of new standards and amendments to standards, which became effective in the financial year.

New standards adopted during the year

The following standards and amendments to existing standards were relevant to the Group, adopted from 1 October 2020, and did not have a significant impact on the financial statements:

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

Standards relevant to the Group but not yet effective

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

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments)—Interest rate benchmark reform (Phase 2)
- IAS 1 (amendment)—Classification of liabilities as current or non-current

3. Significant judgements, assumptions and key estimates

The preparation of the financial statements in accordance with IFRS requires the directors to make judgements and estimates about the carrying amounts of assets and liabilities, in applying the Group's accounting policies. The judgements and estimates are based on historical experience and other relevant factors, including expectations of future events, and are reviewed on a continual basis.

Although the estimates are made using the directors' best knowledge of the amount, event or actions, actual results may differ from the original estimates.

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

Significant areas of estimation uncertainty

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

Investment property valuation

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

Valuations are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio require estimates to be made, including, but not limited to, market yields, ERVs, void periods and, currently, the likely short-term impact of rent concessions. These estimates are based on assumptions made by the valuers. The most significant assumptions are those in respect of market yields and ERVs, which are summarised on page 197 and are in accordance with the RICS Valuation—Global Standards. Given the inherent subjectivity, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. This may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position.

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

Provisions for expected credit losses, impairment of lease incentives and deferred letting costs

In preparing the financial statements, estimates are made in assessing expected credit losses in respect of trade receivables, lease incentives and deferred letting costs. In normal circumstances, these estimates draw on historical information, such as recent payment history. However, in the current market with greater uncertainty, the focus is more on forecast information, taking into account expectations about trading levels, footfall and tenants' ability to pay arrears, and, with respect to lease incentives and deferred letting costs, whether it is likely tenants will serve out the remainder of the contractual terms of their leases. In assessing provisions, the Group identifies risk factors associated with each use (hospitality and leisure, retail, office and residential).

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

Where the credit loss relates to revenue already recognised in the Income Statement, the expected credit loss allowance is recognised in the Income Statement. Expected credit losses totalling £16.4 million (2020: £13.0 million) were charged to the Income Statement in the year.

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

Accrued income from lease incentives and deferred letting costs are subject to impairment review at each year end. In determining the impairment provision, the Group reviews leases on an individual basis, making a provision based on an expected credit loss model, using information available about the likelihood of a lease terminating earlier than the date of contractual break option or expiry. With trading conditions improving in the second half of the year, the risk of tenant default has lessened,

which has led to reduced impairment provisions against lease incentive and deferred letting cost balances. Whilst occupiers' trading has improved, the prospect of recovering material amounts of arrears that built up during periods of Government restrictions still remains uncertain, which is reflected in the Group's provisions for expected credit losses.

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

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

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

4. Segmental information

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

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see pages 193 to 194 for an explanation on the EPRA measures used in these financial statements).

The Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with hospitality, leisure and retail on the lower floors and offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no segmental financial information is presented.

5. Net property income

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

Impairment charges of £1.3 million (2020: £8.9 million) include £1.7 million (2020: £8.2 million) for tenant lease incentive balances and a £0.4 million credit (2020: £0.7 million charge) for deferred letting cost balances. See page 194 for property charges in respect of investment properties that were vacant during the year.

6. Administrative expenses

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

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

Included within equity-settled remuneration is a charge of £1.4 million (2020: £1.0 million) for the LTIP and SAYE schemes. Note 21 includes a summary of the principal assumptions made at the last grant dates for these schemes. Details of the employee costs for the Group's key management personnel are set out in note 26.

Average monthly number of employees	2021 number	2020 number
Executive directors	**4**	4
Head office and property management	**42**	33
Estate management	**1**	1
	47	38

Auditor remuneration	2021 £000	2020 £000
Audit of the Company	**114**	99
Audit of the Group	**262**	228
Total fees for audit services	**376**	327
Audit related assurance services—half year review	**45**	45
Other assurance services	**75**	234
Total assurance services	**120**	279
Other non-audit services	**207**	293
Total fees for non-audit services	**327**	572
Total fees	**703**	899

The auditor provided no taxation services to the Group in 2021 (2020: £nil). The auditor acted as reporting accountants in connection with the Company's equity raise that completed on 18 November 2020. Total non-audit fees payable to Ernst & Young for permissible non-audit services were £790,000. Of this, £274,000 related to work completed in 2021 and £516,000 for 2020.

Total fees for non-audit services represented 87% (2020: 175%) of the total fees for audit services. See page 135 of the Audit Committee Report which sets out further considerations in respect audit and non-audit fees.

7. Profit on disposal of investment properties

	2021	2020
	£m	£m
Net sale proceeds	**5.2**	0.3
Book value	**(5.1)**	—
	0.1	0.3

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

8. Finance costs

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

9. Tax charge for the year

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

10. Investment properties

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

The investment properties valuation comprises:

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

Investment properties were valued at 30 September 2021 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

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

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. These assumptions include, but are not limited to, market yields, ERVs, void periods, and currently, the short-term impact of rent concessions. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out on page 197. Equivalent yields are based on current market prices, depending on, inter alia, the location, condition and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and local occupancy levels. Whilst there is market evidence for the key inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable.

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year (2020: none).

The major inputs to the external valuation are reviewed by the senior management team. In addition, the valuer meets with the external auditor and the Audit Committee. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Audit Committee Report on pages 130 to 133.

Fees were agreed at fixed amounts in advance of the valuations being carried out. Non-valuation fees, including letting and other advice provided to the Group, represented 47% of total fees for the valuation of the Group's investment properties. Cushman & Wakefield confirmed that the total fees paid by the Group represented less than 5% of its total revenues in the current year.

Sensitivity analysis

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

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

	Change in ERV				Change in Yield			
	–10%	–5%	+5%	+10%	–0.5%	–0.25%	+0.25%	+0.5%
	£m	£m	£m	£m	£m	£m	£m	£m
(Decrease)/increase in the fair value	**(271.8)**	**(144.4)**	**113.5**	**245.2**	**505.0**	**231.3**	**(197.5)**	**(370.0)**

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

At 30 September 2021, the Group had capital commitments of £18.8 million (2020: £31.0 million). This included £15.1 million relating to future capital expenditure for the enhancement of the Group's investment properties (2020: £31.0 million) and £3.7 million for an acquisition, conditional on certain requirements being met (2020: £nil). See pages 52 to 53 for a discussion of the Group's property activity during the year. Details of the restrictions on the Group's investment properties are set out in note 17.

11. Accrued income

	2021 £m	2020 £m
Accrued income in respect of lease incentives	**43.9**	20.6
Less: included in trade and other receivables (note 14)	**(9.8)**	(4.3)
	34.1	16.3

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

12. Investment in joint venture

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

	2021 £m	2020 £m
Company		
Shares at cost		
At 1 October and 30 September	**59.0**	59.0

The Company owns 7,782,100 B ordinary £1 shares in Longmartin Properties Limited, representing 50% of that company's issued share capital. The company is incorporated in Great Britain and registered in England and Wales and is engaged in property investment in London. Longmartin Properties Limited's principal place of business and registered office is the same as the Group, as set out on page 157. Control of Longmartin Properties Limited is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

At 30 September 2021, the joint venture had capital commitments of £3.6 million (2020: £0.1 million) relating to future capital expenditure for the enhancement of its investment properties, of which, 50% relates to the Group.

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

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

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

13. Investment in subsidiaries

	2021	2020
	£m	£m
Shares in Group undertakings		
At 1 October	**1,226.8**	1,238.3
Additional share capital issued by subsidiaries	**182.9**	—
Impairment of shares in subsidiaries	**—**	(11.5)
At 30 September	**1,409.7**	1,226.8

During the year, a number of subsidiaries issued share capital to the Company. All transactions were settled through intercompany indebtedness. In 2020, two subsidiary companies distributed £12.5 million to the Company. The distributions were settled by intercompany indebtedness. Following this, the Company impaired its investment in these subsidiaries.

The full list of the Company's subsidiary undertakings is presented below. Except where indicated otherwise, the Company owns, directly, all of the ordinary issued share capital:

Active subsidiaries:	
Shaftesbury Carnaby PLC	Shaftesbury AV Investment Limited
Shaftesbury Covent Garden Limited	Shaftesbury AV Limited[1]
Shaftesbury Chinatown PLC	Shaftesbury CL Investment Limited
Shaftesbury Soho Limited	Shaftesbury CL Limited[1]
Dormant subsidiaries:	
Carnaby Estate Holdings Limited	Chinatown London Limited
Carnaby Investments Limited	Shaftesbury Investments 2 Limited
Carnaby Property Investments Limited[1]	Shaftesbury Investments 4 Limited
Chinatown Estate Holdings Limited	Shaftesbury Investments 5 Limited
Chinatown Property Investments Limited[1]	Shaftesbury Investments 6 Limited
Covent Garden Estate Holdings Limited	Shaftesbury Investments 7 Limited
Shaftesbury Covent Garden Property Investments Limited[1]	Shaftesbury Investments 8 Limited
Shaftesbury Charlotte Street Limited	Shaftesbury Investments 9 Limited
Charlotte Street Estate Holdings Limited	Shaftesbury Investments 10 Limited
Shaftesbury West End Limited	Shaftesbury WE Limited[2]

(1) 100% of the share capital of these subsidiaries is held by other Group companies.

(2) In an effort to simplify the Group structure, this subsidiary was dissolved on 9 October 2021.

All of the companies are either engaged in property investment or dormant. They are incorporated in Great Britain and are registered in England and Wales. The registered office of the subsidiaries is the same as the Group, as set out on page 157.

14. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£m	£m	£m	£m
Current trade and other receivables				
Trade receivables	**20.8**	26.0	**—**	—
Provision for expected credit losses	**(14.1)**	(14.3)	**—**	**—**
	6.7	11.7	**—**	—
Accrued income in respect of lease incentives (note 11)	**9.8**	4.3	**—**	—
Amounts due from subsidiaries	**—**	—	**93.1**	144.6
Amounts due from joint venture	**1.7**	11.8	**1.7**	11.8
Other taxation	**0.9**	2.9	**—**	1.4
Prepayments	**11.3**	1.9	**0.6**	0.5
Other receivables	**14.0**	12.4	**2.0**	3.2
Total current trade and other receivables	**44.4**	45.0	**97.4**	161.5
Non-current trade and other receivables				
Amounts due from joint venture	**12.2**	—	**12.2**	—
Other receivables	**3.7**	3.7	**—**	—
Total non-current trade and other receivables	**15.9**	3.7	**12.2**	—

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

See note 18 for further information on the provision for expected credit losses.

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

15. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£m	£m	£m	£m
Cash at bank	**211.3**	72.8	**195.6**	61.5
Restricted cash (included in other receivables in note 14):				
Non-current other receivables	**3.7**	3.7	**—**	—
Current other receivables	**13.8**	8.7	**2.0**	1.3
	17.5	12.4	**2.0**	1.3

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

16. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£m	£m	£m	£m
Current trade and other payables				
Deferred rental income	**3.1**	3.4	**—**	—
Accruals and deferred service charge income	**3.3**	1.1	**—**	—
	6.4	4.5	**—**	—
Trade payables and accruals in respect of capital expenditure	**7.3**	4.8	**—**	—
Amounts due to subsidiaries	**—**	—	**44.3**	—
Other taxation and social security	**1.2**	0.5	**1.8**	0.5
Other payables and accruals	**16.7**	9.9	**5.3**	3.5
Lease liabilities	**—**	—	**0.4**	0.4
Total current trade and other payables	**31.6**	19.7	**51.8**	4.4
Non-current trade and other payables				
Lease liabilities	**—**	—	**3.3**	3.8
Total non-current trade and other payables	**—**	—	**3.3**	3.8

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

17. Borrowings

Group

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

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

Details of the Group's current financial position are discussed on pages 83 to 84.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £2,444.1 million (2020: £2,697.9 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

	1.10.2020	Cash flows: Inflows	Cash flows: Outflows	Non-cash items	30.9.2021
	£m	£m	£m	£m	£m
Non-current borrowings					
Mortgage bonds	**575.0**	**—**	**—**	**—**	**575.0**
Secured bank facilities	**100.0**	**—**	**(100.0)**	**—**	**—**
Secured term loans	**384.8**	**—**	**—**	**—**	**384.8**
Loan issue costs	**(8.8)**	**—**	**—**	**1.3**	**(7.5)**
	1,051.0	**—**	**(100.0)**	**1.3**	**952.3**
Loan issue costs[1]	**8.8**	**—**	**—**	**(1.3)**	**7.5**
Cash & cash equivalents (note 15)	**(72.8)**	**(351.0)**	**212.5**	**—**	**(211.3)**
Net debt at 30 September 2021	**987.0**	**(351.0)**	**112.5**	**—**	**748.5**

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

	1.10.2019	Cash flows: Inflows	Cash flows: Outflows	Non-cash items	30.9.2020
	£m	£m	£m	£m	£m
Non-current borrowings					
Mortgage bonds	575.0	—	—	—	575.0
Secured bank facilities	—	150.0	(50.0)	—	100.0
Secured term loans	384.8	—	—	—	384.8
Loan issue costs	(10.0)	—	—	1.2	(8.8)
	949.8	150.0	(50.0)	1.2	1,051.0
Loan issue costs[1]	10.0	—	—	(1.2)	8.8
Cash & cash equivalents (note 15)	(54.0)	(185.6)	166.8	—	(72.8)
Net debt at 30 September 2020	905.8	(35.6)	116.8	—	987.0

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

Availability and maturity of borrowings

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

Interest rate profile of interest bearing borrowings

	2021		2020	
	Debt	Interest rate	Debt	Interest rate
	£m		£m	
Secured bank facilities	**—**	**—**	100.0	1.66%
Secured term loans	**384.8**	**3.85%**	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%
Weighted average cost of drawn borrowings		**2.99%**		2.87%

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

The credit margin on the Group and Company's secured bank facility was 1.6% (2020: 1.46%).

Company

	2021			2020		
	Nominal value	Unamortised issue costs	Book value	Nominal value	Unamortised issue costs	Book value
	£m	£m	£m	£m	£m	£m
Secured bank facilities	—	(0.4)	(0.4)	100.0	(1.0)	99.0
Total Company borrowings	—	(0.4)	(0.4)	100.0	(1.0)	99.0

At 30 September 2021, there were no drawings against the Company's secured bank facility (2020: £100.0 million). The Company is still able to benefit from this committed revolving credit facility, and as such, unamortised issue costs of £0.4 million (2020: £1.0 million) continue to be carried in the Balance Sheet.

Net debt reconciliation

		Cash flows			
	1.10.2020	Inflows	Outflows	Non-cash items	30.9.2021
	£m	£m	£m	£m	£m
Non-current borrowings					
Secured bank facilities	100.0	—	(100.0)	—	—
Loan issue costs	(1.0)	—	—	0.6	(0.4)
	99.0	—	(100.0)	0.6	(0.4)
Loan issue costs[1]	1.0	—	—	(0.6)	0.4
Cash & cash equivalents (note 15)	(61.5)	(323.4)	189.3	—	(195.6)
Net debt at 30 September 2021	38.5	(323.4)	89.3	—	(195.6)

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

		Cash flows			
	1.10.2019	Inflows	Outflows	Non-cash items	30.9.2020
	£m	£m	£m	£m	£m
Non-current borrowings					
Secured bank facilities	—	150.0	(50.0)	—	100.0
Loan issue costs	(1.3)	—	—	0.3	(1.0)
	(1.3)	150.0	(50.0)	0.3	99.0
Loan issue costs[1]	1.3	—	—	(0.3)	1.0
Cash & cash equivalents (note 15)	(36.9)	(191.9)	167.3	—	(61.5)
Net debt at 30 September 2020	(36.9)	(41.9)	117.3	—	38.5

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

Availability and maturity of borrowings

	2021			2020		
	Committed	Drawn	Undrawn	Committed	Drawn	Undrawn
	£m	£m	£m	£m	£m	£m
Repayable between 1 and 5 years	**100.0**	**—**	**100.0**	225.0	100.0	125.0

18. Financial instruments

Categories of financial instruments (book value)	Notes	2021	2020
		£m	£m
Group			
Financial assets			
Trade and other receivables	**14**	**6.7**	11.7
Amounts due from joint venture	**14**	**13.9**	11.8
Other receivables	**14**	**17.7**	16.1
Cash and cash equivalents	**15**	**211.3**	72.8
		249.6	112.4
Financial liabilities			
Trade and other payables—due within one year	**16**	**(24.0)**	(14.7)
Interest bearing borrowings	**17**	**(952.3)**	(1,051.0)
		(976.3)	(1,065.7)
Net financial instruments		**(726.7)**	(953.3)
Company			
Financial assets			
Amounts due from subsidiaries	**14**	**93.1**	144.6
Amounts due from joint venture	**14**	**13.9**	11.8
Other receivables	**14**	**2.0**	3.2
Cash and cash equivalents	**15**	**195.6**	61.5
		304.6	221.1
Financial liabilities			
Trade and other payables—due within one year	**16**	**(5.3)**	(3.5)
Lease liabilities[1]	**16**	**(3.7)**	—
Amounts due to subsidiaries	**16**	**(44.3)**	—
Interest bearing borrowings	**17**	**—**	(99.0)
		(53.3)	(102.5)
Net financial instruments		**251.3**	118.6

(1) On adoption of IFRS 16, lease liabilities of £4.2 million were separately disclosed in note 2 of the prior year financial statements.

Other receivables relate to cash held on deposit, which have certain conditions restricting their use which are due between 2029 and 2035.

Fair values of financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. The fair value of these financial instruments is £1,005.1 million (2020: £988.9 million). The difference between the fair value and the book value is not recognised in the reported results for the year. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy in IFRS 13.

The fair values of the Group's and Company's cash and cash equivalents, and those financial instruments included within trade and other receivables, interest bearing borrowings (excluding the mortgage bonds and the secured term loans), and trade and other payables are not materially different from the values at which they are carried in the financial statements.

Contractual cash flows

The tables below summarise the undiscounted contractual cash flows arising on interest bearing financial liabilities based on conditions existing at the Balance Sheet date. The Group has no obligation to repay its mortgage bonds or secured term loans in advance of their maturities between 2027 and 2035. The Group's secured bank facility matures in 2023.

