

ANNUAL REPORT 2017



at the heart of London's West End

Shaftesbury

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Strategic report Overview

Shaftesbury is a real estate investment trust which invests exclusively in the liveliest parts of London's West End. Our objective is to deliver long-term growth in rental income, capital values and shareholder returns.

Focussed on restaurants, leisure and retail, our exceptional portfolio is clustered mainly in Carnaby, Seven Dials and Chinatown, but also includes substantial ownerships in east and west Covent Garden, Soho and Fitzrovia.

Shaftesbury in numbers

14½ acres

AND 1.9 ACRES OWNED IN JOINT VENTURE

1.8m sq.ft.

COMMERCIAL AND RESIDENTIAL SPACE AND 0.3M SQ.FT. IN JOINT VENTURE

584

SHOPS, RESTAURANTS, CAFÉS AND PUBS

£3.64bn

PORTFOLIO VALUATION¹

£114.1m

ANNUALISED CURRENT INCOME²

£144.5m

ESTIMATED RENTAL VALUE²

6.6%

OF ERV² HELD FOR, OR UNDER, REFURBISHMENT

£9.52

EPRA NAV¹

26.7%

LOAN TO VALUE^{1,3}

¹ An alternative performance measure ("APM"). See page 140

² See Glossary on page 147 for definitions

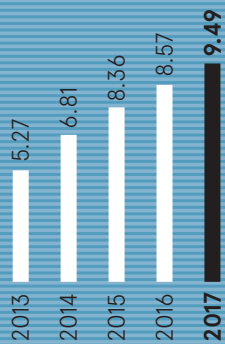
³ Based on net debt and including our 50% share of the Longmartin joint venture

Highlights

Reported results

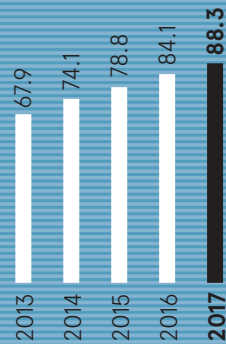
NET ASSET VALUE
PER SHARE^{3,6} (£ per share)

+10.7%



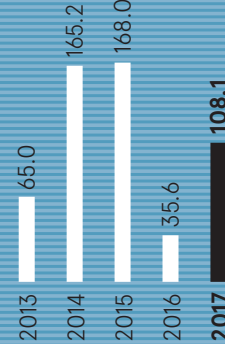
NET PROPERTY INCOME
(£m)

+5.0%



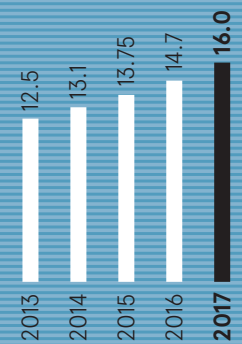
BASIC EPS
(pence per share)

+203.7%



DIVIDENDS
(pence per share)

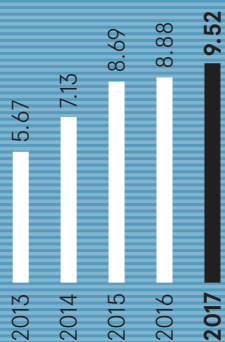
+8.8%



EPRA results^{1,3}

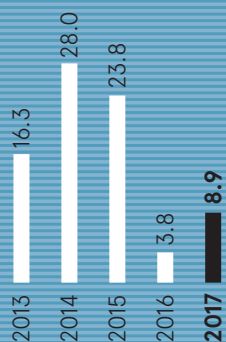
NAV PER SHARE
(£ per share)

+7.2%



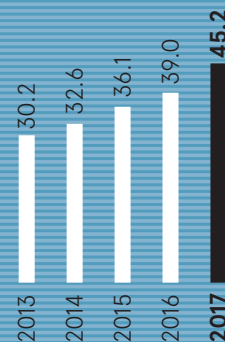
NET ASSET VALUE RETURN
(%)

+8.9%



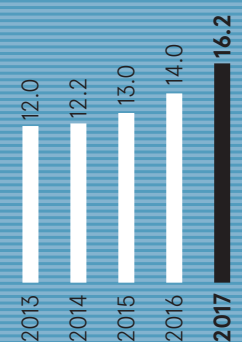
EPRA EARNINGS
(£m)

+15.9%



EPRA EPS
(pence per share)

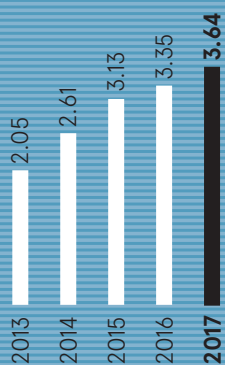
+15.7%



Portfolio highlights

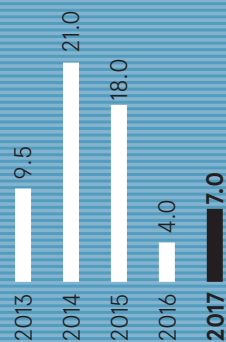
TOTAL VALUATION^{2,3} (£bn)

£3.64bn



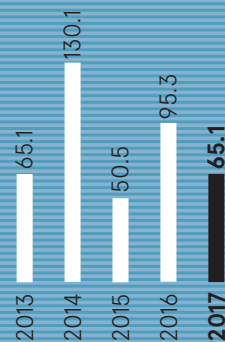
LIKE-FOR-LIKE VALUATION GROWTH^{2,3} (%)

+7.0%



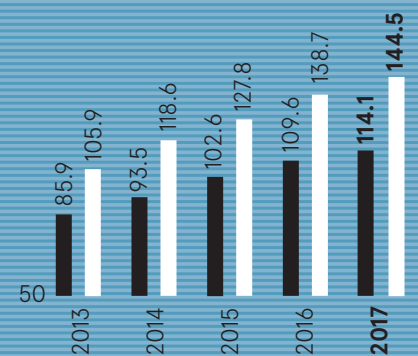
NET INVESTMENT^{2,3} (£m)

£65.1m



REVERSIONARY POTENTIAL² (£m)

£30.4m

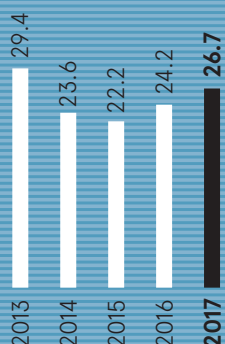


■ Annualised current income
□ ERV

Financial management²

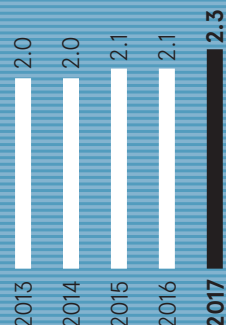
LOAN TO VALUE^{3,4} (%)

26.7%



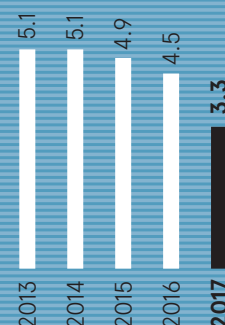
INTEREST COVER³ (TIMES)

2.3x



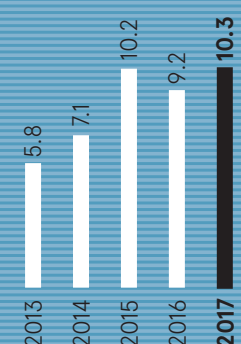
BLENDED COST OF DEBT^{3,5} (%)

3.3%



WEIGHTED AVERAGE MATURITY OF DEBT

10.3 years



1 For EPRA definitions, see Glossary on page 147

2 Including our 50% of the Longmartin joint venture

3 Alternative performance measures ("APM"), See page 140

4 Based on net debt

5 Including non-utilisation fees on undrawn bank facilities

6 Excluding non-core asset acquired as part of a portfolio

Chairman's Statement

I am delighted to report another strong set of results, following a busy and successful year for the Group. Our focussed strategy has continued to deliver our objectives of growth in both income and the value of our exceptional portfolio, along with long-term, sector-leading returns for shareholders.



Our business

Over the 31 years since Shaftesbury was formed, we have assembled an impossible-to-replicate portfolio in the heart of London's West End of some 600 buildings across 14½ acres. The renowned and enduring appeal of London's West End to a global audience of visitors and businesses brings a resilience to its economy not seen elsewhere in the UK and in very few cities across the world.