Group

30 September 2021	Book value	Contractual cash flows	<1 year	1–2 years	2–5 years	5–10 years	>10 years
	£m	£m	£m	£m	£m	£m	£m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	**952.3**	**959.8**	**—**	**—**	**—**	**839.8**	**120.0**
Interest	**3.0**	**256.7**	**28.7**	**28.7**	**86.2**	**95.4**	**17.7**
Total	**955.3**	**1,216.5**	**28.7**	**28.7**	**86.2**	**935.2**	**137.7**

30 September 2020	Book value	Contractual cash flows	<1 year	1–2 years	2–5 years	5–10 years	>10 years
	£m	£m	£m	£m	£m	£m	£m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	1,051.0	1,059.8	—	—	100.0	554.8	405.0
Interest	2.9	289.4	30.4	30.4	86.8	112.4	29.4
Total	1,053.9	1,349.2	30.4	30.4	186.8	667.2	434.4

Company

30 September 2021	Book value	Contractual cash flows	<1 year	1–2 years	2–5 years	5–10 years	>10 years
	£m	£m	£m	£m	£m	£m	£m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Interest	**0.1**	**0.1**	**0.1**	**—**	**—**	**—**	**—**
Lease liabilities[1]	**3.7**	**4.4**	**0.6**	**0.6**	**1.7**	**1.5**	—
Total	**3.8**	**4.5**	**0.7**	**0.6**	**1.7**	**1.5**	**—**

30 September 2020	Book value	Contractual cash flows	<1 year	1–2 years	2–5 years	5–10 years	>10 years
	£m	£m	£m	£m	£m	£m	£m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	99.0	100.0	—	—	100.0	—	—
Interest	—	4.0	1.7	1.7	0.6	—	—
Total	99.0	104.0	1.7	1.7	100.6	—	—

(1) On adoption of IFRS 16, lease liabilities with a book value of £4.2 million were separately disclosed in note 2 of the prior year financial statements.

Management of financial risks (Group and Company)

An overview of the Group's risk management policies and the principal risks and uncertainties is set out on pages 88 to 95. The disclosure below provides further detail regarding financial risk management.

Credit risk

Credit risk refers to the risk that a counterparty will default on their contractual obligations resulting in financial loss to the Group.

The Group defines default as the failure to meet contractual obligations as such obligations fall due. Generally, default risk is managed through a large and diverse tenant base so that tenant credit risk is widely spread.

Prior to entering into contractual arrangements, where appropriate, tenants are required to provide cash deposits to mitigate the potential loss in the event of default. Tenant deposits are referred to in note 14.

During the pandemic, the Group supported its occupiers through a package of measures, including waivers of rent obligations, which has been critical in mitigating tenant default risk, particularly for our hospitality, retail and leisure occupiers. Over the second half of the year, trading conditions have improved and rent collection rates are improving, although are not yet back at pre-pandemic levels. During this period, occupier demand has improved and available space in the Group's portfolio has now largely been absorbed. The Group's rental support has tapered and is now only being provided on an exceptional, case-by-case basis. However, occupiers face a number of headwinds including inflation, energy costs, staff shortages and the wind down of Government support, which could reduce profitability or their ability to service their debt. Whilst tenant default risk, and hence credit risk associated with our tenants, has decreased in the year, it remains one of the Group's principal risks.

Principal risks and uncertainties: page 88

In respect of tenant arrears, the Group identified risk factors associated with each use (hospitality, retail, office and residential) and calculated provisions taking into account the type of use, rent deposits held and rent collections, on a tenant-by-tenant basis. The Group was able to utilise £1.2 million (2020: £2.3 million) of the £8.3 million (2020: £14.3 million) tenant rent deposits held by the managing agent (see note 14) at 30 September 2021 to offset unpaid rent receivables. Absent the assumed use of tenant deposits held by the managing agent at 30 September 2021 as collateral against arrears at that date, the maximum exposure to credit risk for the Group was £5.5 million (2020: £9.4 million). Tenant arrears are derecognised when there is no longer a reasonable expectation of collection.

Where cash is deposited with banks or financial institutions, the Group considers the counterparty credit rating and places amounts with different banks or financial institutions to spread counterparty credit risk. Deposits and liquidity requirements are reviewed on a weekly basis.

The Company's credit risk management, objectives and policies are consistent with those of the Group.

Capital risk

The capital structure of the Group consists of equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings is set out in note 17 and the Group's share capital and reserves are set out in notes 19 and 20 and the Statement of Changes in Equity. The Group regularly reviews its loan covenant compliance.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles.

During the year, reduced rent collections and vacancy continued to put pressure on interest cover covenants in certain of the Group's debt arrangements. Waivers from lenders, originally secured in 2020, were extended. In November 2020, following an assessment by the Board of the Group's financial and liquidity position in light of the impact of the pandemic, the Group issued equity, raising net proceeds of £294.4 million. Having maintained the Group's financial resilience, the Group has weathered the pandemic storm and is now well positioned to return to long-term growth and take advantage of portfolio investment opportunities.

The Group's capital structure and financing strategy are discussed in the Strategic Report on page 83.

Principal risks and uncertainties: page 88

Liquidity risk

The Board keeps under review the Group's funding requirements, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing and planned commitments. The Group's liquidity position and requirements were considered as part of the assessment noted in capital risk management (above).

Market risk

Interest rate risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and

credit costs. The Board keeps the Group's interest rate risk under review, particularly in light of expectations of future interest rate movements.

The Group's policy is to minimise interest rate risk through long-term fixed rate debt. Following the equity issue in November 2020, the Group cancelled one of its revolving credit facilities and repaid its other revolving credit facility. Both facilities bore variable rate interest. At 30 September 2021, 100% of the Group's drawn borrowings were fixed rate. As such, the Group's exposure to changes in long-term interest rates and the potential impact on the Group's results and financial position is considered to be insignificant.

19. Share capital

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

On 18 November 2020, the Company issued 76.8 million shares, representing approximately 25% of its issued share capital, at £4 per share. After issue costs of £12.6 million, the net proceeds were £294.4 million. Issue costs directly attributable to the transaction have been accounted for as a deduction from share premium. Following the share issue, the Company's issued share capital was 384,167,537.

In accordance with IFRS, the discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares. Earnings per share information (see note 24) has been restated for the comparative period presented, by adjusting the weighted average number of shares to include the impact of the bonus shares.

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

20. Reserves

The Statement of Changes in Equity is set out on page 169.

The following describes the nature and purpose of each of the reserves within equity:

Reserve	Description and purpose
Share premium	Amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share-based payments reserve	Reserve used to recognise the value of equity-settled remuneration provided to employees.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income, net of dividends and adjustments for equity-settled remuneration.

The Company's retained earnings include amounts distributable of £282.1 million (2020: £261.4 million).

21. Share-based remuneration

The Group operates a long-term incentive plan (LTIP), sharesave scheme (SAYE) and a deferred annual share bonus scheme (DASBS). A summary of the rules of the schemes is set out in the Remuneration Policy on pages 142 to 145.

LTIP and SAYE schemes

The following share options granted to executive directors and employees were outstanding at 30 September 2021:

Date of grant	At 1.10.2020	Awarded	Technical adjustment[1]	Exercised	Lapsed	At 30.9.2021	Exercisable 30.9.2021	Option exercise price[1]	Weighted average price at exercise	Exercise period
SAYE										
03.07.2015	2,593	—	55	—	(2,648)	—	—	£6.80	—	—
01.07.2016	6,072	—	129	—	—	6,201	6,201	£7.26	—	2021–2022
30.06.2017	8,677	—	186	—	(6,885)	1,978	—	£7.58	—	2022–2023
28.06.2019	8,685		184	—	—	8,869	—	£6.49	—	2022–2025
09.07.2020	117,557	—	2,522	—	(7,414)	112,665	—	£4.62	—	2023–2026
08.07.2021	—	27,923	—	—	—	27,923	—	£4.83	—	2024–2027
LTIP										
08.02.2016	45,627	—	1,696	(47,323)	—	—	—	Nil	£5.54	2020
12.12.2017	346,060	—	7,282	—	(353,342)	—	—	Nil	—	—
04.12.2018[2]	398,440	—	8,614	—	—	407,054	—	Nil	—	—
12.12.2019	461,460	—	9,974	—	—	471,434	—	Nil	—	2022–2029
24.07.2020	256,350	—	5,543	—	—	261,893	—	Nil	—	2022–2023
22.12.2020	—	862,999	—	—	—	862,999	—	Nil	—	2023–2030
22.12.2020	—	39,043	—	—	—	39,043	—	Nil	—	2022–2023
	1,651,521	929,965	36,185	(47,323)	(370,289)	2,200,059	6,201			

(1) Following the equity raise in November 2020, the outstanding number of options and the option price have been restated to reflect the inherent bonus element in the equity raise. These were technical adjustments to align share plan participants with shareholders.

(2) All share options will lapse at the vesting date in December 2021.

	At 1.10.2020	Awarded	Exercised	Lapsed	At 30.9.2021
Weighted average exercise price	0.45	0.16	—	0.28	0.35
Weighted average remaining contractual life	2.66				2.66

The fair value of option grants is measured by Lane Clark & Peacock LLP, Actuaries & Consultants. For the grants made during the year, the main inputs and assumptions, and the resulting fair values, are as follows:

	SAYE 3 Year	SAYE 5 Year	LTIP	LTIP
Grant date	08.07.21	08.07.21	22.12.20	22.12.20
Share price at date of grant	£ 5.87	£ 5.87	£ 5.22	£ 5.22
Exercise price	£ 4.83	£ 4.83	Nil	Nil
Expected life of award (years)	3	5	3 or 5	2 or 3
Share return volatility (per annum)	35%	29%	28%	n/a
Risk free discount rate (per annum)	0.1%	0.3%	(0.1%)	n/a
Index return volatility (FTSE 350 REIT Index)	—	—	21%	n/a
Correlation between the Company's shares and those in the FTSE 350 REIT Index	—	—	75%	n/a
Dividend yield	0.4%	0.4%	—	n/a

	SAYE 3 Year	SAYE 5 Year	LTIP (TSR)	LTIP (NAV)	LTIP (TAR)
Fair values:					
SAYE	**£1.88**	**£1.94**	**—**	**—**	**—**
No holding period	**—**	**—**	**£2.54**	**£5.22**	**£5.22**
Contingent holding period	**—**	**—**	**£2.43**	**£5.00**	**£5.00**
Two year holding period	**—**	**—**	**£2.31**	**£4.75**	**£4.75**

The assumed volatility was determined taking into account factors including the historical volatility of the Company share price. Actual future volatility may differ, potentially significantly, from historic volatility.

The vesting conditions relating to options granted in the year under the LTIP are described in the Annual Remuneration Report on pages 148 to 149.

Deferred annual share bonus scheme

	2021 Shares	2020 Shares
At 1 October	**568,144**	616,042
Awarded	**128,343**	164,771
Technical adjustment[1]	**16,536**	—
Exercised	**(190,528)**	(212,669)
At 30 September	**522,495**	568,144

(1) Following the equity raise in November 2020, the outstanding number of deferred bonus shares have been restated to reflect the inherent bonus element in the equity raise. These were technical adjustments to align share plan participants with shareholders.

22. Dividends

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

(1) Following the equity raise in November 2020, the comparative per share data has been restated to adjust for the inherent bonus element (see note 19). The restated dividends per share for the final dividend for the year ended 30 September 2019 are: 5.14p (PID) and 3.66 (ordinary). The dividend per share information included in the table above is as originally stated.

A final dividend of 4.0p per share was recommended by the Board on 29 November 2021. Subject to approval by the shareholders at the 2022 AGM, the final dividend will be paid on 11 February 2022 to shareholders on the register at 14 January 2022. 2.75p of the dividend will be paid as a PID and 1.25p will be paid as an ordinary dividend. The dividend totalling £15.4 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2022. See page 82 of the Strategic Report for commentary on dividends.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 528,867 (2020: 568,144) ordinary shares during the year.

23. Cash flows from operating activities

Operating activities	Notes	Group 2021	Group 2020	Company 2021	Company 2020
		£m	£m	£m	£m
Profit before tax		**(194.9)**	(699.5)	**29.9**	59.8
Adjusted for:					
Lease incentives recognised net of impairment	**5**	**(21.3)**	(3.7)	**—**	—
Share-based payments		**1.9**	0.7	**1.9**	0.7
Depreciation	**6**	**0.3**	0.3	**0.3**	0.3
Net revaluation deficit on investment properties	**10**	**196.9**	698.5	**—**	—
Profit on disposal of investment properties	**7**	**(0.1)**	(0.3)	**—**	—
Net finance costs		**30.2**	31.8	**0.7**	2.3
Transactions with subsidiaries		**—**	—	**(52.4)**	(87.3)
Impairment of subsidiaries	**13**	**—**	—	**—**	11.5
Dividends received from joint venture	**12**	**—**	—	**—**	(1.4)
Share of post-tax loss from joint venture	**12**	**11.0**	29.4	**—**	—
Cash flows from/(used in) operations before changes in working capital		**24.0**	57.2	**(19.6)**	(14.1)
Changes in working capital:					
Change in trade and other receivables		**6.4**	1.5	**3.2**	(0.7)
Change in trade and other payables		**7.9**	(25.2)	**1.7**	(2.2)
Cash generated from/(used in) operating activities		**38.3**	33.5	**(14.7)**	(17.0)

Transactions with subsidiaries in the table above includes amounts for administrative charges, finance charges and dividends which were settled through intercompany indebtedness.

See note 17 for the cash flow movement in net debt.

24. Performance measures

Earnings per share

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

EPRA earnings per share

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

	2021 Profit after tax	2021 Number of shares[1]	2021 Earnings per share	2020 (as restated)[2] Profit after tax	2020 (as restated)[2] Number of shares[1]	2020 (as restated)[2] Earnings per share
	£m	million	pence	£m	million	pence
Basic	**(194.9)**	**374.8**	**(52.0)**	(699.5)	314.1	(222.7)
EPRA adjustments:						
Net revaluation deficit on investment properties (note 10)	**196.9**		**52.5**	698.5		222.4
Profit on disposal of investment properties (note 7)	**(0.1)**		**—**	(0.3)		(0.1)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**11.3**		**3.0**	35.8		11.4
Deferred tax	**0.1**		**—**	(5.1)		(1.6)
EPRA earnings	**13.3**	**374.8**	**3.5**	29.4	314.1	9.4

Covid-adjusted EPRA (loss)/earnings per share

	2021			2020 (as restated)[2]		
	Profit after tax	Number of shares[1]	Earnings per share	Profit after tax	Number of shares[1]	Earnings per share
	£m	million	pence	£m	million	pence
EPRA earnings	**13.3**	**374.8**	**3.5**	29.4	314.1	9.4
Less: Income recognised for tenant waivers	**(22.4)**		**(6.0)**	(11.5)		(3.7)
Add: Movement in associated impairment provisions & write-offs	**1.7**		**0.5**	8.2		2.6
Covid-adjusted EPRA (loss)/ earnings	**(7.4)**	**374.8**	**(2.0)**	26.1	314.1	8.3

Like-for-like rental growth

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

(1) Weighted average number of shares.

(2) Earnings per share information has been restated for the comparative period presented by adjusting the weighted average number of shares to include the impact of the equity issue (see note 19). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

EPRA net asset measures

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

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

Total accounting return (TAR)

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

(1) Increase in shareholders' equity, which would arise on the exercise of share options.

(2) Our 50% share of deferred tax in the joint venture.

(3) Includes the wholly-owned Group's secured term loans and our 50% share of secured term loans in the joint venture.

(4) Net asset per share information has been restated for the comparative period presented by adjusting the number of shares to include the impact of the equity issue (see note 19). The discount element inherent in the equity raise has been accounted for as a bonus issue of 6.7 million shares in 2020.

Financing ratios

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

See pages 193 to 194 for explanations on why we use these performance measures.

25. Operating leases

The Group as a lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases based on contracted rental income at the year end:

	2021	As restated 2020
	£m	£m
Not later than one year	**88.5**	91.2
Later than one year but not later than five years	**229.9**	257.9
Later than five years	**200.1**	199.0
	518.5	548.1

The Group has over 1,250 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Typical lease terms are set out in the Strategic Report on pages 24 to 40.

The prior year figures have been restated by £66.5 million to remove rental income that related to cancellable periods in our operating leases, which had been incorrectly included. This change had no impact on net assets nor reported results in either of the years presented.

The Company as a lessee

Future aggregate minimum payments in respect of a non-cancellable operating lease based on annual amounts payable at the year end:

	2021	2020
	£m	£m
Not later than one year	**0.6**	0.6
Later than one year but not later than five years	**2.3**	2.3
Later than five years	**1.4**	2.0
	4.3	4.9

The Company leases its head office accommodation from a wholly-owned subsidiary.

26. Related party transactions

Transactions during the year between the Company, its subsidiaries and the joint venture are disclosed below:

	2021	2020
	£m	£m
Transactions with subsidiaries:		
Administrative fees receivable	**16.4**	11.1
Dividends receivable	**30.9**	72.6
Interest receivable	**5.6**	3.2
Interest payable	**0.5**	0.2
Share capital issued by subsidiaries	**182.9**	—
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Loans advanced to the joint venture	**1.5**	4.3
Dividends receivable	**—**	1.4
Interest receivable	**0.6**	0.4

Amounts due from subsidiaries and the joint venture are disclosed in note 14 and amounts due to subsidiaries are disclosed in note 16. All amounts are unsecured, repayable on demand and bear a market rate of interest. These balances have been assessed for expected credit losses under IFRS 9. In light of the subsidiaries' and joint venture's financial position the impairments are deemed immaterial.

Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Annual Remuneration Report on pages 148 to 155, and below, there were no other transactions with directors.

Remuneration of key management personnel

The remuneration of the executive directors, who are the key management personnel of the Group, is set out below. Further information regarding the remuneration of individual directors is given in the Annual Remuneration Report on pages 148 to 155.

Directors' emoluments	2021	2020
	£m	£m
Short-term employee benefits	**3.1**	2.9
Other long-term benefits	**1.2**	—
Share-based payments	**0.7**	0.6
	5.0	3.5

27. Significant accounting policies

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries.

Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to variable returns and has the ability to affect those returns through its power over the entity. All intercompany transactions and balances are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

In the Company's Balance Sheet, investments in subsidiaries are included at cost less any provision in respect of impairment loss.

Net property income

Net property income comprises rental income, service charge income, property expenses, service charge expenses, expected credit losses on rent receivables and service charge receivables and impairment of lease incentives and deferred letting costs.

Rental income arises from operating leases granted to tenants. Rental income, including stepped rents, is recognised on a straight-line basis over the term of the lease. Rental income uplifts arising as a result of rent reviews are recognised when agreement of terms is reasonably certain.

The cost of lease incentives offered to tenants to enter into a lease, typically initial rent-free periods and sometimes capital contributions, is recognised on a straight-line basis over the non-cancellable period of the lease, being the earlier of its expiry date or the date of the first break option.

As lessor, the Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Payments received from tenants to surrender their lease obligations are recognised immediately in the Group Statement of Comprehensive Income.

Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned.

The Group's revenue from contracts with customers, as defined in IFRS 15, includes service charge income. Service charge income is recognised as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual services provided each reporting period are determined using costs incurred as the input method. As the Group acts as a principal, service charge income and costs are shown gross in the financial statements.

Irrecoverable property costs, including vacant costs and other property expenditure, are expensed to the Statement of Comprehensive Income in the year to which they relate. Initial direct costs incurred in

arranging an operating lease are added to the carrying value of investment properties, and are subsequently recognised as an expense over the lease term on the same basis as the lease income.

Employee benefits

Share option schemes

The Company administers a long-term incentive plan (LTIP) and a sharesave scheme (SAYE). The cost of granting share options to employees under these schemes is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant. The expense is recognised on a straight-line basis over the vesting period based on the number of options that are expected to vest.

The fair value of the long-term incentive plan is calculated using the modified binomial pricing model and the Monte Carlo simulation pricing model for the non-market based and market based conditions respectively. At each reporting period, the non-market based condition is reassessed and the impact, if any, of a revision to original estimates is recognised in the Statement of Comprehensive Income.

The fair value of the sharesave scheme is calculated using a modified binomial pricing model.

Deferred annual share bonus scheme

Under the Company's annual bonus scheme, employees have the option to take their annual bonus in either cash or shares. Where employees opt to take the bonus in cash, it is expensed to the Statement of Comprehensive Income in the year in which it relates.

Where employees opt to take all, or part, of their bonus in shares, the Company offers a matching award of up to 50%, subject to continued employment throughout the performance period. The cost of the matching award is recognised on a straight-line basis over the performance period. The remaining expense is recognised in the year to which it relates. Leaver provisions during the performance period are set out in the Remuneration Policy which is available on the Company's website.

Pension contributions

Payments to the defined contribution plan are charged to the Statement of Comprehensive Income as they fall due.

Investment properties

Investment properties are initially recognised on acquisition at cost, including related acquisition costs, when the Group assumes control of the property. Investment properties are revalued annually to reflect fair value. Fair value is determined either by external professional valuers or by the directors in the case of properties sold shortly after the period end. The fair value, as determined by the valuers, is adjusted for unamortised lease incentive and deferred letting cost balances.

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income. Depreciation is not provided in respect of investment properties.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in future economic benefits which are expected to accrue to the Group. All other property expenditure is written-off in the Statement of Comprehensive Income as incurred.

Premiums payable to tenants in connection with the surrender of their lease obligations are capitalised if they arise in connection with a value-enhancing project, otherwise they are recognised immediately in the Statement of Comprehensive Income.

Amounts received by way of compensation for dilapidations from tenants vacating properties are credited against the cost of reinstatement works. Where the Group has no intention of carrying out such works, the amounts received are credited to the Statement of Comprehensive Income.

Disposals of investment properties are recognised in the period when control of the property transfers to the buyer. Typically, disposal will either occur on unconditional exchange of contracts or completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange of contracts, control will not usually transfer until completion. Any gain or loss on disposal, being the difference between the net disposal proceeds and the carrying value of the property, is included in the Statement of Comprehensive Income in the period in which the property is derecognised.

All of the Group's leases to its tenants are operating leases except where the Group grants long leasehold interests to tenants, in which case, as substantially all the risks and rewards of ownership are transferred to the tenant, the property is not recognised as an investment property.

Acquisitions

Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Joint ventures

Joint ventures are those entities over which the Group has joint control, established by contractual agreement. The Group has one joint venture, the investment in which is accounted for using the equity method. On initial recognition the investment was recognised at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of, and dividends from, the joint venture. The Group's investment in the joint venture is presented separately on the Balance Sheet and the Group's share of the joint venture's post-tax profit or loss for the year is also presented separately in the Statement of Comprehensive Income.

Where there is an indication that the Group's investment in its joint venture may be impaired, the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the Statement of Comprehensive Income.

If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

In the Company's Balance Sheet, the investment in its joint venture is stated at cost less any provision for impairment loss.

Trade receivables and payables

Trade receivables are recognised at fair value and subsequently held at amortised cost, less any provision for impairment.

Tenant lease incentives are included in current trade and other receivables when the amounts to be charged against rental income fall within one year of the Balance Sheet date. Amounts which will be charged against rental income in more than one year are included in non-current assets.

The Group assesses expected credit losses for trade receivables and impairment on lease incentives on a forward-looking basis. See note 3 and note 18 for further information.

Trade payables are recognised at fair value and subsequently held at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand bank deposits.

Cash held on deposit which has certain conditions restricting its use and is not available on demand, liquid or readily convertible, is classified within other receivables.

Borrowings and costs of raising finance

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently held at amortised cost. Issue costs and premiums are written-off to the Statement of Comprehensive Income using an effective interest rate method.

Section C: Historical Financial Information relating to the Shaftesbury Group for the year ended 30 September 2020

Independent auditor's report
To the members of Shaftesbury PLC

Opinion

In our opinion:

- Shaftesbury PLC's Group financial statements and Parent company financial statements (the ''financial statements'') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 30 September 2020 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Shaftesbury PLC (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2020 which comprise:

	Group	Parent company
Balance Sheet	4	4
Statement of Comprehensive Income	4	
Cash flow statement	4	4
Statement of changes in equity	4	4
Related notes 1 to 28, including a summary of significant accounting policies	4	4

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 73 to 77 that describe the principal risks and explain how they are being managed or mitigated;

- the directors' confirmation set out on page 73 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 132 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 78 to 79 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• **The valuation of investment property** • **Revenue recognition including the timing of revenue recognition, and the treatment of rents and incentives** • **Provisions for expected credit losses on rent receivables and lease incentives** • **Going concern**
Audit scope	• The Group operates in London's West End and consists of a single reporting segment across eleven statutory entities. All of the Group's companies were included in the scope of the audit. The Group audit team performed direct testing of the Longmartin joint venture balances which are included within the Group. The Group audit scope is consistent with the prior year.
Materiality	• Overall Group Materiality: £33m which represents 1% of total assets. • Specific Group Materiality: £3.4m which represents 5% of the average operating profit over 3 years before investment property valuation movements and net finance costs.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

This year we have removed one key audit matter 'Litigation and claims' following the withdrawal of the legal proceedings that were issued by a former substantial shareholder. We have identified two new key audit matters 'Provisions for expected credit loss on rents receivable and lease incentives' and 'Going concern'. The impact of the Covid-19 pandemic on the Group and its tenants has meant the audit partner and other senior members of the audit team spent a significant amount of time assessing the key assumptions and judgements in these two areas.

Risk: The valuation of investment property

£3,137.4m (plus £175.0m being the Group's share in the Longmartin joint venture)

Refer to the Audit Committee Report (page 98); Accounting policies (page 150); and Note 10 of the Consolidated Financial Statements (pages 135 to 136)

The valuation of investment property, which includes properties held in the joint venture, requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable assumptions used in these judgements (such as in respect of estimated rental value (ERV) and yield profile applied) could result in a material misstatement of the statement of comprehensive income and balance sheet.

There is also a risk that management may unduly influence the significant judgements and estimates in respect of property valuations in order to achieve performance targets to meet market expectations or bonus targets.

Our response to the risk

Our audit procedures around the valuation of investment property included:

- We obtained an understanding of the Group's controls over data used in the valuation of the investment property portfolio, including management's review of the valuations, to ensure the controls were designed and implemented correctly.
- We met with the external valuers, Cushman & Wakefield and Knight Frank, to understand the methodology used, and the basis for assumptions adopted including yields, ERVs, void periods, and tenant incentives.
- We assessed how the valuers have reflected the impact of Covid-19 in the valuations. We assessed the assumptions around rent collection levels in the short term, taking into account potential further government action, trading restrictions and the risk of tenant failure. We challenged these assumptions and looked for contra indicators in other evidence we obtained during the audit including:
    - recent rent collection data from tenants and subsequent cash receipts
    - the level of waivers and concessions granted to tenants by the Group
    - management's assessment of the recoverability of tenant-related balances, and performing a search for known Company Voluntary Arrangements and tenants with financial issues
- The Group audit team includes Chartered Surveyors who tested a sample of properties. They challenged the valuation approach and assumptions. The sample size they tested accounted for 85% of the fair value of investment properties, including investment properties held in the Longmartin joint venture.
- Our Chartered Surveyors compared the equivalent yields applied to each property to an expected range of yields taking into account market data and asset specific considerations. They also assessed the other assumptions applied by the external valuers, such as the estimated rental values and corroborated these to the rental tones set by relevant open market lettings, rent renewals and market reports.
- Together with our Chartered Surveyors, we obtained the sources of information used by the external valuers. We searched for available market evidence by researching leasing and investment transactional evidence from property transaction databases and market reports, looking for contra indicators to challenge the yields and ERVs adopted.
- In respect of the properties not in the sample tested by our Chartered Surveyors (15% of the fair value), we performed detailed analytical procedures on a property-by-property basis. This involved forming an expectation of the fair value of each property in the portfolio by reference to relevant external market data relating to capital growth rates. We investigated further the valuations of those properties which were not in line with our initial expectations which included further discussions with management and the external valuers and, where appropriate, involvement of our Chartered Surveyors.
- We evaluated the competence of the external valuers which included consideration of their qualifications and expertise, as well as their independence.
- We made enquiries of the external valuers and inspected their terms of reference to confirm that they had not been subject to undue influence or direction from management.
- We utilised our detailed analytical procedures and work of the Chartered Surveyors described above in order to assess for evidence of undue management influence.

- For properties under significant refurbishment, we vouched the costs incurred to date, and agreed the cost to complete estimates to approved budgets and contractual arrangements. We met with property surveyors to discuss the project costs and risk associated with the significant projects, including potential additional costs resulting from development delays caused by Covid-19.
    - We performed testing over the inputs to the valuations. For a sample of properties, we tested the contracted rent and key lease terms used by the valuers back to lease agreements.

Key observations communicated to the Audit Committee

We audited the inputs, assumptions and reviewed the methodology used by the external valuers. We assessed the impact of Covid-19 and the risk of reduced collections of rental income, the assumptions around void periods and lease incentives.

A higher degree of estimation and judgement has been applied in the valuation in the current year, in particular in assessing the ERVs and yields, resulting from a fall in the volume of letting and transactional evidence.

We did not identify any exceptions or material errors in the input testing for the sample we tested.

We conclude that the valuation of each of the assets in the sample tested by our Chartered Surveyors are within a reasonable range.

We conclude that management provided an appropriate level of review and challenge over the valuations and we did not identify evidence of undue management influence or bias.

We concluded that the inputs and methodology applied are reasonable and that the external valuations are an appropriate assessment of the fair value of investment properties at 30 September 2020.

Risk: Revenue recognition, including the timing of revenue recognition, and the treatment of rents and incentives

£102.5m of rental income (FY19: £115.0m), £11.9m adjustment for lease incentives (FY19: £2.3m)

Refer to the Audit Committee Report (page 98); Accounting policies (page 150); and Note 5 of the Consolidated Financial Statements (page 134)

Market expectations and profit based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.

In order to distort rental income, management could manipulate the deferred revenue balance, the IFRS rent adjustment for lease incentives, or the treatment of operating lease modifications resulting from Covid-19 which relate to the current year.

Our response to the risk

- We performed detailed testing for a sample of leases by agreeing the annual rent back to the terms of the lease agreements, including identifying rent free periods, turnover rents, break dates and other incentives.
- We performed substantive analytical procedures and found that the rental income recognised by the Group, and each of the operating companies, was materially consistent with our expectations developed from rents in the tenancy schedules, allowing for lease incentives, credit notes and voids.
- For a sample of leases, we tested that the lease income, including the treatment of lease incentives, is on a straight-line basis, and in accordance with IFRS 16 Leases.
- We verified the completeness of the lease incentives recorded, by confirming that all leases with lease incentives from our detailed testing of the tenancy schedule have been included in the calculation.
- In response to the operating lease modifications arising from Covid-19 we:
    - Updated our understanding of the controls in place to identify and record the operating lease modifications.

- Obtained, and tested the completeness of, a schedule of credits notes raised by managing agents. We verified that these operating lease modifications were correctly accounted for and that the rental income was correctly straight-lined over the lease term.
- On a sample basis, we tested rent waivers and concessions to supporting evidence such as invoices or credit notes to verify the accuracy of management's operating lease modification calculations.
- We assessed the 'effective date' of the operating lease modifications with reference to available evidence of the agreement between landlord and tenant.

- In respect of the deferred income recognised at year end we:
  - Performed analytical procedures to confirm the deferred income balance is materially within our expectations, based on the timing of invoicing.
  - Substantively tested a sample of balances by agreeing the timing of rent recognised to invoices or rent agreements.
  - For a sample of deferred income balances, we considered the likelihood of collectability for each tenant.
- We have assessed the adequacy of the disclosures in the financial statements and whether they appropriately reflect the impact of Covid-19 on the revenue recognition of the Group.
- We evaluated whether the revenue recognition policies adopted complied with IFRSs as adopted by the European Union.
- We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing to confirm the processing and timing of journals to record revenue is consistent with our expectations.

Key observations communicated to the Audit Committee

We audited the timing of revenue recognition, treatment of rents and incentives, and assessed the risk of management override.

We assessed the accuracy and completeness of the accounting for operating lease modifications, in response to Covid-19.

Based upon the audit procedures performed, we conclude that revenue has been recognised on an appropriate basis in the year.

The procedures we carried out over revenue recognition apply to all the Group's revenue and the revenue in the Longmartin joint venture.

Risk: Provisions for expected credit losses on rent receivables and lease incentives

£14.3m provision for expected credit losses on rent receivables (FY19: £1.5m) and £8.2m for lease incentives (FY19: £0m)

Refer to the Audit Committee Report (page 98); Accounting policies (page 151); and Notes 11, 14 and 18 of the Consolidated Financial Statements (pages 136, 138 and 142)

Provisions for expected credit losses on rent receivables and lease incentives requires estimation using historical and forecast information available at the balance sheet date. In the current year, this estimation is more complex with rapidly changing events brought on by the Covid-19 pandemic and government action restricting the trading of the Group's tenants. There is a risk that the provision recognised in the financial statements is not in accordance with IFRS 9 and does not accurately reflect the credit risk to the Group at the year end.

The provision for expected credit losses on rent receivables is an estimation of the likelihood that tenants will settle unpaid rents owing to Shaftesbury at 30 September 2020. The provision for expected credit losses on lease incentives requires an assessment of whether the lease contract is likely to remain in place until the planned end of the lease term.

Our response to the risk

We performed procedures to address the heightened risk of non-payment of rent receivables and the risk of future tenant default in the current environment, including:

- We obtained an understanding of the Group's controls over the calculation of the provisions, including management's assessment of the risk of non-payment and risk of future tenant default, to ensure the controls were designed and implemented correctly.
- We performed additional procedures to assess the financial health of the Group's tenants. These procedures included: obtaining a list of known Company Voluntary Arrangements, performing press searches for evidence of tenant financial difficulty, holding discussions with the external valuers and with the Group's property surveyors and reviewing tenancy information and rent collection data to identify those tenants with a higher risk of default. We assessed whether those higher risk tenants had been appropriately provided for at the year end, in both the provision for expected credit losses on rent receivables and lease incentives.
- We assessed the significant assumptions adopted by management in the provision for expected credit losses on rent receivables and lease incentives. The most significant of these being the probability of default for the tenants, based on their risk profile. We challenged this assumption in light of other information we obtained during the audit including the rent collection assumptions made by external valuers, and by management in their going concern assessment.
- Given the high degree of estimation uncertainty, we performed sensitivity analysis on the probability of default in order to derive a range of reasonable outcomes for the provision for expected credit losses on rent receivables and lease incentives.
- We assessed the credit risk assessment prepared by management. We validated the tenant deposits in place, obtaining confirmations of balances held by the managing agents.
- We tested the completeness of the expected credit loss provision by comparing the tenants included in the provision workings to audited tenancy schedules and to the audited lease incentive schedule.
- We tested the clerical accuracy of the provision workings and verified that the provision was calculated in accordance with management's policy. For any exceptions to this policy, we obtained supporting evidence to validate the provision amount.
- We assessed the adequacy of the disclosures in the financial statements for the provision for expected credit losses on rent receivables and lease incentives.

Key observations communicated to the Audit Committee

We audited the provision for expected credit losses on rent receivables and lease incentives.

We assessed the risk of tenant default and non-collection of rents as a result of current market conditions. We searched for indicators of tenant financial distress and considered whether the risk of default was appropriately considered in the provisions. We have also considered the consistency of management's estimates about future rent collections with other information we obtained during the audit.

We have tested the key inputs to the provisions including the existence of available rent deposits which reduce the Group's exposure to credit losses.

We conclude that the provision for expected credit losses on rent receivables and lease incentives recognised is fairly stated as at 30 September 2020, and that the disclosures in the financial statements are in accordance with IFRS.

Risk: Going concern

The Group's financial statements are prepared on the going concern basis of accounting. This basis is dependent on a number of factors, including the Group's forecast financial performance and liquidity levels, and the Group's ability to continue to operate within the financial covenants of its debt facilities.

Refer to the Audit Committee Report (page 98) and Note 1 of the Consolidated Financial Statements (page 132)

The Covid-19 pandemic has impacted tenants' ability to trade, and in turn the Group's rent collection. As a consequence, the Group identified that it was likely it would not meet interest cover covenants throughout the whole of the going concern period which may adversely impact the Group's ability to continue to operate as a going concern. Subsequent to the year end, the Group has raised equity with net proceeds of £294.4m following approval by shareholders of certain resolutions to execute the transaction on 18 November 2020, and agreed waiver extensions for covenant on its drawn debt facilities where they had been assessed as being required.

The debt facilities also have loan-to-value covenants. While the fall in the value of investment properties has reduced the headroom, the Group expects to continue to remain in compliance with these covenants.

There is also a risk that management has not adequately disclosed the results of its going concern assessment in the financial statements.