Underpinned by an estimated 200 million annual visits to the West End, our business focusses on the 1.1 million sq. ft. of restaurant, leisure and retail space that we own in high profile, popular locations. With our forensic knowledge of the West End, we curate distinctive, interesting and lively destinations which attract Londoners, a large and important local working population, domestic visitors, and international tourists in numbers unmatched by any city destination in the western world.

Continuing value creation and income growth

Our portfolio, now valued¹ at £3.64 billion, continues to deliver rental and capital growth, but with relatively low capital expenditure.

We have continued our long record of crystallising our portfolio's reversionary potential into contracted cash flow, whilst growing this potential further. Together with significantly reduced finance costs following important refinancing activity, this has driven strong growth in earnings over the year. The Board is delighted to recommend a final dividend of 8.1p, bringing the total distribution for the year to 16.0p, an increase of 8.8%. This follows last year's increase of 6.9%.

Focus on culture, governance and sustainability

In my first year with Shaftesbury, I have come to appreciate the culture of this business and the important part it plays in supporting our strategy and our continuing success. Importantly, our strategy, and every aspect of its implementation, prioritises long-term goals, planning and sustainable outcomes over short-term gains and rewards.

We pride ourselves in being open, transparent and engaged, not just with shareholders but also with our wide array of stakeholders, including our employees, local communities, neighbours and local authorities. We ensure that our Board decision-making includes consideration of these important stakeholders.

The Board and I are committed to maintaining the high standards of corporate governance and behaviour we have demonstrated for many years.

Succession planning throughout the organisation is an essential aspect of our long-term strategy. My responsibility is to ensure that the Board's membership continues to evolve so that we have access to the broad skills and experience required to support the current and future needs of the business.

¹ An alternative performance measure (APM). See page 140



Sightseeing



The knowledge and enthusiasm of our management team have been critical to the successful implementation of our strategy. Our employee retention record, which is a testament to the working environment we offer, is exceptional. We invest in training and developing our employees, to ensure they grow in their roles and that we maintain a pipeline of talent for internal promotion.

A key aspect of our long-term success is the socially responsible way in which we run our business. We see the preservation and enhancement of our iconic destinations as critical to our long-term future and we are committed to bringing economic and environmental sustainability through the stewardship of our extensive ownership of mainly older buildings. Creating prosperous, appealing locations which support the businesses of our commercial occupiers, and which benefit the important residential communities in and around our areas, creates the conditions which sustain the long-term prospects of our business.

Board changes

Oliver Marriott retired from the Board in July and I would like to thank him for his outstanding contribution to Shaftesbury during his eight-year tenure. On 28 November 2017, Richard Akers will join the Board as a non-executive director, and I am sure his broad range of real estate and corporate skills and experience will be invaluable.

Outlook

Whilst UK economic and political uncertainty is unsettling business confidence and investment, London continues to thrive. Its long-term prospects, and those of the West End, are underpinned by their global status and appeal, excellent connectivity and dynamic, creative, broad-based economy.

Over my first year, it has become increasingly apparent that this business has many strengths, from our exceptional portfolio through to a quality team, a proven and evolving long-term strategy and a robust balance sheet.

I am confident we shall continue to meet today's challenges, capture tomorrow's opportunities and maintain our long record of delivering sustained growth in income, capital value and shareholder returns.

Jonathan Nicholls
Chairman

27 November 2017



Restaurants

Chief Executive's Statement

It is pleasing to report another year of good progress and strong results, against a backdrop of economic uncertainty.

EPRA EARNINGS¹

£45.2m
+15.9%

DIVIDENDS PER SHARE

16.0p
+8.8%

EPRA NAV PER SHARE¹

£9.52
+7.2%



Growing earnings

Continued demand for space in our popular and busy locations, together with our proven management strategy, has resulted in an increase in net property income of 5.0% to £88.3 million. We are now reaping the benefits of the important refinancing initiatives we completed in October last year, which significantly reduced our finance costs. Together, these factors have contributed to an increase in EPRA earnings¹ of £6.2 million to £45.2 million, which equates to an increase in EPRA earnings per share¹ of 15.7%.

Uplift in NAV

Our exceptional portfolio has delivered underlying capital value growth of 7.0% over the year, adding 83 pence (9.3%) to EPRA net asset value per share¹. The increase in value reflects the combined impact of growing current income and the prospect of sustained future income growth, particularly in locations which are expected to benefit from Crossrail-related footfall in the coming years. Limited opportunities to buy the type of buildings we own, and continuing strong investor demand, have led to a reduction in investment yields in the West End market, particularly in the second half of the year.

This valuation uplift has been offset partly by the cost of terminating our remaining legacy interest rate swaps, which amounted to 20 pence per share. At 30 September 2017, EPRA NAV per share¹ stood at £9.52, an increase of 64 pence, or 7.2%.

¹ Alternative performance measures (APMs). See page 140

A unique portfolio in an exceptional location

Our portfolio extends to some 600 buildings across 14½ acres of London's West End.

Our investment strategy is focussed on restaurants, leisure and retail, uses which, in the West End, have a long record of resilience and growth. Our long-term management strategy of assembling clusters of ownerships enables us to curate and promote distinctive destinations which offer a wide variety of innovative, mid-market choices in dining, leisure and retail.

London is the largest city in Western Europe and most visited city in the western world, with an estimated 19.1 million international visitors in 2016. Current forecasts point to a growth in tourist numbers of around 3.5% per annum through to 2025.

Located at its heart is the West End, with its exceptional variety of visitor attractions, from cultural and historic to dining and shopping. The exceptional numbers of domestic and international visitors, together with a large local working population, mean that the West End is busy seven-days-a-week, throughout the year. It offers a prosperous trading environment for our occupiers, attracting demand for space and sustaining growth in our rental values and income.

Within the West End, the availability of space, particularly for restaurant, leisure and retail uses, is constrained by local planning and other policies. This structural imbalance between demand for, and availability of, space is fundamental to our portfolio's rental and capital value prospects.

The West End economy

In our long experience, the breadth of the West End's economy provides considerable protection from the cyclical and headwinds experienced by the UK national economy.

Over the year, business and consumer confidence has begun to come under pressure, and growth in the national economy is slowing. However, conditions in the West End have so far largely been unaffected. In particular, weakness in sterling has provided a boost to the spending power of international visitors as well as increasing visitor numbers. Our restaurants, cafés, bars and shops are reporting resilient trading growth, better enabling them to absorb upward pressures on operating costs currently faced by all businesses.

Demand for the smaller accommodation that traditionally we offer is healthy. Lettings, lease renewals and rent reviews are being concluded on terms in line with our expectations, and vacancy levels have remained in line with our long-term trend of 3%, or less, of portfolio ERV.

We are making good progress at our three larger schemes. 46% by ERV of the completed space is now either let or under offer and marketing of the remaining space continues. This larger space we are offering requires occupiers to invest significant sums in fit-out and take on substantial rental commitments and we expect letting periods to be longer than for smaller space. Macro-economic uncertainties are now showing signs of slowing potential occupiers' decision-making processes. We shall be patient in selecting occupiers which match our long-term aspirations.

The widely reported increase in national business rates took effect in April 2017. As we anticipated, average increases for our occupiers were in the range of 30% to 40%, with a large number of our smaller tenants able to benefit from a four-year transition period. Occupiers of large space on streets where rental levels are above our average have seen greater increases, and only limited transition provisions. Despite these unwelcome increases in operating costs for our tenants, we have not seen any direct impact on occupancy levels or interest in leasing space.

During the year, we concluded £31.1 million of leasing transactions, achieving rents for commercial space 6.7% above ERV at the previous year end. This is not only converting an element of our reversionary potential in to contracted income, but it also provides valuable evidence to increase rental tones and grow income from our adjacent and nearby buildings.

West End connectivity and infrastructure

The completion of Crossrail 1 is now a year away, with the first services on the Elizabeth line expected in December 2018. Once fully operational, this important addition to London's transport network will add 10% to its capacity, and materially improve accessibility to the West End. Over the medium term, we expect the new transport hubs at Tottenham Court Road and Bond Street will result in significant changes to traditional footfall patterns throughout the West End. With all our portfolio in close proximity to these hubs, we anticipate being a major beneficiary of these changes, with a number of our streets expected to see much increased footfall and profile, enhancing their long-term rental growth prospects.

Continuing investment across the transport network is improving reliability and increasing capacity, encouraging travel by public transport to the West End. Last year's introduction of 24-hour running at weekends on certain underground lines has been well-received, and initial passenger numbers have exceeded forecasts.