Our response to the risk

- We obtained an understanding of the process followed by management to prepare the Group's going concern assessment which we obtained a copy of, including identifying the key assumptions which influenced the cash flow forecasts.
- We obtained the cash flow forecasts prepared by management showing three scenarios including a severe but plausible downside scenario. We tested the mathematical accuracy of the forecast models.
- We challenged the appropriateness of the forecasts by assessing historical forecasting accuracy, comparing assumptions to historic performance and our knowledge of current trading conditions and circumstances. We applied further sensitivities to stress test the liquidity of the Group over the going concern period.
- We agreed key terms in the financing arrangements such as loan maturity dates, covenants and cure rights to the underlying agreements. We obtained copies of the waivers received from lenders and assessed whether their terms were consistent with the assumptions made in management's going concern assessment.
- We recalculated covenant calculations using the forecasts and evaluated whether the covenants would be met during the going concern period. We considered the assessment of our Chartered Surveyors of the likelihood of future falls in property values which would result in future breaches of loan to value covenants. We assessed the effectiveness of mitigating actions available to management (in particular the cure rights) to avoid breaching the covenants where a waiver is not already in place.
- We read board minutes to identify any matters that may impact the going concern assessment.
- We read the disclosures in the financial statements in relation to going concern with a view to assessing whether they adequately disclose the risks, the potential outcomes and the availability of effective mitigating actions.

Key observations communicated to the Audit Committee

Based on the results of our audit procedures, we agreed with management's conclusion that it is appropriate to prepare the financial statements on a going concern basis and that there is no material uncertainty related to the Group's ability to continue as a going concern.

This included assessing that:

- the Group has sufficient liquidity over the going concern period;
- the Group has obtained waivers for forecast interest cover covenant breaches;
- in the severe but plausible downside scenario where interest cover covenants are forecast to be breached after the expiry of existing interest cover waivers, the Group has sufficient liquidity to cure these breaches through the going concern period; and
- the Group has sufficient unencumbered assets to remain in compliance with the loan to value covenants on its facilities.

We concluded that the disclosures in respect of going concern are appropriate and accurately describe the position we understand as a result of our audit procedures.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group, effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

As a result of the most recent UK lockdown and the government's recommendation to work from home, the year end audit procedures were completed remotely. We held regular meetings with management via video call to assist in obtaining appropriate evidence to express an opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality	Performance Materiality	Audit Differences
Overall	1% of total assets	£ 33m	£ 25m	£1.7m
Specific Applicable for account balances not related to investment properties, loans and borrowings	5% of the average operating profit over 3 years before investment property valuation movements and net finance costs	£3.4m	£2.6m	£170k

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Overall materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that total assets would be the most appropriate basis for determining overall materiality given that key users of the Group's financial statements are primarily focussed on the valuation of the Group's assets; primarily the investment property portfolio. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. For planning purposes this was initially based on total assets as at 31 March 2020.

During the course of our audit, we reassessed our initial materiality. As a result, there was a decrease in our overall materiality reflecting the valuation loss on investment properties between the time we set initial materiality and 30 September 2020. Our materiality basis and threshold have remained consistent with planning. In the prior year audit we adopted an overall materiality of £40m based on 1% of total assets.

Specific materiality

We assessed that for account balances not related to investment properties (either wholly owned or within the joint venture), loans and borrowings, a misstatement of less than overall materiality for the financial statements could influence the economic decisions of users. We have determined that specific materiality for these areas should be based on operating profit before investment property

valuation movements and net finance costs. We believe that it is appropriate to use a profit-based measure for specific materiality as profit is also a focus of users of the financial statements.

In the prior year, we adopted a specific materiality of £4.0m based on 5% of operating profit before investment property valuation movements and net finance costs.

Considering the impact of Covid-19 on the Group and the reduction in operating profit for the current year, we reconsidered the basis of our specific materiality. For the current year, we reduced the specific materiality we apply to the income statement and working capital balances and have set specific materiality on a normalised basis, being 5% of the average operating profit before investment property valuation movements and net finance costs for 2018, 2019 and 2020. The adoption of a normalised basis in setting materiality reflects our assessment of what a user considers to be material to the financial statements. This has resulted in a lower specific materiality being adopted of £3.4m.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2019: 75%) of the respective materiality. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee any uncorrected audit differences on investment properties, loans and borrowings in excess of £1.7m, as well as uncorrected audit differences in excess of £170k that relate to our specific testing of the other account balances not related to investment properties, loans and borrowings. These are set at 5% of their respective planning materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report including the Strategic report, Governance and Other information set out on pages 1 to 118 and 154 to 165, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 118**—the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 96 to 99**—the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 114**—the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 118, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax regulations in the United Kingdom, including the UK REIT regulations.
- We understood how Shaftesbury PLC is complying with those frameworks through enquiry with management, and by identifying the policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by reviewing the Companies risk register, enquiry with management and the Audit Committee during the planning and execution phases of our audit.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:
    - Inquire of members of senior management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements.
    - Reading minutes of meetings of those charged with governance.
    - Obtaining and reading correspondence from legal and regulatory bodies including HMRC.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 15 October 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ended 30 September 2016 to 30 September 2020. Our audit engagement letter was refreshed on 26 May 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit. As disclosed in the Company's Audit Committee report, we have obtained an exemption from the FRC in respect of the non-audit services provided to the Group in 2020,

which exceeded the 70% non-audit services fee cap. We confirm that there are appropriate safeguards in place and that we remain independent.

- The audit opinion is consistent with the additional report to the Audit Committee explaining the results of our audit.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Saunders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
14 December 2020

1. The maintenance and integrity of the Shaftesbury PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group statement of comprehensive income

For the year ended 30 September 2020

	Notes	2020	2019
		£m	£m
Revenue		**124.5**	126.9
Expected credit losses		**(13.0)**	—
Impairment charges		**(8.9)**	—
Property charges		**(28.3)**	(28.9)
Net property income	5	**74.3**	98.0
Administrative expenses	6	**(14.4)**	(15.2)
Operating profit before investment property disposals and valuation movements		**59.9**	82.8
Profit on disposal of investment properties	7	**0.3**	2.8
Net revaluation deficit on investment properties	10	**(698.5)**	(15.3)
Operating (loss)/profit		**(638.3)**	70.3
Finance income		**0.7**	1.0
Finance costs	8	**(32.5)**	(31.5)
Share of post-tax loss from joint venture	12	**(29.4)**	(13.8)
(Loss)/profit before tax		**(699.5)**	26.0
Tax charge for the year	9	**—**	—
(Loss)/profit and total comprehensive (loss)/income for the year		**(699.5)**	26.0
(Loss)/earnings per share:	24		
Basic and diluted		**(227.5)p**	8.5p

Balance sheets

As at 30 September 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		£m	£m	£m	£m
Non-current assets					
Investment properties	10	**3,115.5**	3,765.9	**—**	—
Accrued income	11	**16.3**	13.1	**—**	—
Investment in joint venture	12	**96.8**	127.6	**59.0**	59.0
Property, plant and equipment		**1.2**	1.4	**5.4**	1.4
Other receivables	15	**3.7**	3.7	**—**	—
Investment in subsidiaries	13	**—**	—	**1,226.8**	1,238.3
		3,233.5	3,911.7	**1,291.2**	1,298.7
Current assets					
Trade and other receivables	14	**45.0**	35.1	**161.5**	47.8
Cash and cash equivalents	15	**72.8**	54.0	**61.5**	36.9
Total assets		**3,351.3**	4,000.8	**1,514.2**	1,383.4
Current liabilities					
Trade and other payables	16	**19.7**	43.8	**4.4**	10.4
Non-current liabilities					
Trade and other payables	16	**—**	—	**3.8**	—
Borrowings	17	**1,051.0**	949.8	**99.0**	(1.3)
Total liabilities		**1,070.7**	993.6	**107.2**	9.1
Net assets		**2,280.6**	3,007.2	**1,407.0**	1,374.3
Equity					
Share capital	19	**76.9**	76.9	**76.9**	76.9
Share premium	20	**378.6**	378.6	**378.6**	378.6
Share-based payments reserve	20	**1.3**	1.3	**1.3**	1.3
Retained earnings	20	**1,823.8**	2,550.4	**950.2**	917.5
Total equity		**2,280.6**	3,007.2	**1,407.0**	1,374.3

The Company made a profit of £59.8 million (2019: £57.9 million) in the year.

On behalf of the Board who approved and authorised for issue the financial statements on pages 128 to 151 on 14 December 2020.

Brian Bickell
Chief Executive

Chris Ward
Finance Director

Cash flow statements

For the year ended 30 September 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		£m	£m	£m	£m
Operating activities					
Cash generated from/(used in) operating activities	23	**33.5**	79.8	**(17.0)**	(16.4)
Interest received		**0.4**	1.0	**0.3**	0.9
Interest paid		**(31.4)**	(30.2)	**(2.6)**	(1.5)
Net cash from/(used in) operating activities		**2.5**	50.6	**(19.3)**	(17.0)
Investing activities					
Investment property acquisitions		**(13.3)**	(47.2)	**—**	—
Investment property disposals	7	**0.3**	14.3	**—**	—
Capital expenditure on investment properties		**(31.2)**	(28.2)	**—**	—
Purchase of property, plant and equipment		**(0.1)**	(0.5)	**(0.1)**	(0.5)
Increase in cash held in restricted accounts	15	**(8.7)**	—	**(1.3)**	—
Dividends received from joint venture		**1.4**	2.5	**1.4**	2.5
Increase in loans to joint venture		**(4.3)**	(3.3)	**(4.3)**	(3.3)
Amounts received from subsidiaries		**—**	—	**40.2**	67.4
Amounts provided to subsidiaries		**—**	—	**(64.2)**	(60.1)
Net cash (used in)/from investing activities		**(55.9)**	(62.4)	**(28.3)**	6.0
Financing activities					
Proceeds from exercise of share options		**—**	0.2	**—**	0.2
Proceeds from borrowings	17	**150.0**	—	**150.0**	—
Repayment of borrowings	17	**(50.0)**	—	**(50.0)**	—
Equity dividends paid	22	**(27.8)**	(52.9)	**(27.8)**	(52.9)
Net cash from/(used in) financing activities		**72.2**	(52.7)	**72.2**	(52.7)
Net change in cash and cash equivalents		**18.8**	(64.5)	**24.6**	(63.7)
Cash and cash equivalents at the beginning of the year	15	**54.0**	118.5	**36.9**	100.6
Cash and cash equivalents at the end of the year	15	**72.8**	54.0	**61.5**	36.9

Statements of changes in equity

For the year ended 30 September 2020

	Notes	Share capital	Share premium	Share-based payments reserve	Retained earnings	Total equity
		£m	£m	£m	£m	£m
Group						
At 1 October 2019		**76.9**	**378.6**	**1.3**	**2,550.4**	**3,007.2**
Loss and total comprehensive loss for the year		**—**	**—**	**—**	**(699.5)**	**(699.5)**
Dividends paid	22	**—**	**—**	**—**	**(27.8)**	**(27.8)**
Share-based payments		**—**	**—**	**0.7**	**—**	**0.7**
Release on exercise of share options		**—**	**—**	**(0.7)**	**0.7**	**—**
At 30 September 2020		**76.9**	**378.6**	**1.3**	**1,823.8**	**2,280.6**
At 1 October 2018		76.8	378.4	1.2	2,576.6	3,033.0
Profit and total comprehensive income for the year		—	—	—	26.0	26.0
Dividends paid	22	—	—	—	(52.9)	(52.9)
Exercise of share options	19	0.1	0.2	—	(0.1)	0.2
Share-based payments		—	—	0.9	—	0.9
Release on exercise of share options		—	—	(0.8)	0.8	—
At 30 September 2019		76.9	378.6	1.3	2,550.4	3,007.2
Company						
At 1 October 2019		**76.9**	**378.6**	**1.3**	**917.5**	**1,374.3**
Profit and total comprehensive income for the year		**—**	**—**	**—**	**59.8**	**59.8**
Dividends paid	22	**—**	**—**	**—**	**(27.8)**	**(27.8)**
Share-based payments		**—**	**—**	**0.7**	**—**	**0.7**
Release on exercise of share options		**—**	**—**	**(0.7)**	**0.7**	**—**
At 30 September 2020		**76.9**	**378.6**	**1.3**	**950.2**	**1,407.0**
At 1 October 2018		76.8	378.4	1.2	911.8	1,368.2
Profit and total comprehensive income for the year		—	—	—	57.9	57.9
Dividends paid	22	—	—	—	(52.9)	(52.9)
Exercise of share options	19	0.1	0.2	—	(0.1)	0.2
Share-based payments		—	—	0.9	—	0.9
Release on exercise of share options		—	—	(0.8)	0.8	—
At 30 September 2019		76.9	378.6	1.3	917.5	1,374.3

The Company's distributable reserves are disclosed in note 20 to the financial statements.

Notes to the financial statements

For the year ended 30 September 2020

1. Basis of preparation

Shaftesbury PLC ("the Company") is a public company limited by shares, incorporated, registered and domiciled in England and Wales. It is listed on the London Stock Exchange. The address of the registered office and its registered number are given on page 117.

The financial statements of the Company, and the consolidated financial statements of the Company and its subsidiaries (collectively, "the Group"), have been prepared in accordance with IFRS as adopted by the European Union, IFRS Interpretations Committee (IFRIC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in Pounds Sterling and under the historical cost convention as modified by the revaluation of investment properties.

The Company is the ultimate parent company of the Group. The Company has not presented its own Statement of Comprehensive Income, as permitted by Section 408 of the Companies Act 2006. The Company made a profit of £59.8 million (2019: £57.9 million) in the year.

Going concern

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

+ Covid-19: impact and response: page 6

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

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

+ Financing: page 67

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

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

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

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

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

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

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

- The Group was compliant with its mortgage bonds' interest cover covenants at 30 September 2020 and expects to remain compliant during the going concern period. Should it be required, the Group has the ability to top-up the charged asset pool with additional assets with sufficient contractual income from its pool of unsecured properties.
- Since 30 September 2020, the Group has cancelled its shortest maturity revolving credit facility (£125 million, maturing May 2022) and has repaid all drawings under its remaining revolving credit facility (£100 million, maturing February 2023). In its downside scenario, the Group forecasts that it will have sufficient cash throughout the going concern period, such that it does not anticipate being reliant on the undrawn facility for liquidity and could cancel it if interest cover covenant waivers were not available.

There are no debt maturities until February 2023.

+ Financing: page 67

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

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

2. Changes in accounting policies

The Group's significant accounting policies are disclosed in note 28. The accounting policies and methods of computation used are consistent with those of the previous financial year, with the exception of new standards and amendments to standards, which became effective in the financial year.

New standards adopted during the year

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

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

IFRS 16—Leases (effective from 1 October 2019)

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

As the Group is primarily a lessor, this standard had no significant impact on the Group financial statements.

The Company leases its head office accommodation from a subsidiary company. As a result, the Company has recognised a right-of-use asset and lease liability, which were both initially measured at £4.6 million, being the present value of the £5.5 million remaining lease payments, discounted at a rate of 3.75%, at 1 October 2019.

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

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

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

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

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

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

Standards relevant to the Group but not yet effective

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

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

3. Significant judgements, assumptions and key estimates

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

Significant areas of estimation uncertainty

Investment property valuation

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

Valuations are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio require estimates to be made, including, but not limited to, market yields, ERVs, void periods and, currently, the likely short-term impact of rent concessions. These estimates are based on assumptions made by the valuers. The most significant assumptions are those in respect of market yields and ERVs, which are summarised in the Basis of Valuation on pages 158 to 159 and are in accordance with the RICS Valuation—Global Standards. Given the inherent subjectivity, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. This may mean that the value of the Group's

properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position.

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

In recognition of the potential for market conditions to move rapidly in response to changes in the control, or future spread, of Covid-19, the external valuers have highlighted the importance of the valuation date in their reports. It is their view that, as at the valuation date, transaction volumes and other relevant evidence had returned to levels where an adequate quantum of market evidence existed upon which to base opinions of value. Accordingly, and for the avoidance of doubt, the valuations at 30 September 2020 were not subject to 'material valuation uncertainty'.

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

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

During the year, tenant default risk has increased with occupiers suffering operational and financial challenges as a result of the pandemic. The Group has supported its occupiers through a package of measures including deferrals and waivers of rent obligations. Rent collections have been significantly below normal levels.

+ Covid-19: impact and response: page 6

+ Portfolio activity report: page 59

In preparing the financial statements, estimates are made in assessing expected credit losses in respect of rent receivables, lease incentives and prepaid letting expenses. In normal circumstances, these estimates draw on historical information, such as recent payment history. However, in the current market with greater uncertainty, the focus is more on forecast information, taking into account expectations about trading levels, footfall and tenants' ability to pay rental arrears and, with respect to lease incentives and prepaid letting expenses, whether it is likely tenants will serve out the remainder of the contractual terms of their leases. In assessing provisions, the Group identifies risk factors associated with each use (food and beverage, retail, office and residential).

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

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

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

The provision for expected credit loss in the year has increased to £14.3 million, reflecting the increased credit risk (see note 14). The provisions against lease incentives and prepaid letting expenses have increased to £8.2 million (see note 11) and £0.7 million respectively.

For further information in respect of the estimation of these provisions see note 18.

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

The two key estimates made in the current year financial statements are investment property valuation and the provision for expected credit losses for rent receivables and the impairment of lease

incentives and prepaid letting expenses. The estimate for provisions was not a key estimate in the prior year, because the provision for credit losses and impairment was not material.

4. Segmental information

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

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see page 156 for an explanation on the EPRA measures used in these financial statements).

The Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with restaurants, leisure and retail on the lower floors and small offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no segmental information is presented.

5. Net property income

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

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

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

6. Administrative expenses

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

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

Included within equity-settled remuneration is a charge of £1.0 million (2019: £1.2 million) for the LTIP and SAYE schemes. Note 21 includes a summary of the principal assumptions made at the last grant dates for these schemes. Details of the employee costs for the Group's key management personnel are set out in note 26.

Average monthly number of employees	2020 number	2019 number
Executive directors	**4**	4
Head office and property management	**33**	27
Estate management	**1**	1
	38	32

Auditor remuneration	2020 £000	2019 £000
Audit of the Company	**99**	71
Audit of the Group	**228**	128
Total fees for audit services	**327**	199
Audit related assurance services—half year review	**45**	26
Other assurance services	**234**	5
Total assurance services	**279**	31
Other non-audit services	**293**	—
Total fees for non-audit services	**572**	31
Total fees	**899**	230

The auditor provided no taxation services to the Group in 2020 (2019: £nil). The auditor acted as reporting accountants in connection with the Company's equity raise that completed on 18 November 2020. Total non-audit fees payable to Ernst & Young for permissible non-audit services relating to the equity issuance are £790,000. Of this, £516,000 relates to fees payable at the end of the year and are presented in the table above.

Total fees for non-audit services represented 175% (2019: 16%) of the total fees for audit services. See page 99 of the Audit Committee Report which sets out further considerations in respect of the audit and non-audit fees for the year.

7. Profit on disposal of investment properties

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

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

8. Finance costs

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

9. Tax charge for the year

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

10. Investment properties

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

The investment properties valuation comprises:

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

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

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

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out in the Basis of Valuation on pages 158 to 159. Equivalent yields are based on current market prices, depending on, inter alia, the location and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and occupancy levels. Whilst there is market evidence for these inputs, and recent transaction prices for similar properties, there is

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

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

The major inputs to the external valuation are reviewed by the senior management team. In addition, the valuer meets with the external auditor and the Audit Committee. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Audit Committee Report on pages 96 to 99.

A summary of the Cushman & Wakefield report can be found on pages 160 to 161.

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

Sensitivity analysis

As noted in the significant judgements, assumptions and key estimates section on page 133, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

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

"The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy—with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. Local lockdowns are being deployed as necessary, significant further outbreaks have emerged in parts of the UK and a "second wave" is now widely considered to be taking place in many countries in Europe.

"The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation—Global Standards.

"For the avoidance of doubt this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 we highlight the importance of the valuation date."

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

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

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

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

At 30 September 2020, the Group had capital commitments of £31.0 million (2019: £82.4 million). This included £31.0 million relating to future capital expenditure for the enhancement of the Group's investment properties (2019: £43.4 million). At 30 September 2019, it also included £39.0 million relating to the forward purchase of a long leasehold interest. The vendor failed to meet its obligations to complete the sale and at 30 September 2020, we were no longer contractually committed. See pages 59 to 62 for a discussion of the Group's property activity during the year.

Details of the restrictions on the Group's investment properties are set out in note 17.

11. Accrued income

	2020	2019
	£m	£m
Accrued income in respect of lease incentives	**20.6**	16.1
Less: included in trade and other receivables (note 14)	**(4.3)**	(3.0)
	16.3	13.1

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

12. Investment in joint venture

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

	2020	2019
	£m	£m
Company		
Shares at cost		
At 1 October and 30 September	**59.0**	59.0

The Company owns 7,782,100 B ordinary £1 shares in Longmartin Properties Limited, representing 50% of that company's issued share capital. The company is incorporated in Great Britain and registered in England and Wales and is engaged in property investment in London. Longmartin Properties Limited's principal place of business and registered office is the same as the Group, as set out on page 117. Control of Longmartin Properties Limited is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

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

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

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

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

13. Investment in subsidiaries

	2020 £m	2019 £m
Shares in Group undertakings		
At 1 October	**1,238.3**	1,160.9
Additional share capital issued by subsidiaries	**—**	77.4
Impairment of shares in subsidiaries	**(11.5)**	—
At 30 September	**1,226.8**	1,238.3

During the year, Helcon Limited and Shaftesbury WE Limited (formerly Shaftesbury West End Limited) distributed £12.5 million to the Company. Following this, the Company impaired its investment in these subsidiaries. The distributions were settled by intercompany indebtedness.

In 2019, a number of subsidiaries issued share capital to the Company. All transactions were settled through intercompany indebtedness.

The full list of the Company's subsidiary undertakings is presented below. Except where indicated otherwise, the Company owns, directly, all of the ordinary issued share capital:

Active subsidiaries:

Shaftesbury Carnaby PLC
Shaftesbury Covent Garden Limited
Shaftesbury Chinatown PLC
Shaftesbury Soho Limited
Shaftesbury AV Investment Limited
Shaftesbury AV Limited[1]
Shaftesbury CL Investment Limited
Shaftesbury CL Limited[1]

Dormant subsidiaries:

Carnaby Estate Holdings Limited
Carnaby Investments Limited
Carnaby Property Investments Limited[1]
Chinatown Estate Holdings Limited
Chinatown Property Investments Limited[1]
Covent Garden Estate Holdings Limited
Shaftesbury Covent Garden Property Investments Limited[1]
Shaftesbury Charlotte Street Limited
Charlotte Street Estate Holdings Limited
Shaftesbury West End Limited (formerly Shaftesbury Investments 1 Limited)
Chinatown London Limited
Helcon Limited[2]
Shaftesbury Investments 2 Limited
Shaftesbury Investments 4 Limited
Shaftesbury Investments 5 Limited
Shaftesbury Investments 6 Limited
Shaftesbury Investments 7 Limited
Shaftesbury Investments 8 Limited
Shaftesbury Investments 9 Limited
Shaftesbury Investments 10 Limited
Shaftesbury WE Limited[2] (formerly Shaftesbury West End Limited)

(1) 100% of the share capital of these subsidiaries is held by other Group companies.

(2) This subsidiary is in the process of being voluntarily wound up in order to simplify the Group structure.

All of the companies are either engaged in property investment or dormant. They are incorporated in Great Britain and are registered in England and Wales. The registered office of the subsidiaries is the same as the Group, as set out on page 117.

14. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Trade receivables	**26.0**	18.3	**—**	—
Provision for expected credit losses	**(14.3)**	(1.5)	**—**	—
	11.7	16.8	**—**	—
Accrued income in respect of lease incentives (note 11)	**4.3**	3.0	**—**	—
Amounts due from subsidiaries	**—**	—	**144.6**	37.5
Amounts due from joint venture	**11.8**	7.2	**11.8**	7.2
Other taxation	**2.9**	—	**1.4**	2.0
Prepayments	**1.9**	7.6	**0.5**	0.6
Other receivables	**12.4**	0.5	**3.2**	0.5
	45.0	35.1	**161.5**	47.8

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

See note 18 for further information on the provision for expected credit losses.

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

15. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Cash at bank	**72.8**	54.0	**61.5**	36.9
Restricted cash (included in other receivables):				
Non-current other receivables	**3.7**	3.7	**—**	—
Current other receivables	**8.7**	—	**1.3**	—
	12.4	3.7	**1.3**	—

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

16. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£m	£m	£m	£m
Due within one year				
Deferred rental income	**3.4**	23.0	**—**	—
Accruals and deferred service charge income	**1.1**	5.1	**—**	—
	4.5	28.1	**—**	—
Trade payables and accruals in respect of capital expenditure	**4.8**	3.5	**—**	—
Amounts due to subsidiaries	**—**	—	**—**	5.5
Other taxation and social security	**0.5**	2.9	**0.5**	1.2
Other payables and accruals	**9.9**	9.3	**3.5**	3.7
Lease liabilities (note 2)	**—**	—	**0.4**	—
Total trade and other payables due within one year	**19.7**	43.8	**4.4**	10.4
Due after one year				
Lease liabilities (note 2)	**—**	—	**3.8**	—
Total other payables due after one year	**—**	—	**3.8**	—

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

17. Borrowings

Group

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

Details of the Group's current financial position are discussed on pages 67 to 69.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £2,697.9 million (2019: £3,088.9 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

		Cash flows			
	1.10.2019	Inflows	Outflows	Non-cash items	30.9.2020
	£m	£m	£m	£m	£m
Non-current borrowings					
Mortgage bonds	**575.0**	**—**	**—**	**—**	**575.0**
Secured bank facilities	**—**	**150.0**	**(50.0)**	**—**	**100.0**
Secured term loans	**384.8**	**—**	**—**	**—**	**384.8**
Loan issue costs	**(10.0)**	**—**	**—**	**1.2**	**(8.8)**
	949.8	**150.0**	**(50.0)**	**1.2**	**1,051.0**
Loan issue costs[1]	**10.0**	**—**	**—**	**(1.2)**	**8.8**
Cash & cash equivalents (note 15)	**(54.0)**	**(185.6)**	**166.8**	**—**	**(72.8)**
Net debt at 30 September 2020	**905.8**	**(35.6)**	**116.8**	**—**	**987.0**

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

		Cash flows			
	1.10.2018	Inflows	Outflows	Non-cash items	30.9.2019
	£m	£m	£m	£m	£m
Non-current borrowings					
Mortgage bonds	575.0	—	—	—	575.0
Secured term loans	384.8	—	—	—	384.8
Loan issue costs	(11.2)	—	—	1.2	(10.0)
	948.6	—	—	1.2	949.8
Loan issue costs[1]	11.2	—	—	(1.2)	10.0
Cash & cash equivalents (note 15)	(118.5)	(97.8)	162.3	—	(54.0)
Net debt at 30 September 2019	841.3	(97.8)	162.3	—	905.8

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

Availability and maturity of borrowings

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

Interest rate profile of interest bearing borrowings

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

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

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

Company

	2020			2019		
	Nominal value	Unamortised issue costs	Book value	Nominal value	Unamortised issue costs	Book value
	£m	£m	£m	£m	£m	£m
Secured bank facilities	**100.0**	**(1.0)**	**99.0**	—	(1.3)	(1.3)
Total Company borrowings	**100.0**	**(1.0)**	**99.0**	—	(1.3)	(1.3)

Net debt reconciliation

		Cash flows			
	1.10.2019	Inflows	Outflows	Non-cash items	30.9.2020
	£m	£m	£m	£m	£m
Non-current borrowings					
Secured bank facilities	**—**	**150.0**	**(50.0)**	**—**	**100.0**
Loan issue costs	**(1.3)**	**—**	**—**	**0.3**	**(1.0)**
	(1.3)	**150.0**	**(50.0)**	**0.3**	**99.0**
Loan issue costs[1]	**1.3**	**—**	**—**	**(0.3)**	**1.0**
Cash & cash equivalents (note 15)	**(36.9)**	**(191.9)**	**167.3**	**—**	**(61.5)**
Net debt at 30 September 2020	**(36.9)**	**(41.9)**	**117.3**	**—**	**38.5**

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

	Cash flows				
	1.10.2018	Inflows	Outflows	Non-cash items	30.9.2019
	£m	£m	£m	£m	£m
Non-current borrowings					
Secured bank facilities	—	—	—	—	—
Loan issue costs	(1.8)	—	—	0.5	(1.3)
	(1.8)	—	—	0.5	(1.3)
Loan issue costs[1]	1.8	—	—	(0.5)	1.3
Cash & cash equivalents (note 15)	(100.6)	(71.0)	134.7	—	(36.9)
Net debt at 30 September 2019	(100.6)	(71.0)	134.7	—	(36.9)

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

Availability and maturity of borrowings

	2020			2019		
	Committed	Drawn	Undrawn	Committed	Drawn	Undrawn
	£m	£m	£m	£m	£m	£m
Repayable between 1 and 5 years	**225.0**	**100.0**	**125.0**	225.0	—	225.0

18. Financial instruments

Categories of financial instruments (book value)	2020	2019
	£m	£m
Group		
Financial assets		
Trade and other receivables (note 14)	**11.7**	16.8
Amounts due from joint venture (note 14)	**11.8**	7.2
Other receivables (note 15)	**3.7**	3.7
Cash and cash equivalents (note 15)	**72.8**	54.0
Current other receivables (note 14)	**12.4**	0.5
	112.4	82.2
Financial liabilities		
Trade and other payables—due within one year (note 16)	**(14.7)**	(12.8)
Interest bearing borrowings (note 17)	**(1,051.0)**	(949.8)
	(1,065.7)	(962.6)
Net financial instruments	**(953.3)**	(880.4)
Company		
Financial assets		
Amounts due from subsidiaries (note 14)	**144.6**	37.5
Amounts due from joint venture (note 14)	**11.8**	7.2
Cash and cash equivalents (note 15)	**61.5**	36.9
Current other receivables (note 14)	**3.2**	0.5
	221.1	82.1
Financial liabilities		
Trade and other payables—due within one year (note 16)	**(3.5)**	(3.7)
Amounts due to subsidiaries (note 16)	**—**	(5.5)
Interest bearing borrowings (note 17)	**(99.0)**	1.3
	(102.5)	(7.9)
Net financial instruments	**118.6**	74.2

Other receivables relate to cash held on deposit, which have certain conditions restricting their use which are due between 2029 and 2035.

Other financial instruments

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

The fair values of the Group's and Company's cash and cash equivalents, and those financial instruments included within trade and other receivables, interest bearing borrowings (excluding the mortgage bonds and the secured term loans), and trade and other payables are not materially different from the values at which they are carried in the financial statements.

Contractual cash flows

The tables below summarise the undiscounted contractual cash flows arising on interest bearing financial liabilities based on conditions existing at the Balance Sheet date. The Group has no

obligation to repay its mortgage bonds or secured term loans in advance of their maturities between 2027 and 2035. The Group's secured bank facilities mature in 2022 and 2023. See note 27 for refinancing transactions completed post year end.

Group

30 September 2020	Book value	Contractual cash flows	<1 year	1-2 years	2-5 years	5-10 years	>10 years
	£m	£m	£m	£m	£m	£m	£m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	**1,051.0**	**1,059.8**	**—**	**—**	**100.0**	**554.8**	**405.0**
Interest	**2.9**	**289.4**	**30.4**	**30.4**	**86.8**	**112.4**	**29.4**
Total	**1,053.9**	**1,349.2**	**30.4**	**30.4**	**186.8**	**667.2**	**434.4**

30 September 2019	Book value	Contractual cash flows	<1 year	1-2 years	2-5 years	5-10 years	>10 years
	£m	£m	£m	£m	£m	£m	£m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	949.8	959.8	—	—	—	424.8	535.0
Interest	3.0	314.1	28.7	28.7	86.2	127.4	43.1
Total	952.8	1,273.9	28.7	28.7	86.2	552.2	578.1

Company

30 September 2020	Book value	Contractual cash flows	<1 year	1-2 years	2-5 years	5-10 years	>10 years
	£m	£m	£m	£m	£m	£m	£m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	**99.0**	**100.0**	**—**	**—**	**100.0**	**—**	**—**
Interest	**—**	**4.0**	**1.7**	**1.7**	**0.6**	**—**	**—**
Total	**99.0**	**104.0**	**1.7**	**1.7**	**100.6**	**—**	**—**

30 September 2019	Book value	Contractual cash flows	<1 year	1-2 years	2-5 years	5-10 years	>10 years
	£m	£m	£m	£m	£m	£m	£m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 17)	(1.3)	—	—	—	—	—	—
Interest	0.1	0.1	0.1	—	—	—	—
Total	(1.2)	0.1	0.1	—	—	—	—

Management of financial risks (Group and Company)

An overview of the Group's risk management policies and the principal risks and uncertainties is set out on pages 71 to 77. The disclosure below provides further detail regarding financial risk management.

Credit risk

Credit risk refers to the risk that a counterparty will default on their contractual obligations resulting in financial loss to the Group.

The Group defines default as the failure to meet contractual obligations as such obligations fall due. Generally, default risk is managed through a large and diverse tenant base so that tenant credit risk is widely spread.

The Group reviews the creditworthiness of potential tenants prior to entering into contractual arrangements. Where appropriate, tenants are required to provide cash deposits to mitigate the potential loss in the event of default. Tenant deposits are referred to in note 14.

During the year, tenant default risk, and hence credit risk associated with our tenants, has increased with occupiers suffering operational and financial challenges as a result of the pandemic. The Group has supported its occupiers through a package of measures including deferrals and waivers of rent obligations. Rent collections have been significantly below normal levels.

+ Covid-19: impact and response: page 6

+ Portfolio activity report: page 59

Tenant default risk has been elevated to a principal risk for the Group.

+ Principal risks and uncertainties: page 73

In respect of tenant arrears, the Group identified risk factors associated with each use (food and beverage, retail, office and residential) and calculated provisions taking into account the type of use, rent deposits held and rent collections, on a tenant-by-tenant basis. The Group was able to utilise £2.3 million of the £14.3 million tenant rent deposits held at 30 September 2020 to offset unpaid rent receivables. Absent the assumed use of tenant deposits held at 30 September 2020 as collateral against arrears at that date, the maximum exposure to credit risk for the Group was £9.4 million. Tenant arrears are derecognised when there is no longer a reasonable expectation of collection.

Where cash is deposited with banks or financial institutions, the Group considers the counterparty credit rating and places amounts with different banks or financial institutions to spread counterparty credit risk. Deposits and liquidity requirements are reviewed on a weekly basis.

The Company's credit risk management, objectives and policies are consistent with those of the Group.

Capital risk management

The capital structure of the Group consists of equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings is set out in note 17 and the Group's share capital and reserves are set out in notes 19 and 20 and the Statement of Changes in Equity. The Group regularly reviews its loan covenant compliance.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles.

During the year, reduced rent collections and low visibility over near-term income put pressure on interest cover covenants in certain of the Group's debt arrangements and waivers from lenders were secured, where necessary. Since 30 September 2020, these waivers have been extended. The Board assessed the Group's financial and liquidity position in light of the impact of the pandemic and considered a range of options to optimise the Group's long-term capital structure including disposals, bond issuance, repayment of existing debt facilities and options for raising capital. In November 2020, the Group issued equity, raising net proceeds of £294.4 million. The equity issue has ensured the Group maintains a strong financial base, is positioned to return to long-term growth as pandemic issues recede and, should conditions improve, has capacity for portfolio investment (see note 27).

The Group's capital structure and financing strategy are discussed in the Strategic Report on pages 67 to 69.

Financing risk is set out in further detail in "principal risks and uncertainties" on page 77.

Liquidity risk

The Board keeps under review the Group's funding requirements, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing and planned commitments. The Group's liquidity position and requirements were considered as part of the assessment noted in capital risk management (above).

Market risk

Interest rate risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and

credit costs. The Board keeps the Group's interest rate risk under review, particularly in light of expectations of future interest rate movements.

The Group's policy is to minimise interest rate risk through long-term fixed rate debt. At 30 September 2020, 91% of the Group's drawn borrowings were fixed rate. Following the equity issue in November 2020, the Group cancelled one of its revolving credit facilities and repaid its other revolving credit facility. Both facilities bore variable rate interest. Following this, the Group's drawn debt arrangements were all fixed rate. Given this, the Group's exposure to changes in long-term interest rates and the potential impact on the Group's results and financial position is considered to be insignificant.

19. Share capital

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

See note 27 for information on the equity raise completed post year end.

20. Reserves

The Statement of Changes in Equity is set out on page 131.