Elsewhere, we are seeing a number of Crossrail-related public realm schemes progressing. Of great importance to the West End is the initiative announced, earlier this year, to pedestrianise much of Oxford Street. This will bring significant benefits, including a much-improved pedestrian environment and a reduction in traffic-generated air pollution. Currently, it is expected that the first stage of pedestrianisation, west of Oxford Circus, will be operational by mid-2018. Planning for the eastern end of Oxford Street is underway.

Investing in our portfolio

Our strategy is to adapt our buildings to meet the expectations of today's occupiers, and improve energy performance, through reconfiguration and refurbishment, rather than redevelopment. We focus on uses where we provide space in shell form only, with tenants taking responsibility for what are often substantial fit-out costs. This significantly reduces our exposure to obsolescence costs across the portfolio. Consequently, despite continuing high levels of activity across our holdings, capital expenditure remains modest. This year, our outlay was £40.3 million, slightly above our long-term average of around 1% of portfolio value. Additionally, our share of capital expenditure in the Longmartin joint venture was £1.2 million.

We continue to identify schemes across our portfolio, and are prepared to intervene to negotiate early vacant possession of space to accelerate our plans. We balance the costs of these initiatives against the valuable long-term benefits to income and capital values, which frequently compound across our extensive adjacent ownerships.

Adding to our portfolio

We have assembled our portfolio over a period of 31 years, through acquiring single buildings, small portfolios, or occasionally large blocks, which were in single ownership. We apply strict investment criteria to every purchase, and focus on the prospects for long-term income growth potential through harnessing our forensic market knowledge, our particular skills in improving older building stock and capturing synergies with our other ownerships.

The buildings we seek to acquire in our chosen locations are frequently in long-term private ownership. Their availability is always limited, as existing owners are reluctant to sell in our sought-after areas. Understandably, competition to purchase is intense, as other investors appreciate the long-term prospects and security they offer.

This year, additions to our portfolio totalled £37.1 million. In addition, in August 2017, we announced the forward purchase of a strategically important block on Berwick Street in Soho, for £38.5 million. Currently, it is undergoing a major redevelopment, which is expected to finish in late 2018, at which point we will complete the acquisition.

Refinancing legacy debt and hedging

Taking advantage of low long-term interest rates, over the year, we have taken important steps to refinance the remainder of our legacy debt and hedging, whilst adding to our financial resources.

We have issued £575 million of long-dated bonds, comprising £285 million for 15 years at 2.487% and £290 million for 10 years at 2.348%. The proceeds were used, in part, to fund the early repayment of our historical debenture stock and a bank facility. In addition, we have terminated our remaining £180 million of interest rate swaps.

Together, these transactions reduced the cost of our debt significantly, benefiting earnings and dividends, as well as adding around £310 million to our financial resources. In a competitive investment market, the ready availability of funding to secure acquisitions gives us a valuable advantage.

Long-term rewards of a long-term strategy

October 2017 marked the 30th anniversary of the listing of Shaftesbury's shares on the London Stock Exchange. In our early years, whilst we owned a block of 26 restaurants in the centre of Chinatown, our assets comprised mainly offices in London and several UK locations. From mid-1993, we refocused the business, concentrating on restaurant, leisure and retail in London's West End.

Our long-term approach to assembling and managing this exceptional portfolio has delivered sustainable growth in income, which is the ultimate driver of long-term value. The success of this strategy is evident in our performance. Since we floated in 1987, our share price has risen 460%, compared with the FTSE 350 Real Estate Index of 94%, and since our focus switched to the West End, the increase has been 1,431% against 119% for the sector.

Looking ahead

The uncertainties created by last year's EU referendum decision have increased during 2017. It may be some time before the UK's future trading and other arrangements with the EU become clear, and there could be further challenges as their ramifications become apparent. Inevitably, business and consumer confidence is being affected, slowing economic growth and business investment.

The broad economic base of the West End, and its enduring global appeal to visitors and businesses, underpin its resilience and long-term prospects, providing a considerable degree of protection against national economic headwinds. This has been evident in the strength of our performance through different business cycles and operating environments in our 31-year history.

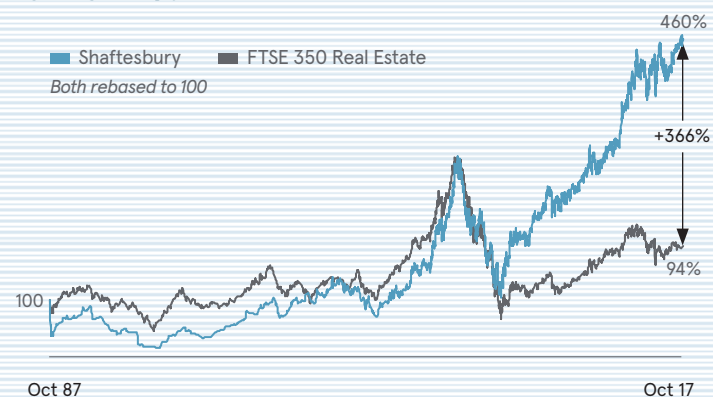
The successful implementation of our distinctive strategy is due to our committed, experienced and enthusiastic team, supported by the wide range of external advisors who are invaluable in delivering our strategy. Together, they bring flair and innovation to the management of our portfolio, ensuring it evolves and adapts to meet the ever-changing tastes and expectations of all those who visit, work or establish businesses in the West End.

Underwritten by the unique features of the West End, we are confident our strategy will continue our long record of growing our exceptional portfolio's income and value, and, in turn, the returns we deliver to our shareholders.

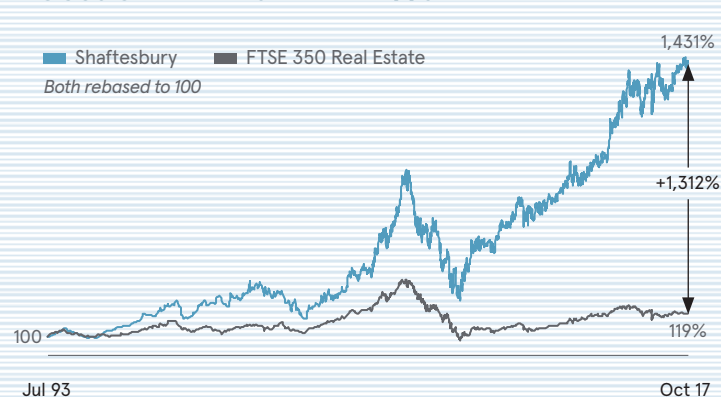
Brian Bickell
Chief Executive

27 November 2017

RELATIVE SHARE PRICE PERFORMANCE SINCE LISTING IN 1987



RELATIVE SHARE PRICE PERFORMANCE FOLLOWING REFOCUS ON THE WEST END IN 1993





Fashion

What we own

EXCEPTIONAL PORTFOLIO IN THE HEART OF THE WEST END

clustered in popular destinations



see page 12

focused on restaurants, leisure and shops



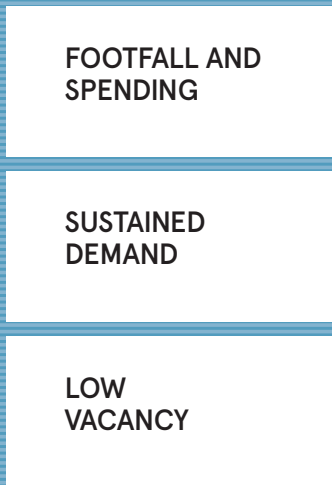
% of current annualised income¹

see page 21

What we do

CREATE DISTINCTIVE, LIVELY AND INTERESTING DESTINATIONS

SUPPORTED BY



see page 22

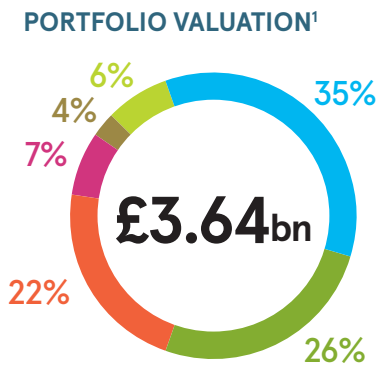


How we deliver value



see page 26 for how we measure success

Exceptional portfolio in the heart of London's West End



- CARNABY
- COVENT GARDEN
- CHINATOWN
- SOHO
- FITZROVIA
- LONGMARTIN

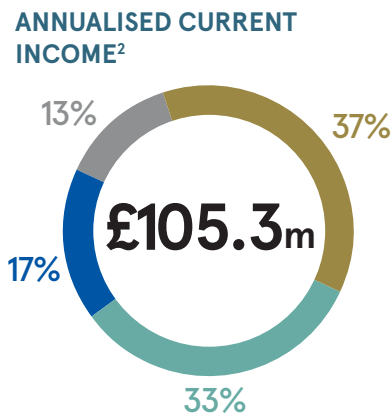
over 31 years to accumulate and impossible to replicate

14½ acres and 1.9 acres owned in joint venture

Accumulated over 31 years, our portfolio comprises nearly 600 buildings, mostly of domestic size, close to the West End's world-class visitor attractions.