The following describes the nature and purpose of each of the reserves within equity:

Reserve	Description and purpose
Share premium	Amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share-based payments reserve	Reserve used to recognise the value of equity-settled remuneration provided to employees.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income, net of dividends and adjustments for equity-settled remuneration.

The Company's retained earnings at 30 September 2020 include amounts distributable of £261.4 million (2019: £228.4 million).

21. Share-based remuneration

The Group operates a long-term incentive plan (LTIP), sharesave scheme (SAYE) and a deferred annual share bonus scheme (DASBS). A summary of the rules of the schemes is set out in the Remuneration Report on page 105.

LTIP and SAYE schemes

The following share options granted to executive directors and employees were outstanding at 30 September 2020:

Date of grant	At 1.10.2019	Awarded	Exercised	Lapsed	At 30.9.2020	Exercisable 30.9.2020	Option exercise price	Weighted average price at exercise	Exercise period
SAYE									
03.07.2015	4,754	—	—	(2,161)	2,593	2,593	£6.94	—	2020-2021
01.07.2016	12,144	—	—	(6,072)	6,072	—	£7.41	—	2021-2022
30.06.2017	12,397	—	(348)	(3,372)	8,677	6,740	£7.74	9.29	2020-2023
29.06.2018	10,455	—	(297)	(10,158)	—	—	£7.57	9.29	—
28.06.2019	26,998	—	—	(18,313)	8,685	—	£6.63	—	2022-2025
09.07.2020	—	117,557	—	—	117,557	—	£4.71	—	2023-2026
LTIP									
02.12.2015	4,277	—	(4,277)	—	—	—	Nil	8.89	2019
08.02.2016	45,627	—	—	—	45,627	—	Nil	—	2020-2021
12.12.2016	391,600	—	—	(391,600)	—	—	Nil	—	—
12.12.2017[1]	379,026	—	—	(32,966)	346,060	—	Nil	—	—
04.12.2018	438,190	—	—	(39,750)	398,440	—	Nil	—	2021-2024
12.12.2019	—	500,160	—	(38,700)	461,460	—	Nil	—	2022-2025
24.07.2020	—	256,350	—	—	256,350	—	Nil	—	2022-2023
	1,325,468	**874,067**	**(4,922)**	**(543,092)**	**1,651,521**	9,333			

(1) 346,060 share options will lapse at the vesting date in December 2020.

(2) Following the equity issue announced on 22 October 2020, and approved by shareholders on 17 November 2020, the shares granted under the schemes above have subsequently been restated to reflect the new share capital of the Company. These were technical adjustments and did not increase or decrease the value of the award. The restated figures will be reported in the 2021 Annual Report.

	At 1.10.2019	Awarded	Exercised	Lapsed	At 30.9.2020
Weighted average exercise price	0.36	0.63	1.00	0.52	0.45
Weighted average remaining contractual life	2.72				2.66

The fair value of option grants is measured by Lane Clark & Peacock LLP, Actuaries & Consultants. For the grants made during the year, the main inputs and assumptions, and the resulting fair values, are as follows:

	SAYE 3 Year	SAYE 5 Year	LTIP	LTIP
Grant date	09.07.20	09.07.20	12.12.19	24.07.20
Share price at date of grant	£5.15	£5.15	£9.32	£4.80
Exercise price	£4.71	£4.71	Nil	Nil
Expected life of award (years)	3	5	3 or 5	2 or 3
Share return volatility (per annum)	29%	25%	17%	n/a
Risk free discount rate (per annum)	–0.1%	–0.1%	0.6%	n/a
Index return volatility (FTSE 350 REIT Index)	—	—	18%	n/a
Correlation between the Company's shares and those in the FTSE 350 REIT Index	—	—	81%	n/a
Dividend yield	1.7%	1.7%	—	n/a

	SAYE 3 Year	SAYE 5 Year	LTIP (TSR)	LTIP (NAV)	LTIP (TAR)
Fair values:					
SAYE	£1.10	£1.08	—	—	—
No holding period	—	—	£3.82	£9.32	£9.32
Contingent holding period	—	—	£3.70	£9.04	£9.04
Two year holding period	—	—	£3.59	£8.76	£8.76

The assumed volatility was determined taking into account factors including the historical volatility of the Company share price. Actual future volatility may differ, potentially significantly, from historic volatility.

The vesting conditions relating to options granted in the year under the LTIP are described in the Annual Remuneration Report on page 107.

Deferred annual share bonus scheme

	2020 Shares	2019 Shares
At 1 October	**616,042**	598,868
Awarded	**164,771**	205,640
Exercised	**(212,669)**	(188,466)
At 30 September	**568,144**	616,042

22. Dividends

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

The Board announced on 25 September 2020 that no final dividend would be declared in respect of the year ended 30 September 2020. The Board intends to resume dividend payments as soon as it considers prudent, maintaining its policy of sustainable dividend growth over the long-term. The pace of the post-pandemic income recovery and our REIT PID obligations, will be key factors in the Board's near-term decisions on declaring dividends. See page 65 of the Strategic Report for further commentary on our dividend policy.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 568,144 (2019: 616,042) ordinary shares during the year.

23. Cash flows from operating activities

	Group		Company	
Operating activities	2020 £m	2019 £m	2020 £m	2019 £m
Profit before tax	**(699.5)**	26.0	**59.8**	57.9
Adjusted for:				
Lease incentives recognised	**(3.7)**	(2.3)	**—**	—
Share-based payments	**0.7**	0.9	**0.7**	0.9
Depreciation (note 6)	**0.3**	0.4	**0.3**	0.4
Net revaluation deficit on investment properties (note 10)	**698.5**	15.3	**—**	—
Profit on disposal of investment properties (note 7)	**(0.3)**	(2.8)	**—**	—
Net finance costs	**31.8**	30.5	**2.3**	0.9
Administrative charges, finance charges, and dividends received from subsidiaries settled through intercompany indebtedness	**—**	—	**(87.3)**	(71.9)
Impairment of subsidiaries (note 13)	**—**	—	**11.5**	—
Dividends received from joint venture (note 12)	**—**	—	**(1.4)**	(2.5)
Share of post-tax loss from joint venture (note 12)	**29.4**	13.8	**—**	—
Cash flows from operations before changes in working capital	**57.2**	81.8	**(14.1)**	(14.3)
Changes in working capital:				
Change in trade and other receivables	**1.5**	(4.1)	**(0.7)**	(2.3)
Change in trade and other payables	**(25.2)**	2.1	**(2.2)**	0.2
Cash generated from/(used in) operating activities	**33.5**	79.8	**(17.0)**	(16.4)

See note 17 for the cash flow movement in net debt.

24. Performance measures

Earnings per share

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

(1) Weighted average

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

EPRA earnings per share

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

	2020			2019		
	Profit after tax	Number of shares[1]	Earnings per share	Profit after tax	Number of shares[1]	Earnings per share
	£m	million	pence	£m	million	pence
Basic	**(699.5)**	**307.4**	**(227.5)**	26.0	307.4	8.5
EPRA adjustments:						
Net revaluation deficit on investment properties (note 10)	**698.5**		**227.2**	15.3		5.0
Profit on disposal of investment properties (note 8)	**(0.3)**		**(0.1)**	(2.8)		(0.9)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**35.8**		**11.6**	19.2		6.2
Deferred tax	**(5.1)**		**(1.6)**	(3.1)		(1.0)
EPRA earnings	**29.4**	**307.4**	**9.6**	54.6	307.4	17.8

(1) Weighted average

Like-for-like rental growth

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

Adjusted EPRA earnings per share

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

(1) Weighted average

Net asset value per share

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

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

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

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

(1) Increase in shareholders' equity, which would arise on the exercise of share options.

(2) Our 50% share of deferred tax in the joint venture.

(3) Includes the wholly-owned Group's secured term loans and our 50% share of secured term loans in the joint venture.

Total accounting return (TAR)

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

Financing ratios

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

We are no longer presenting financing ratios including our joint venture on a proportionally consolidated basis. We now consider that it is appropriate to separately report the joint venture's activity, valuation and capital structure. We believe this presentation provides a clearer analysis and is

consistent with the financial statements. Consequently, gearing and loan-to-value ratios have been restated at 30 September 2019.

See page 156 for explanations on why we use these performance measures.

25. Operating leases

The Group as a lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases based on contracted rental income at the year end:

	2020	2019
	£m	£m
Not later than one year	**91.9**	110.2
Later than one year but not later than five years	**259.1**	274.6
Later than five years	**263.6**	329.8
	614.6	714.6

The Group has over 1,250 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Typical lease terms are set out in the Strategic Report on pages 14 to 17.

The Company as a lessee

Future aggregate minimum payments in respect of a non-cancellable operating lease based on annual amounts payable at the year end:

	2020	2019
	£m	£m
Not later than one year	**0.6**	0.6
Later than one year but not later than five years	**2.3**	2.3
Later than five years	**2.0**	2.6
	4.9	5.5

The Company leases its head office accommodation from a wholly-owned subsidiary.

26. Related party transactions

Transactions during the year between the Company, its subsidiaries and the joint venture are disclosed below:

	2020	2019
	£m	£m
Transactions with subsidiaries:		
Administrative fees receivable	**11.1**	11.8
Dividends receivable	**72.6**	58.0
Interest receivable	**3.2**	2.1
Interest payable	**0.2**	0.5
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Dividends receivable	**1.4**	2.5
Interest receivable	**0.4**	0.3

Amounts due from subsidiaries and the joint venture are disclosed in note 14 and amounts due to subsidiaries are disclosed in note 16. All amounts are unsecured, repayable on demand and bear a market rate of interest.

Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Annual Remuneration Report on pages 106 to 113, and below, there were no other transactions with directors.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below. Further information regarding the remuneration of individual directors is given in the Annual Remuneration Report on pages 106 to 113.

Directors' emoluments	2020	2019
	£m	£m
Short-term employee benefits	**2.9**	3.0
Other long-term benefits	**—**	0.9
Share-based payments	**0.6**	0.9
	3.5	4.8

27. Post Balance Sheet events

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

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

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

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

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

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

See pages 67 and 69 in the Strategic Report for further information on Post Balance Sheet events.

28. Significant accounting policies

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries.

Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to variable returns and has the ability to affect those returns through its power over the entity. All intercompany transactions and balances are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

In the Company's Balance Sheet, investments in subsidiaries are included at cost less any provision in respect of impairment loss.

Net property income

Net property income comprises rental income, service charge income, property expenses, service charge expenses, expected credit losses on rent receivables and impairment of lease incentives.

Rental income arises from operating leases granted to tenants. It is recognised on a straight-line basis over the term of the lease. Rental income uplifts arising as a result of rent reviews are recognised when agreement of terms is reasonably certain.

The cost of lease incentives offered to tenants to enter into a lease, typically initial rent-free periods, is recognised on a straight-line basis over the non-cancellable period of the lease, being the earlier of its expiry date or the date of the first break option.

As lessor, the Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Payments received from tenants to surrender their lease obligations are recognised immediately in the Group Statement of Comprehensive Income.

The Group's revenue from contracts with customers, as defined in IFRS 15, includes service charge income. Service charge income is recognised as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Group. The actual services provided each reporting period are determined using costs incurred as the input method. As the Group acts as a principal, service charge income is shown gross in the financial statements.

Irrecoverable property costs, including vacant costs and other property expenditure, are expensed to the Statement of Comprehensive Income in the year to which they relate. Initial direct costs incurred in arranging an operating lease are added to the carrying value of investment properties, and are subsequently recognised as an expense over the lease term on the same basis as the lease income.

Employee benefits

Share option schemes

The Company administers a long-term incentive plan (LTIP) and a sharesave scheme (SAYE). The cost of granting share options to employees under these schemes is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant. The expense is recognised on a straight-line basis over the vesting period based on the number of options that are expected to vest.

The fair value of the long-term incentive plan is calculated using the modified binomial pricing model and the Monte Carlo simulation pricing model for the non-market based and market based conditions respectively. At each reporting period, the non-market based condition is reassessed and the impact, if any, of a revision to original estimates is recognised in the Statement of Comprehensive Income.

The fair value of the sharesave scheme is calculated using a modified binomial pricing model.

Deferred annual share bonus scheme

Under the Company's annual bonus scheme, employees have the option to take their annual bonus in either cash, or shares. Where employees opt to take the bonus in cash, it is expensed to the Statement of Comprehensive Income in the year in which it relates.

Where employees opt to take all, or part, of their bonus in shares, the Company offers a matching award of up to 50%, subject to continued employment throughout the performance period. The cost of the matching award is recognised on a straight-line basis over the performance period. The remaining

expense is recognised in the year to which it relates. Leaver provisions during the performance period are set out in the Remuneration Policy which is available on the Company's website.

Pension contributions

Payments to defined contribution plans are charged as an expense to the Statement of Comprehensive Income as they fall due.

Investment properties

Investment properties are initially recognised on acquisition at cost, including related acquisition costs, when the Group assumes control of the property. Investment properties are revalued annually to reflect fair value. Fair value is determined either by external professional valuers or by the directors in the case of properties sold shortly after the period end. The fair value, as determined by the valuers, is adjusted for unamortised lease incentive and letting cost balances.

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income. Depreciation is not provided in respect of investment properties.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in future economic benefits which are expected to accrue to the Group. All other property expenditure is written-off in the Statement of Comprehensive Income as incurred.

Premiums payable to tenants in connection with the surrender of their lease obligations are capitalised if they arise in connection with a value-enhancing project, otherwise they are recognised immediately in the Statement of Comprehensive Income.

Amounts received by way of compensation for dilapidations from tenants vacating properties are credited against the cost of reinstatement works. Where the Group has no intention of carrying out such works, the amounts received are credited to the Statement of Comprehensive Income.

Disposals of investment properties are recognised in the period when control of the property transfers to the buyer. Typically, disposal will either occur on unconditional exchange of contracts or completion. Where completion is expected to occur significantly after exchange, or where the Group continues to have significant outstanding obligations after exchange of contracts, control will not usually transfer until completion. Any gain or loss on disposal, being the difference between the net disposal proceeds and the carrying value of the property, is included in the Statement of Comprehensive Income in the period in which the property is derecognised.

All of the Group's leases to its tenants are operating leases except where the Group grants long leasehold interests to tenants, in which case, as substantially all the risks and rewards of ownership are transferred to the tenant, the property is not recognised as an investment property.

Acquisitions

Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Joint ventures

Joint ventures are those entities over which the Group has joint control, established by contractual agreement. The Group has one joint venture, the investment in which is accounted for using the equity method. On initial recognition the investment was recognised at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of, and dividends from, the joint venture. The Group's investment in the joint venture is presented separately on the Balance Sheet and the Group's share of the joint venture's post-tax profit or loss for the year is also presented separately in the Statement of Comprehensive Income.

Where there is an indication that the Group's investment in its joint venture may be impaired, the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the Statement of Comprehensive Income.

If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

In the Company's Balance Sheet, the investment in its joint venture is stated at cost less any provision for impairment loss.

Trade receivables and payables

Trade receivables are recognised at fair value and subsequently held at amortised cost, less any provision for impairment.

Tenant lease incentives are included in current trade and other receivables when the amounts to be charged against rental income fall within one year of the Balance Sheet date. Amounts which will be charged against rental income in more than one year are included in non-current assets.

The Group assesses expected credit losses for trade receivables and impairment on lease incentives on a forward-looking basis. See note 3 and note 18 for further information.

Trade payables are recognised at fair value and subsequently held at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand bank deposits.

Cash held on deposit which has certain conditions restricting its use and is not available on demand, liquid or readily convertible, is classified within other receivables.

Borrowings and costs of raising finance

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently held at amortised cost. Issue costs and premiums are written-off to the Statement of Comprehensive Income using an effective interest rate method.

Section D: Historical Financial Information relating to the Shaftesbury Group for the year ended 30 September 2019

Independent Auditor's Report
To the members of Shaftesbury PLC

Opinion

In our opinion:

- Shaftesbury PLC's Group financial statements and Parent company ('Company') financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Shaftesbury PLC which comprise:

	Group	Company
Balance sheet	✓	✓
Statement of comprehensive income	✓	
Cash flow statement	✓	✓
Statement of changes in equity	✓	✓
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	✓	✓

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union. The Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 60 and 61 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 60 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

- the directors' statement set out on page 106 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 62 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• The valuation of investment property (including properties within the Longmartin joint venture) • Revenue recognition including the timing of revenue recognition, and the treatment of rents and incentives • Litigation and claims
Audit scope	• The group operates in London's West End and consists of a single reporting segment across twelve statutory entities. All of the Group's Companies were included in the scope of the audit. The Group audit team performed direct testing of the Longmartin joint venture balances which are included within the group. The Group audit scope is consistent with the prior year.
Materiality	• Overall Group Materiality: £40m which represents 1% of total assets. • Specific Group Materiality: £4.0m which represents 5% of operating profit before investment property valuation movements and net finance costs.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk: The valuation of investment property

£3,765.9m (plus £213.1m being the Group's share in the Longmartin joint venture)

Refer to the Audit Committee Report (page 79); Accounting policies (page 123); and Note 11 of the Consolidated Financial Statements (pages 108 to 109)

The valuation of investment property (including properties held in the Longmartin joint venture) requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the balance sheet and in the statement of comprehensive income.

There is also a risk that management may unduly influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets.

Our response to the risk

Our audit procedures around the valuation of investment property included:

- We obtained an understanding of the Group's controls over data used in the valuation of the investment property portfolio, including management's review of the valuations, to ensure the controls were designed and implemented correctly.
- We evaluated the competence of the external valuers which included consideration of their qualifications and expertise, as well as their independence.
- We performed testing over the inputs to the valuations. For a sample of properties, we tested the contracted rent and key lease terms used by the valuers back to lease agreements.
- The Group audit team includes Chartered Surveyors who tested a sample of properties. They challenged the valuation approach and assumptions. The sample size they tested accounted for 82% of the fair value of investment properties (including investment properties held in the Longmartin joint venture). Our Chartered Surveyors compared the equivalent yields applied to each property to an expected range of yields taking into account market data and asset specific considerations. They also considered whether the other assumptions applied by the external valuers, such as the estimated rental values, tenant incentives and development costs to complete were supported by available data such as recent lettings and occupancy levels.
- Together with our Chartered Surveyors, we looked for contra indicators for the estimated rental values and yields adopted.
- We searched the tenant base to confirm there was not a concentration of higher risk of failure tenants.
- In respect of the properties not in the sample tested by our Chartered Surveyors (18% of the fair value), we performed detailed analytical procedures on a property-by-property basis. This involved forming an expectation of the fair value of each property in the portfolio by reference to relevant external market data relating to capital growth rates. We investigated further the valuations of those properties which were not in line with our initial expectations which included further discussions with management and the external valuers and, where appropriate, involvement of our Chartered Surveyors.
- We made enquiries of the external valuers and inspected their terms of reference to confirm that they had not been subject to undue influence or direction from management.
- We utilised our detailed analytical procedures and work of the Chartered Surveyors described above in order to assess for evidence of undue management influence.
- We performed site visits accompanied by our Chartered Surveyors for a sample of properties (focusing primarily on properties under significant refurbishment) which enabled us to assess the stage of completion of, and gain specific insights into, these refurbishments.
- For properties under significant refurbishment, we vouched the costs incurred to date, and agreed the cost to complete estimates to approved budgets and contractual arrangements. We met with property surveyors to discuss the project costs and risks associated with the significant projects.
- Together with our Chartered Surveyors, we met with the external valuers to discuss the findings from our audit work described above and to seek further explanations as required. We also discussed the impact of current market conditions on the property valuations.

Key observations communicated to the Audit Committee

We have audited the inputs, assumptions and reviewed the methodology used by the external valuers. We conclude that the inputs and methodology applied are reasonable and that the external valuations are an appropriate assessment of the fair value of investment properties at 30 September 2019.

We did not identify any exceptions or material errors in the input testing for the sample we tested.

We conclude that the valuation of each of the assets in the sample tested by our Chartered Surveyors are within a reasonable range.

We conclude that management provided an appropriate level of review and challenge over the valuations but we did not identify evidence of undue management influence or bias.

Risk: Revenue recognition, including the timing of revenue recognition, and the treatment of rents and incentives

£117.3m of rents receivable (FY18: £112.8m)

Refer to the Accounting policies (page 122); and Note 5 of the Consolidated Financial Statements (page 107)

Market expectations and profit based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.

In order to distort rental income, management could manipulate the deferred revenue balance or the IFRS rent adjustment for lease incentives.

Our response to the risk

We performed detailed testing for a sample of leases by agreeing the annual rent back to the terms of the lease agreements.

- For a sample of leases, we tested that the lease income, including the treatment of lease incentives, is on a straight-line basis, and in accordance with SIC-15 Operating Leases—Incentives.
- We verified the completeness of the lease incentives recorded. For a sample of leases, we read the terms to identify rent free periods and other incentives. We verified that these incentives in our sample were correctly recorded in the rent free asset and that income was correctly straight-lined.
- We performed substantive analytical procedures and found that the revenue recognised by the Group and each of the operating companies was materially consistent with our expectations developed from rents in the tenancy schedules.
- We performed analytical procedures to confirm the deferred income balance is materially within our expectations. We substantively tested a sample of balances by agreeing the timing of rent recognised to invoices or rent agreements.
- We considered the decline in the UK retail and restaurant sector and assessed the impact on the Group's financial statements. We obtained a list of known Creditors Voluntary Arrangements and other information about retailer health and compared to Shaftesbury's tenant list to identify tenants at risk of non-payment of rental amounts. We obtained the aged debtors listing for the Group and the Longmartin joint venture to identify aged debtors. We tested recoverability of the aged debtors by agreeing to subsequent cash receipts. We enquired with and challenged management regarding the appropriateness of the provision for doubtful debts. We also considered the recoverability of other tenant related balances including lease incentive assets and prepaid letting costs.
- We evaluated whether the revenue recognition policies adopted complied with IFRSs as adopted by the European Union.
- We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing to confirm the processing and timing of journals to record revenue is consistent with our expectations.

Key observations communicated to the Audit Committee

We audited the timing of revenue recognition, treatment of rents and incentives, and assessed the risk of management override.

We have assessed the recoverability of the aged debtors and tenant related balances including lease incentive assets and prepaid letting costs, and concluded that the provision for doubtful debts is reasonable.

Based upon the audit procedures performed, we conclude that revenue has been recognised on an appropriate basis in the year.

The procedures we carried out over revenue recognition apply to all the Group's revenue and the revenue in the Longmartin joint venture.

Risk: Litigation and claims

Refer to Corporate Governance (page 68) and Note 27 of the Consolidated Financial Statements (page 121).

Judgement is required in assessing the recognition of a provision or disclosure of a contingent liability in relation to a claim brought against the Group.

This is a new key audit matter in the year because of a claim brought against the Group which resulted in our audit procedures requiring increased involvement of senior members of the audit team.

Our response to the risk

- We understood the nature of the claim, and judgements made in respect of it, by reading claim documents, and corroborated our understanding through inquiry with management and the Group's external legal counsel.
- We evaluated the judgements made in preparing the financial statements relevant to whether a provision should be recognised or a disclosure should be made of a contingent liability as a result of the claim.
- We verified that appropriate disclosure had been made in the Consolidated Financial Statements to meet the requirements of IFRS.

Key observations reported to the Audit Committee

We conclude that management have accounted for the claim appropriately and have presented a contingent liability disclosure in accordance with IAS 37.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group, effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

The table below sets out the materiality, performance materiality and threshold for reporting audit differences applied on our audit:

	Basis	Materiality	Performance Materiality	Audit Differences
Overall	1% of total assets	£40m	£30m	£ 2m
Specific Applicable for account balances not related to investment properties, loans and borrowings	5% of operating profit before investment property valuation movements and net finance costs	£ 4m	£ 3m	£0.2m

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined that total assets would be the most appropriate basis for determining overall materiality given that key users of the Group's financial statements are primarily focussed on the valuation of the Group's assets; primarily the investment property portfolio. This provided a basis for determining the

nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. For planning purposes this was initially based on the total assets as at 31 March 2019.

We assessed that for account balances not related to investment properties (either wholly owned or within the joint venture), loans and borrowings, a misstatement of less than overall materiality for the financial statements could influence the economic decisions of users. We have determined that specific materiality for these areas should be based on operating profit before investment property valuation movements and net finance costs. We believe that it is appropriate to use a profit-based measure for specific materiality as profit is also a focus of users of the financial statements.

During the course of our audit, we reassessed initial materiality. There has been no change in our overall materiality or in our materiality threshold as at 30 September 2019.

In the prior year audit we adopted an overall materiality of £40m based on 1% of total assets. We also applied a specific materiality of £4m based on 5% of operating profit before investment property valuation movements and net finance costs.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality and specific performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% (2018: 75%) of the respective materiality. Our objective in adopting this approach is to confirm that total detected and undetected audit differences do not exceed our materiality for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee any uncorrected audit differences on investment property valuations in excess of £2m, as well as uncorrected audit differences in excess of £0.2m that relate to our specific testing of the other account balances not related to investment properties, loans and borrowings. These are set at 5% of their respective materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report including the Strategic report, Governance and Other information set out on pages 1 to 97 and 124 to 132, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

- In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:
- **Fair, balanced and understandable set out on page 80**—the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 78 to 81**—the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 68**—the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 97, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRSs, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax regulations in the United Kingdom, including the UK REIT regulations.
- We understood how Shaftesbury PLC is complying with those frameworks through enquiry with management, and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by reviewing the Company's risk register and enquiry with management and the Audit Committee during the planning and execution phases of our audit.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:
    - Inquire of members of senior management, and when appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements.
    - Reading minutes of meetings of those charged with governance.
    - Obtaining and reading correspondence from legal and regulatory bodies including HMRC.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 15 October 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ended 30 September 2016 to 30 September 2019. Our audit engagement letter was refreshed on 30 October 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the audit committee explaining the results of our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Saunders (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
25 November 2019

Group statement of comprehensive income

For the year ended 30 September 2019

	Notes	**2019 £m**	2018 £m
Revenue	5	**126.9**	122.1
Property charges	6	**(28.9)**	(28.3)
Net property income		**98.0**	93.8
Administrative expenses	7	**(15.2)**	(13.7)
Operating profit before investment property disposals and valuation movements		**82.8**	80.1
Profit on disposal of investment properties	8	**2.8**	4.6
Net revaluation (deficit)/surplus on investment properties	11	**(15.3)**	123.1
Operating profit		**70.3**	207.8
Finance income		**1.0**	0.8
Finance costs	9	**(31.5)**	(32.0)
Share of post-tax loss from joint venture	13	**(13.8)**	(1.1)
Profit before tax		**26.0**	175.5
Tax charge for the year	10	**-**	-
Profit and total comprehensive income for the year		**26.0**	175.5
Earnings per share:	22		
Basic		**8.5p**	58.1p
Diluted		**8.5p**	58.0p
EPRA		**17.8p**	17.1p

See pages 20 to 23 for an explanation of the EPRA measures used in these financial statements.

Group balance sheet

As at 30 September 2019

	Notes	**2019 £m**	2018 £m
Non-current assets			
Investment properties	11	**3,765.9**	3,714.8
Accrued income	12	**13.1**	9.9
Investment in joint venture	13	**127.6**	143.9
Property, plant and equipment		**1.4**	1.3
Other receivables	15	**3.7**	3.7
		3,911.7	3,873.6
Current assets			
Trade and other receivables	14	**35.1**	30.3
Cash and cash equivalents	15	**54.0**	118.5
Total assets		**4,000.8**	4,022.4
Current liabilities			
Trade and other payables	16	**43.8**	40.8
Non-current liabilities			
Borrowings	17	**949.8**	948.6
Total liabilities		**993.6**	989.4
Net assets		**3,007.2**	3,033.0
Equity			
Share capital	19	**76.9**	76.8
Share premium		**378.6**	378.4
Share-based payments reserve		**1.3**	1.2
Retained earnings		**2,550.4**	2,576.6
Total equity		**3,007.2**	3,033.0

Group cash flow statement

For the year ended 30 September 2019

	Notes	**2019 £m**	2018 £m
Operating activities			
Cash generated from operating activities	21	**79.8**	76.5
Interest received		**1.0**	0.8
Interest paid		**(30.2)**	(31.0)
Net cash from operating activities		**50.6**	46.3
Investing activities			
Investment property acquisitions		**(47.2)**	(167.8)
Investment property disposals	8	**14.3**	13.3
Capital expenditure on investment properties		**(28.2)**	(26.6)
Purchase of property, plant and equipment		**(0.5)**	(0.4)
Dividends received from joint venture		**2.5**	3.0
Increase in loans to joint venture		**(3.3)**	(3.0)
Net cash used in investing activities		**(62.4)**	(181.5)
Financing activities			
Proceeds from exercise of share options		**0.2**	0.1
Proceeds from share placing	19	**-**	265.2
Share placing costs	19	**-**	(4.8)
Proceeds from borrowings		**-**	72.0
Repayment of borrowings		**-**	(72.0)
Loan issue costs		**-**	(1.8)
Equity dividends paid	20	**(52.9)**	(50.6)
Net cash (used in)/from financing activities		**(52.7)**	208.1
Net change in cash and cash equivalents		**(64.5)**	72.9
Cash and cash equivalents at the beginning of the year	15	**118.5**	45.6
Cash and cash equivalents at the end of the year	15	**54.0**	118.5

Group statement of changes in equity

For the year ended 30 September 2019

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
At 1 October 2018		76.8	378.4	1.2	2,576.6	3,033.0
Profit and total comprehensive income for the year		-	-	-	26.0	26.0
Dividends paid	20	-	-	-	(52.9)	(52.9)
Exercise of share options	19	0.1	0.2	-	(0.1)	0.2
Share-based payments		-	-	0.9	-	0.9
Release on exercise of share options		-	-	(0.8)	0.8	-
At 30 September 2019		**76.9**	**378.6**	**1.3**	**2,550.4**	**3,007.2**
At 1 October 2017		69.8	124.9	3.0	2,449.2	2,646.9
Profit and total comprehensive income for the year		-	-	-	175.5	175.5
Dividends paid	20	-	-	-	(50.6)	(50.6)
Share placing	19	6.9	253.5	-	-	260.4
Exercise of share options	19	0.1	-	-	(0.1)	-
Share-based payments		-	-	0.8	-	0.8
Release on exercise of share options		-	-	(2.6)	2.6	-
At 30 September 2018		76.8	378.4	1.2	2,576.6	3,033.0

Notes to the financial statements

For the year ended 30 September 2019

1. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 30 September 2019 included in this preliminary announcement are extracted from the audited financial statements for the year ended 30 September 2019 which were approved by the directors on 25 November 2019. The auditor's report on those financial statements was unqualified and did not include a statement under Section 498(2) or 498(3) of the 2006 Companies Act.

The 2019 Annual Report is expected to be posted to shareholders and available on the Group's website in December 2019. It will be considered at the Annual General Meeting to be held on 31 January 2020. The financial statements for the year ended 30 September 2019 have not yet been delivered to the Registrar of Companies.

The auditor's report on the financial statements for the year ended 30 September 2018 was unqualified and did not include a statement under Section 498(2) or 498(3) of the 2006 Companies Act. The financial statements for the year ended 30 September 2018 have been delivered to the Registrar of Companies.

Going concern
The Group's business activities, together with the factors affecting performance, financial position and future development are set out on pages 6 to 24. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 23 to 24. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date these financial statements were approved. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

2. Changes in accounting policies

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

New standards adopted during the year
The following standards and amendments to existing standards were relevant to the Group, adopted from 1 October 2018, and did not have a material impact on the financial statements.

Annual Improvements 2014-2016
IFRS 2 (amendment) – Classification of share-based payment transactions
IAS 40 (amendment) – Transfers of investment property

IFRS 9 – Financial Instruments
This standard deals with, amongst other things, the classification and measurement of financial instruments. The main area applicable to the Group is the method for assessing any impairment provisions, given the requirement to use a forward-looking expected credit loss model. The material financial assets subject to the new expected credit loss model include cash and cash equivalents, trade receivables, amounts due from joint venture and amounts due from subsidiaries (Company only). Following adoption of the standard, the accounting policies and disclosures have been updated in line with the new IFRS 9 requirements. There was no material impact to the amounts recognised in the financial statements. The standard was adopted retrospectively, without restating the comparative balances for classification, measurement and impairment.

IFRS 15 – Revenue from contracts with customers
This standard is based on the principle that revenue is recognised when control passes to a customer. For the Group it is applicable to service charge income and proceeds from the disposal of investment properties. It does not include rental income, which falls within the scope of IAS 17 – Leases (IFRS 16 – Leases from 1 October 2019). Following the Group's assessment of the standard, its adoption did not have a material impact to the amounts recognised in the financial statements. The accounting policies and disclosures have been updated in line with the new IFRS 15 requirements. The standard was adopted on a modified retrospective basis, therefore comparative balances have not been restated.

Standards relevant to the Group but not yet effective
The following standard and amendments to existing standards were in issue at the Balance Sheet date, are not yet effective, and have not been adopted early. They are not expected to have a significant impact on the Group's financial statements.

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

IFRS 16 – Leases (effective from 1 October 2019)
For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method. Lessor accounting is substantially unchanged from current accounting. Therefore, since the Group is primarily a lessor, this standard does not significantly impact the Group's financial statements. However, for the Company, it will result in the recognition of a right-to-use asset and corresponding lease liability for its head office, which we estimate at approximately £4.5 million, in the year when the standard becomes effective.

3. Significant judgements, assumptions and key estimates

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

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

Values are inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. Cushman & Wakefield and Knight Frank LLP make a number of assumptions in forming their opinion on the valuation of our investment properties, which are detailed in the Basis of Valuation on page 26. These assumptions are in accordance with the RICS Valuation - Global Standards. However, if any assumptions made by the external valuers prove to be incorrect, this may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. See note 11 for further information.

Area of judgement
The directors considered the contingent liability arising from litigation from a shareholder and whether a provision should be recognised. The contingent liability is disclosed in note 23. Otherwise, the directors did not make any significant judgements in the preparation of these financial statements.

4. Segmental information

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

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see pages 20 to 23 for an explanation on the EPRA measures used in these financial statements).

The Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with restaurants, leisure and retail on the lower floors and small offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no segmental information is presented.

5. Revenue

	2019 £m	2018 £m
Rental income	**117.3**	112.8
Service charge income	**9.6**	9.3
	126.9	122.1

Rental income includes a net increase of £2.3 million from tenant lease incentives (2018: £0.5 million net increase). Included within service charge income is £2.1 million (2018: £1.8 million) of amounts that were deferred at the previous year end. Amounts deferred at the end of the year relate to service charges invoiced in advance for the period 29 September to 24 December.

6. Property charges

	2019 £m	2018 £m
Property operating costs	**7.3**	7.6
Vacant property costs	**2.0**	1.4
Fees payable to managing agents	**2.7**	2.6
Letting, rent review, and lease renewal costs	**3.4**	3.6
Marketing and events expenditure	**3.9**	3.8
Property outgoings	**19.3**	19.0
Service charge expenses	**9.6**	9.3
	28.9	28.3

7. Administrative expenses

	2019 £m	2018 £m
Employee costs	**10.0**	8.5
Depreciation	**0.4**	0.4
Other head office costs	**4.9**	4.9
	15.3	13.8
Less: administrative fees received from the joint venture	**(0.1)**	(0.1)
	15.2	13.7

Employee costs (including the directors)	2019 £m	2018 £m
Wages and salaries	**7.2**	6.6
Social security costs	**0.9**	0.8
Other pension costs	**0.4**	0.3
Equity-settled remuneration	**1.5**	0.8
	10.0	8.5

Included within equity-settled remuneration is a charge of £1.2 million (2018: £0.6 million) for the LTIP and SAYE schemes.

8. Profit on disposal of investment properties

	2019 £m	2018 £m
Net sale proceeds	**14.3**	13.3
Book value at date of sale	**(11.5)**	(8.7)
	2.8	4.6

9. Finance costs

	2019 £m	2018 £m
Mortgage bond interest	**13.9**	13.9
Bank and other interest	**16.4**	16.5
Issue cost amortisation	**1.2**	1.6
	31.5	32.0

10. Tax charge for the year

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

11. Investment properties

	2019 £m	2018 £m
At 1 October	**3,714.8**	3,407.3
Acquisitions	**47.0**	167.8
Disposals	**(11.5)**	(8.7)
Refurbishment and other capital expenditure	**30.9**	25.3
Net revaluation (deficit)/surplus on investment properties	**(15.3)**	123.1
Book value at 30 September	**3,765.9**	3,714.8
Fair value at 30 September:		
Core properties valued by Cushman & Wakefield	**3,784.2**	3,724.6
Non-core properties valued by Cushman & Wakefield	**-**	2.4
Lease incentives and costs included in receivables	**(18.3)**	(12.2)
Book value at 30 September	**3,765.9**	3,714.8

The investment properties valuation comprises:

	2019 £m	2018 £m
Freehold properties	**3,531.2**	3,495.3
Leasehold properties	**253.0**	231.7
	3,784.2	3,727.0

Investment properties were valued at 30 September 2019 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

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

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. The key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out in the Basis of Valuation on page 26. Equivalent yields are based on current market prices, depending on, inter alia, the location and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and occupancy levels. Whilst there is market evidence for these inputs, and recent transaction prices for similar properties, there is still a

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

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year (2018: none).