The areas in which we invest are long-established, with street patterns generally laid out between 1680 and 1720. Our wholly-owned portfolio is all within Conservation Areas and around 20% of our buildings are listed as being of special architectural interest.

The buildings we seek to acquire are typically in long-term private ownership, and, in our experience, existing owners are unwilling to sell in this resilient area. We believe it would be impossible to replicate a portfolio such as ours in these vibrant and prosperous locations.



- RESTAURANTS, CAFÉS AND LEISURE
- SHOPS
- OFFICES
- RESIDENTIAL

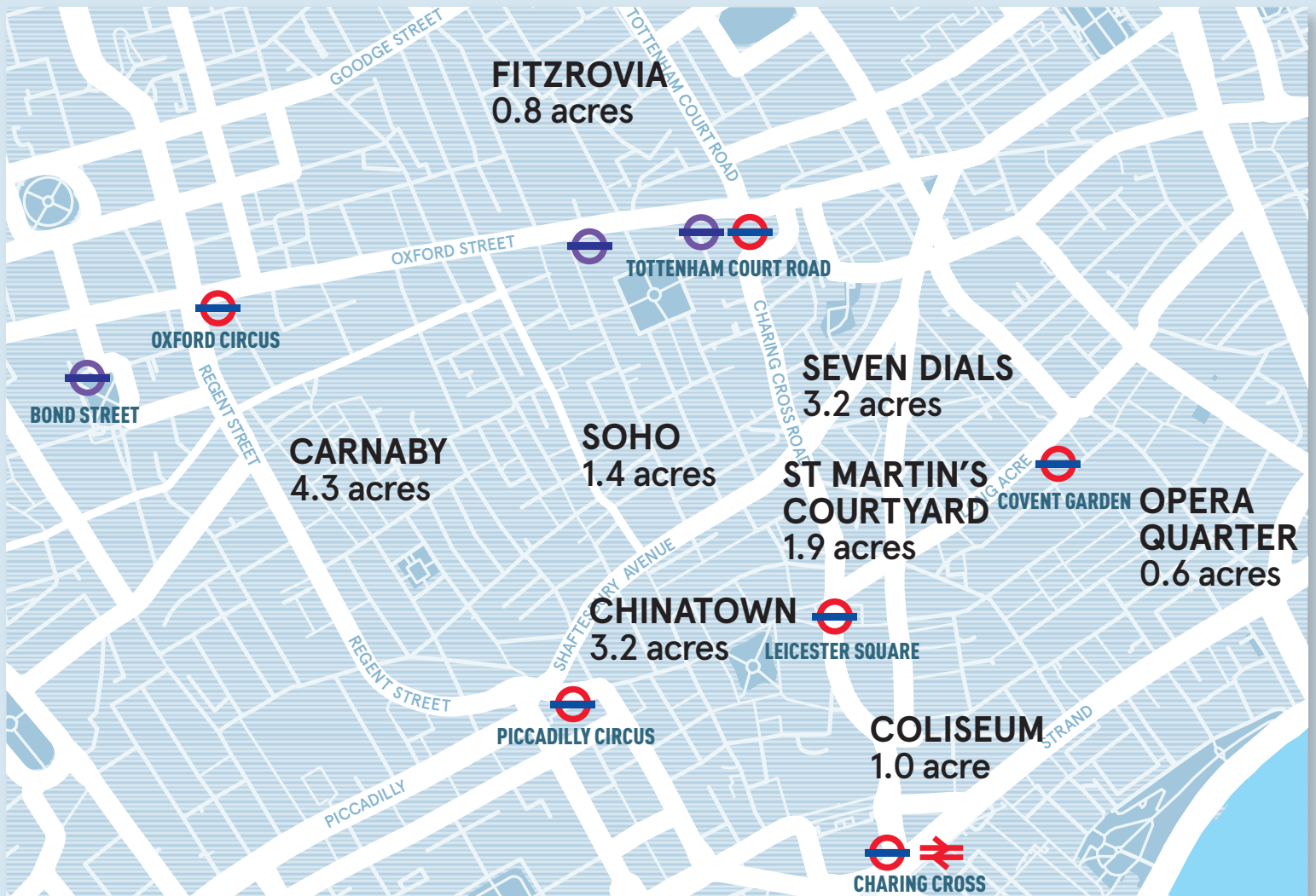
¹ Including our 50% share of the Longmartin joint venture

² Wholly-owned portfolio

c. 600 buildings clustered in iconic, high footfall locations

1.8 million sq. ft. of commercial and residential space and 0.3 m sq. ft. held in joint venture

100% of our portfolio is between five and ten minutes' walk of an Underground/Elizabeth Line station



Exceptional portfolio in the heart of London's West End

LONDON prosperous and growing

8.6 million
London's
population
expected to
reach 10m by
2036

19.1 million
overseas visits
to London in
2016, expected
to grow by 3.5%
p.a. by 2025



One of the world's principal global cities

London is the largest city in Western Europe and is a leading commercial centre. With its unrivalled variety of heritage and cultural attractions, which draw huge numbers of domestic and international visitors, it is one of the world's most popular tourist city destinations. Annual overseas visitor numbers have grown 25% over the past five years and 2016 saw a record 19.1 million visits. Current forecasts point to increases of 35% and 21% in overseas and domestic overnight visits, respectively, by 2025.

Growing population

The city's population is currently around 8.6 million, with growth of 16% forecast by the mid 2030's. Additionally, there is a similar, and growing, population in southern England within easy commuting or visiting distance.

Economic resilience

Its global appeal brings long-term prosperity, which gives it a resilient economic base, which is not reliant solely on the fortunes of the wider UK economy.

THE WEST END

popular destination attracting exceptional footfall and spending

**>200 million
annual visits
to the West
End**

**c.700,000
working
population in
the City of
Westminster**

**>4% of UK GVA
produced
within the City
of Westminster**

**>200 million
passengers
use the six
underground
stations closest
to our villages**

Huge numbers of visitors and large working population

The West End has an unrivalled concentration of entertainment and cultural attractions, historic buildings, public spaces, world-class variety of shops and a wide choice of innovative and accessible dining and leisure concepts.

Together, these provide an exceptional all-round experience, attracting huge numbers of domestic and international visitors. Annual visits are estimated at over 200 million. Importantly, it is also a location for a wide range of global, national and local businesses, and a popular place to live. The City of Westminster generates over 4% of UK economic output and has a working population across the borough of almost 700,000. Together with its visitor base and its important residential community, this brings high, and growing, footfall and spending.

Demand outstrips availability of space

Availability of restaurant, leisure and retail space in the West End is constrained, planning regulations are tight and there is demand from a wide variety of national and international occupiers. This structural imbalance in supply and demand is fundamental to our portfolio's rental prospects and capital value, both of which have shown significantly greater long-term growth and stability through economic cycles than the real estate market outside this resilient location.

Exceptional and improving transport links

The West End is at the heart of the capital's underground and bus network. The six underground stations closest to our villages handle over 200 million passengers annually. The transport network is critical to the success of the West End and infrastructure investment to improve capacity and reliability continues.

We expect to benefit greatly from the Elizabeth Line, which opens in a year's time. Apart from increasing network capacity, it will extend the West End's provincial catchment area and shorten travel times; factors which are expected to increase visitor numbers and retail and leisure spending. Passenger numbers at the Tottenham Court Road and Bond Street transport hubs are forecast to reach over 200 million by the mid-2020s, materially changing footfall patterns in the vicinity. All our properties are within ten minutes' walk, and approximately 80% within five minutes, of these two West End stations.