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

Fees were agreed at fixed amounts in advance of the valuations being carried out. During the year, Cushman & Wakefield acted as letting agents for Shaftesbury Covent Garden Limited and Shaftesbury CL Limited, rent review surveyors for Shaftesbury CL Limited and provided other advice to Shaftesbury PLC. Non valuation fees represented 36% of total fees for the valuation of the Group's investment properties. Fees payable by the Group to Cushman & Wakefield do not constitute a significant part of their fee income.

Sensitivity analysis
As noted in the significant judgements, assumptions and key estimates section on page 33, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

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

	Change in ERV				**Change in equivalent yields**			
	-5.0% £m	**-2.5% £m**	**+2.5% £m**	**+5.0% £m**	**-0.5% £m**	**-0.25% £m**	**+0.5% £m**	**+1.0% £m**
Increase/(decrease) in the fair value of investment properties	(171.0)	(85.8)	89.4	178.8	684.5	313.0	(500.1)	(883.3)

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

At 30 September 2019, the Group had capital commitments of £82.4 million (2018: £58.7 million). This included £39.0 million (2018: £39.0 million) relating to the forward purchase of a long leasehold interest and £43.4 million (2018: £19.7 million) relating to future capital expenditure for the enhancement of the Group's investment properties. See pages 13 to 16 for a discussion of the Group's property activity during the year.

Details of the restrictions on the Group's investment properties are set out in note 17.

12. Accrued income

	2019 £m	2018 £m
Accrued income in respect of lease incentives	**16.1**	12.2
Less: included in trade and other receivables (note 14)	**(3.0)**	(2.3)
	13.1	9.9

13. Investment in joint venture

	2019 £m	2018 £m
Group		
At 1 October	**143.9**	148.0
Share of losses	**(13.8)**	(1.1)
Dividends received	**(2.5)**	(3.0)
Book value at 30 September	**127.6**	143.9

At 30 September 2019, the joint venture had capital commitments of £5.2 million (2018: £10.4 million) relating to future capital expenditure for the enhancement of its investment properties, of which, 50% relates to the Group.

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

	2019 £m	2018 £m
Statement of Comprehensive Income		
Rental income	**15.0**	16.1
Service charge income	**1.8**	1.5
Revenue from properties	**16.8**	17.6
Property outgoings	**(2.2)**	(1.8)
Service charge expenses	**(1.8)**	(1.5)
Property charges	**(4.0)**	(3.3)
Net property income	**12.8**	14.3
Administrative expenses	**(0.2)**	(0.4)
Operating profit before investment property valuation movements	**12.6**	13.9
Net revaluation deficit on investment properties	**(38.5)**	(10.0)
Operating (loss)/profit	**(25.9)**	3.9
Finance costs	**(6.8)**	(6.8)
Loss before tax	**(32.7)**	(2.9)
Current tax	**(1.2)**	(1.5)
Deferred tax	**6.3**	2.3
Tax credit for the year	**5.1**	0.8
Loss and total comprehensive loss for the year	**(27.6)**	(2.1)
Loss attributable to the Group	**(13.8)**	(1.1)

	2019 £m	2018 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**426.3**	457.4
Accrued income	**1.7**	2.1
Other receivables	**1.3**	1.3
	429.3	460.8
Cash and cash equivalents	**1.2**	2.6
Other current assets	**4.1**	3.9
Total assets	**434.6**	467.3
Current liabilities	**21.7**	15.5
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**37.7**	43.9
Total liabilities	**179.4**	179.4
Net assets	**255.2**	287.9
Net assets attributable to the Group	**127.6**	143.9

14. Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**18.3**	16.2
Provision for expected credit losses	**(1.5)**	(1.2)
	16.8	15.0
Accrued income in respect of lease incentives (note 12)	**3.0**	2.3
Amounts due from joint venture	**7.2**	3.9
Prepayments	**7.6**	9.0
Other receivables	**0.5**	0.1
	35.1	30.3

Trade receivables represent amounts due from tenants. Within this balance is £3.4 million (2018: £2.6 million) owed for service charges.

Provisions against tenant receivables are calculated using a forward-looking expected credit loss model. In determining the provision, the Group considers both recent payment history and future expectations of possible default in order to recognise a lifetime expected credit loss allowance. At 30 September 2019, amounts due from tenants which were more than 90 days overdue totalled £2.7 million (2018: £2.6 million). Provisions against these overdue amounts totalled £1.5 million (2018: £1.0 million). The remaining balance is not considered to be impaired.

Cash deposits totalling £20.7 million (2018: £20.6 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents and are not included within the Group Balance Sheet.

15. Cash and cash equivalents

Cash and cash equivalents at 30 September 2019, comprising cash at bank, were £54.0 million (2018: £118.5 million).

Non-current other receivables include £3.7 million at 30 September 2019 (2018: £3.7 million) which relate to cash held on deposit as security for certain secured term loans, and where there are certain conditions restricting their use.

16. Trade and other payables

	2019 £m	2018 £m
Deferred rental income	**23.0**	22.2
Accruals and deferred service charge income	**5.1**	3.0
	28.1	25.2
Trade payables and accruals in respect of capital expenditure	**3.5**	2.7
Other taxation and social security	**2.9**	5.1
Other payables and accruals	**9.3**	7.8
	43.8	40.8

Following the adoption of IFRS 15, the amounts included in the table above for deferred rental income and accruals and deferred service charge income have been disaggregated and disclosed separately. The 2018 figures have been restated accordingly. This had no impact on the net assets nor profit after tax reported for that year.

17. Borrowings

	2019			2018		
	Nominal value £m	**Unamortised issue costs £m**	**Book value £m**	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	**575.0**	**(4.9)**	**570.1**	575.0	(5.3)	569.7
Secured bank facilities	**-**	**(1.3)**	**(1.3)**	-	(1.8)	(1.8)
Secured term loans	**384.8**	**(3.8)**	**381.0**	384.8	(4.1)	380.7
Total Group borrowings	**959.8**	**(10.0)**	**949.8**	959.8	(11.2)	948.6

Details of the Group's current financial position are discussed on pages 23 to 24.

At 30 September 2019, there were no drawings against the Group's secured bank facilities (2018: none). The Group is still able to benefit from these committed revolving facilities, and as such, unamortised issue costs of £1.3 million (2018: £1.8 million) continue to be carried in the Balance Sheet.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £3,088.9 million (2018: £3,151.4 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

		Cash flows		**Non-cash**	
	1.10.2018 £m	**Inflows £m**	**Outflows £m**	**items £m**	**30.9.2019 £m**
Non-current borrowings					
Mortgage bonds	**575.0**	**-**	**-**	**-**	**575.0**
Secured term loans	**384.8**	**-**	**-**	**-**	**384.8**
Loan issue costs	**(11.2)**	**-**	**-**	**1.2**	**(10.0)**
	948.6	**-**	**-**	**1.2**	**949.8**
Loan issue costs[1]	**11.2**	**-**	**-**	**(1.2)**	**10.0**
Cash & cash equivalents (note 15)	**(118.5)**	**(97.8)**	**162.3**	**-**	**(54.0)**
Net debt at 30 September 2019	**841.3**	**(97.8)**	**162.3**	**-**	**905.8**
Net debt at 30 September 2018	914.2	(286.9)	214.0	-	841.3

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

Availability and maturity of borrowings

	2019			2018		
	Committed £m	**Drawn £m**	**Undrawn £m**	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**-**	**225.0**	225.0	-	225.0
Repayable between 5 and 10 years	**424.8**	**424.8**	**-**	290.0	290.0	-
Repayable after 10 years	**535.0**	**535.0**	**-**	669.8	669.8	-
	1,184.8	**959.8**	**225.0**	1,184.8	959.8	225.0

Interest rate profile of interest bearing borrowings

	2019		2018	
	Debt £m	**Interest rate**	Debt £m	Interest rate
Fixed rate borrowings				
Secured term loans	**384.8**	**3.85%**	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%
Weighted average cost of drawn borrowings		**2.99%**		2.99%

The Group also incurs non-utilisation fees on undrawn facilities. At 30 September 2019, the weighted average charge on the undrawn facilities of £225.0 million (2018: £225.0 million) was 0.66% (2018: 0.66%).

The weighted average credit margin on the Group's secured bank facilities was 1.46% (2018: 1.46%).

18. Financial instruments

Other financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. The fair value of these financial instruments is £1,042.9 million (2018: £955.2 million). The difference between the fair value and the book value is not recognised in the reported results for the year. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy in IFRS 13.

The fair values of the Group's cash and cash equivalents, and those financial instruments included within trade and other receivables, interest bearing borrowings (excluding the mortgage bonds and the secured term loans), and trade and other payables are not materially different from the values at which they are carried in the financial statements.

19. Share capital

	2019 number million	2018 number million	**2019 £m**	2018 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**307.3**	279.0	**76.8**	69.8
Exercise of share options	**0.1**	0.4	**0.1**	0.1
Share placing	**-**	27.9	**-**	6.9
At 30 September	**307.4**	307.3	**76.9**	76.8

In 2018, 27,855,508 ordinary 25p shares were issued at £9.52 per share, raising £265.2 million. Transaction costs in connection with the issue, which amounted to £4.8 million, have been charged against share premium in accordance with the Companies Act 2006.

In respect of the equity issue, Invesco Asset Management Limited and Orosi (UK) Limited were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity placing in respect of 1,050,000 and 6,864,368 placing shares respectively, for a total consideration of approximately £9.996 million and £65.349 million respectively. These transactions were disclosed via the Regulatory News Service on 6 December 2017, in accordance with LR11.1.10R, and Shaftesbury PLC received written confirmation from its sponsor that the terms of the transactions were fair and reasonable as far as Shaftesbury PLC's shareholders were concerned.

20. Dividends

	Pence per share			
	PID	Ordinary	**2019 £m**	2018 £m
Final dividend for:				
Year ended 30 September 2018	-	8.5p	**26.2**	-
Year ended 30 September 2017	-	8.1p	**-**	25.1
Interim dividend for:				
Year ended 30 September 2019	8.7p	-	**26.7**	-
Year ended 30 September 2018	8.3p	-	**-**	25.5
Dividends paid in the year			**52.9**	50.6

A final dividend of 9.0p per share was recommended by the Board on 25 November 2019. Subject to approval by shareholders at the 2020 AGM, the final dividend will be paid on 14 February 2020 to shareholders on the register at 17 January 2020. 5.25p of the dividend will be paid as a PID and 3.75p will be paid as an ordinary dividend. The dividend totalling £27.7 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2020. See page 22 for commentary on dividends.

21. Cash flows from operating activities

Operating activities	**2019 £m**	2018 £m
Profit before tax	**26.0**	175.5
Adjusted for:		
Lease incentives recognised (note 5)	**(2.3)**	(0.5)
Share-based payments	**0.9**	0.8
Depreciation (note 7)	**0.4**	0.4
Net revaluation deficit/(surplus) on investment properties (note 11)	**15.3**	(123.1)
Profit on disposal of investment properties (note 8)	**(2.8)**	(4.6)
Net finance costs	**30.5**	31.2
Share of post-tax loss from joint venture (note 13)	**13.8**	1.1
Cash flows from operations before changes in working capital	**81.8**	80.8
Changes in working capital:		
Change in trade and other receivables	**(4.1)**	(5.1)
Change in trade and other payables	**2.1**	0.8
Cash generated from operating activities	**79.8**	76.5

See note 17 for the cash flow movement in net debt.

22. Performance measures

Earnings per share

	2019			2018		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
Basic	**26.0**	**307.4**	**8.5**	175.5	302.1	58.1
Dilutive effect of share options	**-**	**0.2**	**-**	-	0.3	(0.1)
Diluted	**26.0**	**307.6**	**8.5**	175.5	302.4	58.0

1. Weighted average

EPRA earnings per share

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

	2019			2018		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
Basic	**26.0**	**307.4**	**8.5**	175.5	302.1	58.1
EPRA adjustments:						
Net revaluation deficit/(surplus) on investment properties (note 11)	**15.3**		**5.0**	(123.1)		(40.7)
Profit on disposal of investment properties (note 8)	**(2.8)**		**(0.9)**	(4.6)		(1.5)
Adjustments in respect of the joint venture:						
Investment property valuation deficit	**19.2**		**6.2**	5.0		1.6
Deferred tax	**(3.1)**		**(1.0)**	(1.1)		(0.4)
EPRA earnings	**54.6**	**307.4**	**17.8**	51.7	302.1	17.1

1. Weighted average

Adjusted earnings per share

	2019			2018		
	Profit after tax £m	**Number of shares[1] million**	**Earnings per share pence**	Profit after tax £m	Number of shares[1] million	Earnings per share pence
EPRA earnings	**54.6**	**307.4**	**17.8**	51.7	302.1	17.1
Charge for share options (note 7)	**1.2**		**0.4**	0.6		0.2
Adjusted earnings	**55.8**	**307.4**	**18.2**	52.3	302.1	17.3

1. Weighted average

Net asset value per share

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

	2019			2018		
	Net assets £m	**Number of ordinary shares million**	**Net asset value per share £**	Net assets £m	Number of ordinary shares million	Net asset value per share £
Basic	**3,007.2**	**307.4**	**9.78**	3,033.0	307.3	9.87
Dilutive effect of share options	**0.5**	**0.3**		0.5	0.4	
Diluted	**3,007.7**	**307.7**	**9.77**	3,033.5	307.7	9.86
Deferred tax[1]	**13.6**		**0.05**	16.7		0.05
EPRA NAV	**3,021.3**	**307.7**	**9.82**	3,050.2	307.7	9.91
Deferred tax[1]	**(13.6)**		**(0.05)**	(16.7)		(0.05)
Difference between fair value and carrying value of debt:						
Secured term loans[1]	**(75.8)**		**(0.24)**	(34.5)		(0.11)
Mortgage bonds	**(17.9)**		**(0.06)**	32.0		0.10
EPRA NNNAV	**2,914.0**	**307.7**	**9.47**	3,031.0	307.7	9.85

1. Includes our 50% share of deferred tax and fair value of secured term loans in joint venture.

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

Total accounting return (TAR)

	2019 pence	2018 pence
Opening EPRA NAV (A)	**991.0**	952.0
Closing EPRA NAV	**982.0**	991.0
(Decrease)/increase in the year	**(9.0)**	39.0
Dividends paid in the year	**17.2**	16.4
TAR (B)	**8.2**	55.4
TAR % (B/A)	**0.8%**	5.8%

Combined portfolio

	2019 £m	2018 £m
Combined portfolio valuation		
Wholly-owned portfolio valuation (note 11)	**3,784.2**	3,727.0
Joint venture valuation	**209.0**	224.6
	3,993.2	3,951.6
Combined portfolio revaluation (deficits)/surplus and profits on disposal		
Wholly-owned portfolio revaluation (deficit)/surplus (note 11)	**(15.3)**	123.1
Joint venture revaluation deficit (note 13)	**(19.2)**	(5.0)
	(34.5)	118.1
Profit on disposal of investment properties (note 8)	**2.8**	4.6
	(31.7)	122.7

Financing ratios

	2019			2018		
	Wholly-owned business £m	**Share of joint venture £m**	**Total £m**	Wholly-owned business £m	Share of joint venture £m	Total £m
Loan-to-value and gearing						
Nominal value of debt	**959.8**	**60.0**	**1,019.8**	959.8	60.0	1,019.8
Cash and cash equivalents	**(54.0)**	**(0.6)**	**(54.6)**	(118.5)	(1.3)	(119.8)
Net debt (A)	**905.8**	**59.4**	**965.2**	841.3	58.7	900.0
Fair value of investment properties (B)	**3,784.2**	**209.0**	**3,993.2**	3,727.0	224.6	3,951.6
Loan-to-value (A/B)	**23.9%**	**28.4%**	**24.2%**	22.6%	26.1%	22.8%
EPRA net assets (C)			**3,021.2**			3,050.2
Gearing (A/C)			**31.9%**			29.5%
Interest cover						
Operating profit before investment property disposals and valuation movements (A)	**82.8**	**6.3**	**89.1**	80.1	7.0	87.1
Finance costs	**31.5**	**3.0**	**34.5**	32.0	2.8	34.8
Finance income	**(1.0)**	**-**	**(1.0)**	(0.8)	-	(0.8)
Net finance costs (B)	**30.5**	**3.0**	**33.5**	31.2	2.8	34.0
Interest cover (A/B)	**2.7x**	**2.1x**	**2.7x**	2.6x	2.5x	2.6x

For the wholly-owned group, the blended cost of debt is 3.2% (2018: 3.2%). This is calculated using the cost of drawn borrowings of 3.0% (2018: 3.0%) plus the cost of commitment fees on undrawn bank facilities of 0.7% (2018: 0.7%). At 30 September 2019, the undrawn bank facilities totalled £225.0 million (2018: £225.0 million).

For total debt, the blended cost of debt is 3.2% (2018: 3.2%) and includes the impact of our share of debt in our joint venture of £60 million (2018: £60 million), upon which interest is charged at 4.4% (2018: 4.4%).

See pages 20 to 23 for explanations of why we use these performance measures.

23. Contingent liability

As announced on 11 June 2019, the Company has been served with legal proceedings issued by companies controlled by Mr Samuel Tak Lee. The proceedings concern allegations and claims relating to the equity placing conducted by the Company in December 2017. Mr Lee currently has an interest in approximately 26.32% of the Company's share capital. The claimants are seeking damages for their alleged losses in the region of £10.4 million.

The Board considers the claims to have no merit and intends to defend the allegations robustly. The legal process is expected to take place over the next 18 months.

24. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions and balances between the Company and its joint venture, which have not been eliminated on consolidation are disclosed below:

	2019 £m	2018 £m
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Dividends receivable	**2.5**	3.0
Interest receivable	**0.3**	0.1
Amounts due from joint venture	**7.2**	**3.9**

See note 19 for disclosure of related party transactions regarding the share placing in the prior year.

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