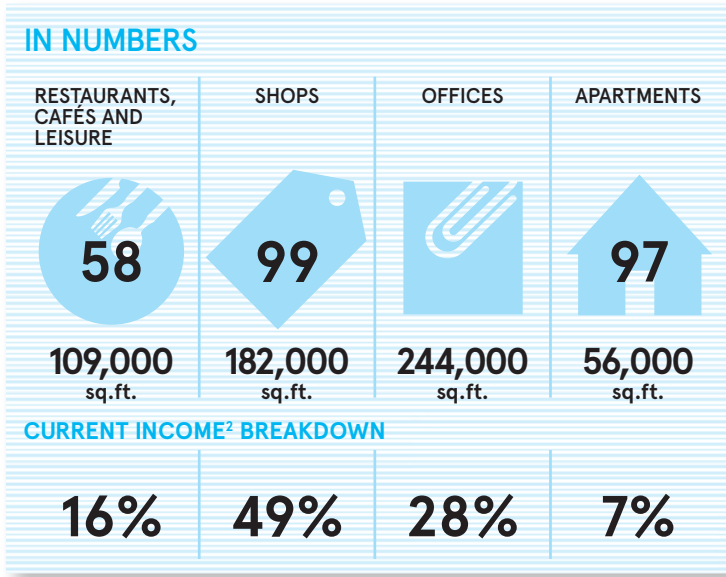
Responding to the expected substantial increase in footfall around the new stations and in nearby streets, a number of improvements to the public realm are planned, or underway, to ease pavement congestion and provide stronger connections between retail, cultural and leisure attractions.

Exceptional portfolio in the heart of London's West End

Our destinations

Carnaby

35% OF OUR PORTFOLIO¹
£39.7m CURRENT INCOME²
£1.3bn VALUATION



Carnaby is a unique, iconic shopping and dining destination, a few minutes away from both Oxford Circus and Piccadilly Circus.

Attracting an estimated 40 million people each year, it is a popular and internationally-renowned destination for fashion retail, focussed on flagship stores, new concepts and independent brands. It now has a growing reputation for lively casual dining and leisure choices, centred on Kingly Court and Kingly Street. Our ownership, across 14 streets, covers 4.3 acres. 61% of the Group's office space is in Carnaby. It includes our largest floor plates and more modern office buildings.

carnaby.co.uk





Covent Garden

32% OF OUR PORTFOLIO^{1,3}

£37.0m CURRENT INCOME^{2,3}

£1.2bn VALUATION³

Covent Garden, famous for its historic street patterns and architecture, is home to half of London’s West End theatres. It has a broad range of shops, restaurants, bars and cafés, giving it a distinctive atmosphere appealing to a wide range of audiences. There is also a flourishing residential community.

Our wholly-owned holdings, extending to 4.8 acres, are principally centred on Seven Dials in north Covent Garden, close to Leicester Square and the Tottenham Court Road transport hub. They also include the Coliseum and Opera Quarter restaurant districts, in east and west Covent Garden. Annual footfall in Seven Dials alone is estimated at over 30 million people.

sevendials.co.uk
smartinscourtyard.co.uk

WHOLLY-OWNED IN NUMBERS



CURRENT INCOME² BREAKDOWN



LONGMARTIN⁴ IN NUMBERS



CURRENT INCOME² BREAKDOWN



1 By value

2 Annualised, as at 30 September 2017

3 Including our 50% share of the Longmartin joint venture

4 Shaftesbury has a 50% interest in this joint venture

Exceptional portfolio in the heart of London's West End

Our destinations

Chinatown

22% OF OUR PORTFOLIO¹

£23.8m CURRENT INCOME²

£0.8bn VALUATION

Chinatown is at the heart of London's West End entertainment district, next to Leicester Square, Piccadilly Circus and Shaftesbury Avenue.

It has an exceptional concentration of restaurants which offer a wide range of Chinese and East Asian dining choices. The prosperity of this thriving destination is underpinned by the large number of visitors it attracts throughout the day, and into the night, seven days a week, estimated at over 50 million annually. We are the dominant owner, with holdings extending to 3.2 acres.

chinatown.co.uk

Soho

7% OF OUR PORTFOLIO¹

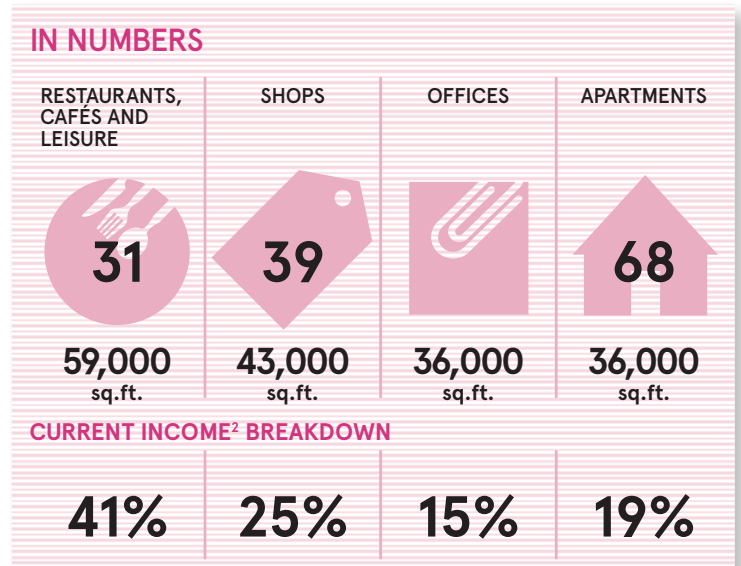
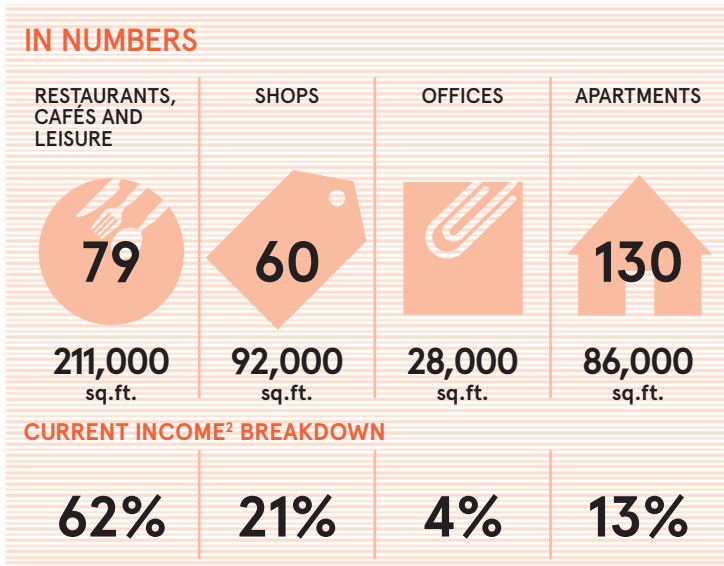
£8.9m CURRENT INCOME²

£0.3bn VALUATION

Soho is unique in its combination of a flourishing day-time business community and an important evening and night-time economy.

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 exceptional choice of restaurants, cafés, bars and clubs, together with nearby theatres, create a popular destination for visitors as well as the West End's large working population. It has a large residential community.

thisissoho.co.uk





Fitzrovia

4% OF OUR PORTFOLIO¹

£4.7m CURRENT INCOME²

£0.1bn VALUATION

Fitzrovia is a bustling neighbourhood and renowned dining district, just north of Oxford Street and close to Tottenham Court Road.

Our ownerships extend to 0.8 acres on, or close to, Charlotte Street and Goadge Street.

Fitzrovia's rapidly increasing office concentration, dominated by creative, media, fashion and tech businesses, together with a large student population, add to the cosmopolitan feel of the area.

IN NUMBERS

RESTAURANTS,
CAFÉS AND
LEISURE



50,000
sq.ft.

SHOPS



14,000
sq.ft.

OFFICES



10,000
sq.ft.

APARTMENTS



25,000
sq.ft.

CURRENT INCOME² BREAKDOWN

54%

13%

8%

25%

¹ By value

² Annualised, as at 30 September 2017



Focus

on restaurants, leisure and retail

Mix of uses, focussed on restaurants, leisure and retail over lower floors with offices and residential on upper floors.

Restaurants, leisure and shops generate 70% of current annualised income¹

Our 1.1 million sq. ft. of restaurant, leisure and retail space provides 70% of total current income¹. It comprises 282 restaurants, cafés and pubs and 302 shops, mainly of medium or small size. The variety of interesting dining, leisure and retail brands gives our destinations a particular identity and provides visitors with an experience unmatched by other areas.

EVOLUTION OF USES OVER TIME (% OF ANNUALISED CURRENT INCOME¹)



1 Wholly-owned portfolio
2 EPRA vacancy

New concepts and independents favoured

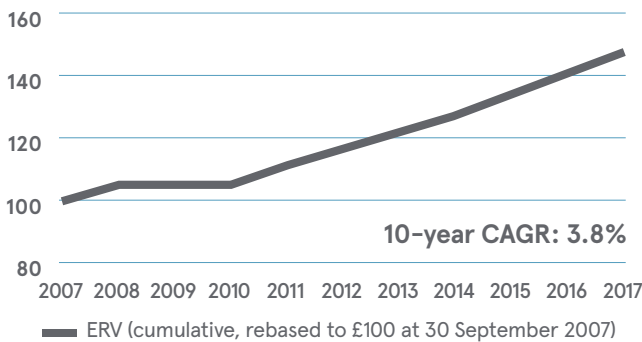
Careful tenant selection is critical to ensure our areas remain popular and attract growing footfall. We favour new concepts, independent operators and international retailers making their UK debut and prefer mid-market, innovative formats. Our shops are neither luxury nor value-led and our restaurants typically are neither Michelin-starred nor low-end fast food.

Long history of demand exceeding availability

In the West End, there is a long history of occupier demand for restaurant, leisure and retail space exceeding availability, which is often restricted by planning policies.

Consequently, rents for these uses, in our areas, have not demonstrated cyclical nor structural decline, even in times of major economic uncertainty. Over the past ten years, ERV for these uses has demonstrated like-for-like annualised growth of 3.8%, despite rental levels remaining broadly flat during the global financial crisis. Vacancy levels for these uses over the same period have averaged 3.0% of ERV^{1,2}.

LIKE-FOR-LIKE ERV GROWTH¹ RESTAURANTS, LEISURE AND RETAIL



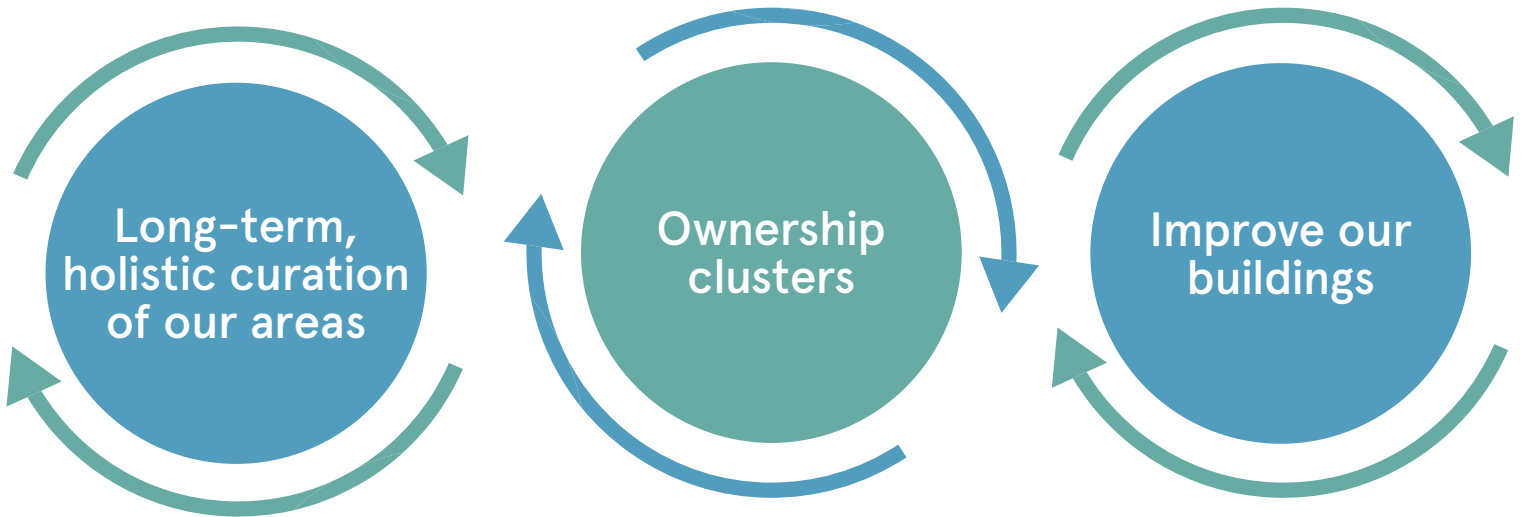
Limited obsolescence

An important aspect of restaurant, leisure and retail accommodation is that we provide it in shell form only. Tenants are responsible for their fit-out, with no capital contribution from us. When tenants vacate, we re-let the shell of space without incurring significant refurbishment costs, limiting our exposure to obsolescence.

Upper floors – a mix of offices and residential

The space above our shops and restaurants comprises small offices, residential, or a mix of both. A local working population and a residential community are essential elements of the character and economy of our areas, bringing added life and vibrancy, and providing regular customers for our shops, restaurants, cafés, and leisure operators.

Creating distinctive, lively and interesting destinations



Attracting footfall and spending

Focused on long-term sustainable income growth and value creation, our portfolio management strategy includes curating our vibrant restaurant, leisure and retail destinations to:

- provide an interesting experience to visitors.
- appeal to occupiers and residents.
- attract footfall and spending.
- drive sustained demand from tenants and high occupancy levels.

Fundamental to the strategy is managing the long-term restaurant, leisure and retail tenant-mix by:

- clustering similar uses and brands.
- managing planning uses to maximise rental and capital values.
- encouraging new formats to ensure our villages respond to ever-changing tastes and expectations.

Compounding benefits of individual transactions across nearby holdings

Over the years, we have identified well-located areas where footfall potential is good but rents are initially low, often because they have suffered from fragmented ownership, lack of investment, and the absence of a coherent strategy for uses and tenant mix.

By establishing ownership clusters, we can take a long-term holistic view in our investment and management strategies. This allows us to unlock rental and capital value potential whilst compounding the benefits of individual transactions, such as improved tenant quality and higher rental tones, across our adjacent and nearby holdings.

Growing rents, unlocking value, ensuring long-term sustainability

We estimate that the average age of our buildings is around 150 years. Whilst conservation and listed building legislation limits wholesale development in our areas, our skill is in bringing long-term economic and environmental sustainability to our properties. We improve our buildings through refurbishment and reconfiguration to enhance their rental potential and capital values, and extend their useful lives. This involves a combination of:

- maximising retail, restaurant and leisure space.
- reconfiguration to provide occupiers with more efficient trading space.
- ensuring they are capable of meeting the needs of modern occupiers.
- maximising environmental performance whilst maintaining buildings' individual characters.
- converting under-utilised space on upper floors to introduce more valuable uses and bring long-term economic sustainability to buildings as a whole.

Typically, the duration of our schemes is short and the costs are modest. Annual capital expenditure is normally around 1% of portfolio value.



Driving sustained occupier demand and footfall

We work closely with our tenants to promote our areas and their businesses to the West End’s wide domestic and international audience.

Our multi-channel marketing includes:

- widely-publicised initiatives such as shopping, street food and music events.
- an active digital strategy, including dedicated websites for our villages, and an extensive social media presence.
- decorating our villages e.g. at Christmas and for Chinese New Year.

We build on relationships with our existing tenants who are not only a great source of new ideas, but also have their own promotional and digital strategies which bring further footfall to our villages.

We invest considerable resources in promoting our areas to potential retail, restaurant and leisure operators. This includes active engagement with trade press, research visits to UK and international cities, and attendance at trade events.

Creating safe and welcoming areas to drive footfall

We identify, promote and contribute to public realm improvements in our villages to ensure our streetscapes provide a safe and welcoming environment for tenants, their customers, and residents. In our experience, this is an important catalyst for increasing footfall.

Experience through economic cycles

Our long-established team’s forensic knowledge of the West End and experience of management through economic cycles is key to implementing our strategy.

Our executive directors have an average length of service of nearly 24 years, and the senior executive management team has eleven years’ average service.

Additionally, we are supported by a broad range of external advisors, who bring us both ideas and their wide experience, gained from other clients. Everybody involved with Shaftesbury – staff and advisors – shares a passion and enthusiasm for the West End and our locations.

Based in Carnaby, we are within fifteen minutes’ walk of all our holdings. We maintain regular contact with tenants, community groups, neighbouring owners and other stakeholders, and are able to respond quickly to opportunities and issues as they arise.

As a long-term investor in our areas, we are active in working with, and supporting, our local community to address issues and challenges of mutual interest and concern. Also, we work closely with Westminster City Council and the London Borough of Camden to achieve our shared goal of a safe, lively and prosperous West End.



Theatre



Art



How we measure success

The principal metrics upon which we focus in running the business, and how they align with remuneration, are set out below. These include both long-term performance and operational measures, reflecting our long-term strategy.

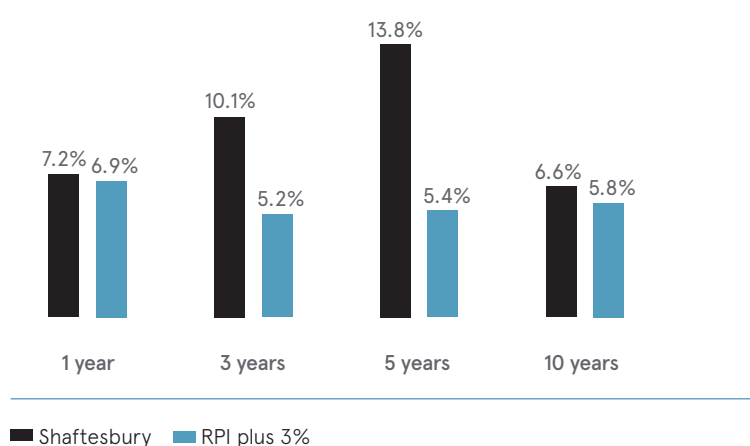
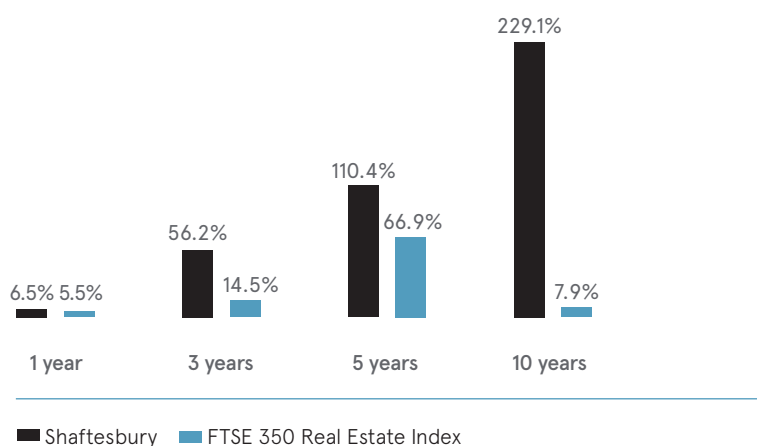
LONG-TERM PERFORMANCE MEASURES

TOTAL SHAREHOLDER RETURN (TSR)

Objective	Result
Outperform benchmark	We have outperformed the benchmark over each period measured.

EPRA NAV¹ (COMPOUND ANNUAL GROWTH)

Objective	Result
Outperform RPI plus 3%	We have outperformed the benchmark over each period measured.



Measures returns to shareholders, taking into account share price movements and dividends in the period.

Our performance is benchmarked against an index of other listed real estate companies. We outperformed the benchmark over each period measured.

Traditional sector measure of value creation.

We benchmark the compound annual growth rate in EPRA NAV against a hurdle rate of RPI plus 3%.

Growth over the year to 30 September 2017 of 7.2% was 0.3% above the benchmark and is stated after exceptional refinancing costs, which reduced EPRA NAV by 20 pence per share. Excluding these exceptional costs, our one-year growth was 9.5%, compared with RPI plus 3% of 6.9%.

Alignment with remuneration: The three-year relative performance for each of these measures is used to calculate vesting awards under the LTIP.

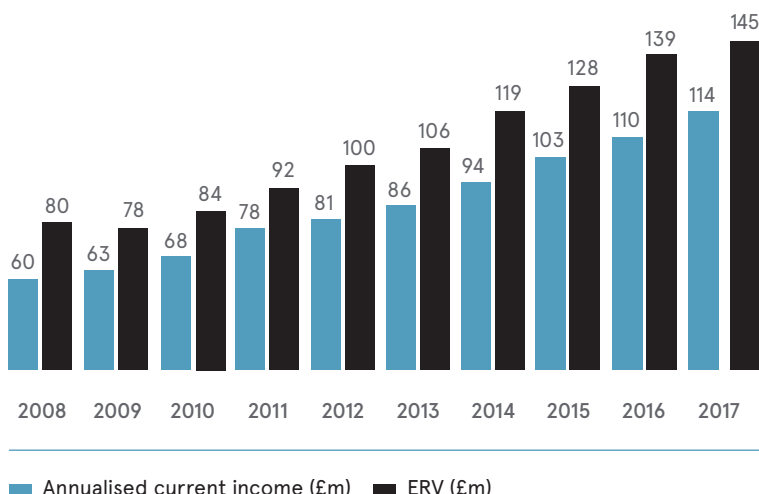
See pages 87 and 91 for more information on the LTIP

See page 54 for more information on EPRA NAV

OPERATIONAL MEASURES

SUSTAINED RENTAL GROWTH^{2,3}

Objective	Result
Achieve growth in ERVs	Commercial lettings/renewals/rent reviews ⁴ : +6.7% vs ERV at September 2016



Sustained growth in contracted and potential rents is fundamental to long-term income and value creation.

Achieving rents above ERV is a KPI. In our leasing activity, we aim to establish new rental tones which exceed ERVs assessed by our external valuers. This improves our portfolio's reversionary potential by generating rental evidence on individual properties, which is then compounded across our nearby holdings. Typically, we crystallise this rental potential into contracted income over a three - five year period. Importantly, the level of lease incentives granted to tenants remains modest.

Our strategy has delivered sustained growth in annualised current income and rental values over many years. The 10-year like-for-like compound annual growth rate in annualised current income and ERV of our portfolio has been 4.9% p.a. and 4.6% p.a. respectively, with growth in current income every year.

The reversion currently stands at £30.4 million, 26.6% above annualised current income.

1 An alternative performance measure. See page 140

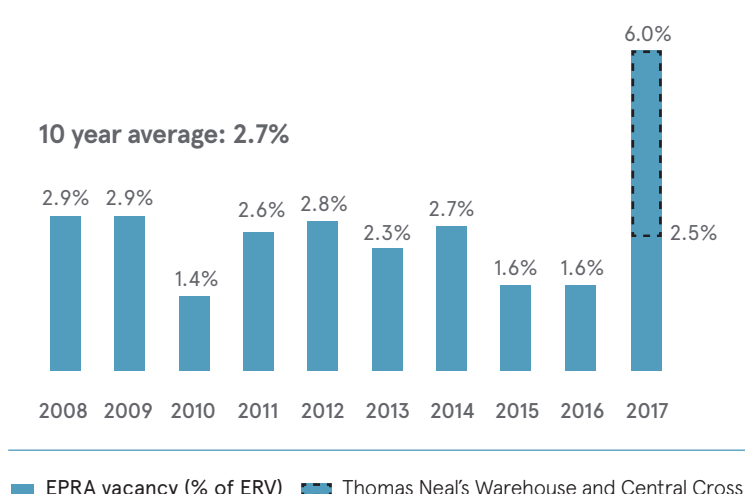
2 Data includes acquisitions

3 Including our 50% share of property held in joint venture

4 Wholly-owned portfolio

MAXIMISE OCCUPANCY⁴

Objective	Result
Let vacant space quickly	1.5 months' average letting time ³



Maximises income generated by the portfolio.

Letting space quickly is a KPI. With sustained tenant demand, vacancy levels are typically low. Average EPRA vacancy⁴ over the past ten years has been 2.7% of ERV. At 30 September 2017, EPRA vacancy was 6.0%, which included 3.5% in respect of space recently created at our Thomas Neal's Warehouse and Central Cross schemes.

See page 94 for how these measures form part of the bonus for the year ended 30 September 2017

See pages 40 to 41 for more information on vacancy, Thomas Neal's Warehouse and Central Cross

Sustainability and stakeholders

Our strategic goals:

The environmentally sustainable re-use and careful management of existing buildings

Effective stakeholder engagement

Invest in our community

A fair and ethical framework for employees and our supply chain



We pride ourselves on our ability to extend the economic useful lives of our buildings through changes of use and reconfiguration, within the constraints of legislation, so that they continue to meet the needs of modern occupiers. This emphasis on refurbishment forms the core of our sustainability strategy and is measured through an increased number of schemes achieving BREEAM* certification.



In an urban location, which is intensively used by huge numbers of visitors, a large working population and residential community, social issues and challenges are bound to arise. We therefore focus on community-related activities which help to support organisations that tackle these problems.



The Wild West End collaboration, which promotes biodiversity, continues to gain momentum. Working with other neighbouring landowners, we are increasing the number of biodiversity features in our areas and on our buildings, with the associated benefits which promote health and well-being for tenants and visitors. We were delighted to be recognised for our work at Carnaby with pollinators as part of the Department for Environment, Food and Rural Affairs' Bees' Needs Week.



In the year ahead we will work together with our stakeholders and, in particular, our tenants, to further our sustainability objectives.



See also the full sustainability report on our website.



Management of sustainability

A sustainability committee meets quarterly to define objectives, agree strategies and review progress. We have a robust and effective sustainability policy which is reviewed annually by the Board and is available on our website.

We continue to base our sustainability strategies on the core goals:

Environment: the re-use and careful management of existing buildings is inherently sustainable. In addition, reducing the running costs of the buildings and improving their operational efficiencies is essential to attract tenants, as well as meet future regulatory requirements.

Community: engaging with community groups and charities to ensure we integrate with our community.

Stakeholders: engaging with our tenants and investors ensures that we are aware of their expectations and can respond accordingly. In particular, we work with tenants to identify ways in which they can use our buildings more efficiently and operate in a more sustainable manner.

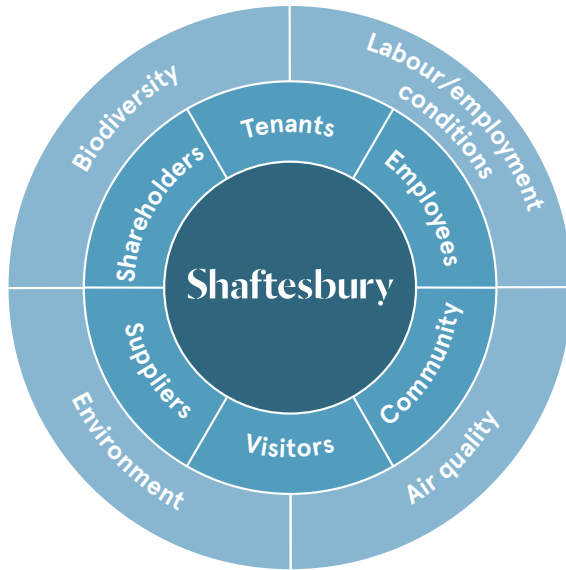
Working closely with our suppliers enables us to control our potentially most significant impacts and facilitate better standards of service through our supply chain.

Employees: investing in the welfare and development of our employees ensures development in their role and continuing retention.

*BREEAM Building Research Establishment Environmental Assessment Method

Stakeholders

As a long-term business in the West End, we have, over many years, created an extensive stakeholder group.



During the year, we have focussed our sustainability efforts on developing an air quality strategy and supply chain management which involves working in partnership with a number of stakeholders.

As a consequence of our outsourcing model, the effective communication of our policies and objectives through our supply chain is important to ensure that an ethical and sustainable approach is adopted to the employment of labour and the purchase of goods and services on our behalf.

We have developed a Supplier Code of Conduct which has been circulated to our principal suppliers for inclusion in contracts. We require payment of the London Living Wage and compliance with the Modern Slavery Act 2015 throughout our supply chain.

We publish a statement on our website detailing how we are tackling slavery and human trafficking in our supply chain. Having written to all our principal suppliers to raise awareness of the legislation, we have progressed to identifying the higher risk areas within our supply chain and are working to raise awareness and monitoring processes.

We have other policies in place which address human rights, whistleblowing and the ethical conduct of our business, all of which are included within our sustainability policy. The policy is updated annually and provided to organisations in our supply chain to encourage them to adopt and enforce similar policies in their own businesses.

Two important initiatives were introduced during the year to implement the air quality strategy:

- Consolidation of waste collections in Carnaby. This had the dual benefit of reducing vehicle movements in the area and minimising the number of refuse bags left on the street, thereby improving the visual appearance of the area.
- A partnership to provide consolidated and managed deliveries for tenants and customers in Carnaby. The aim is through delivery consolidation of office supplies, there will be fewer vehicles in the area and by using a low emission fleet, air quality will be improved.

Environment

We are committed to sustainability by the re-use and careful management of existing buildings. We improve and extend the economic life of our buildings.

All our portfolio is located in a Conservation Area and around 20% of our buildings are listed. Within these constraints, we strive to minimise our impact on the environment.

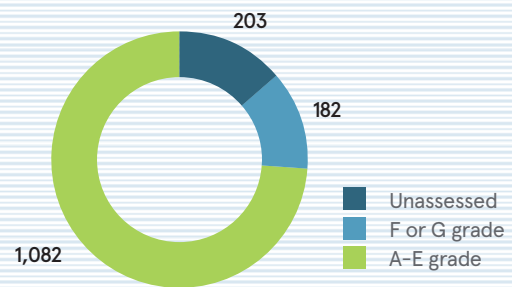
Building certifications

Our objective is to achieve BREEAM Very Good for all commercial refurbishment schemes. Progress has been made over the year to extend the coverage to include larger projects, both commercial and domestic; six are in progress and are on course to achieve at least our target of Very Good. Three other schemes are at pre-assessment or planning stage.

EPCs

We are making good progress against the Government's Minimum Energy Efficiency Standards (MEES). From April 2018, leased areas, at the time of letting, will be required to have an Energy Performance Certificate (EPC) of grade E or above. Properties where we have not got EPCs at, or above, this level have generally been let under long-term leases which commenced before MEES requirements for EPCs were introduced. They will be scheduled for works, to meet or exceed the requirements of MEES, when the leases expire.

NUMBER OF LEASES



Community

Our engagement and activities are aligned with the community in which our portfolio is located. We have a long record of support, and close involvement with, local charities and not-for-profit organisations which assist with initiatives in these communities. Not only are they our neighbours, but their work ensures that the West End remains a vibrant and diverse destination, which supports residential communities, businesses and cultural organisations and which welcomes growing numbers of domestic and international visitors.

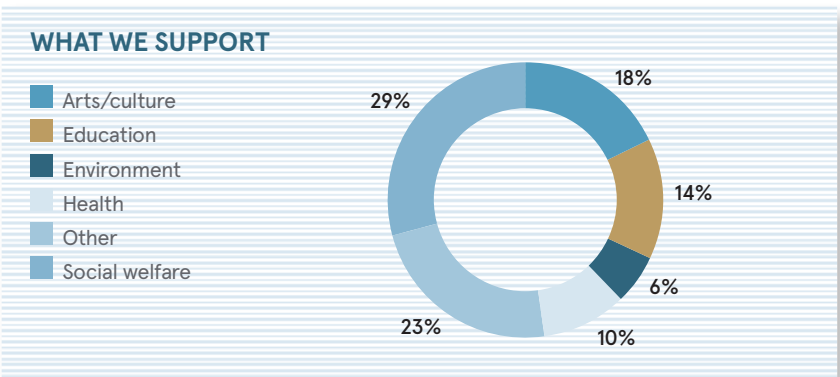
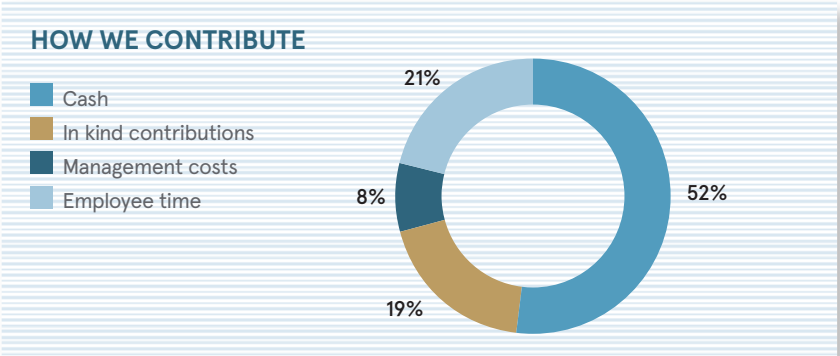
We have continued our membership of the London Benchmarking Group (LBG). Our contribution is measured in accordance with their framework which provides a standard and comparable methodology.

Our LBG contribution equated to £562,000 and is analysed opposite. We provide space to charities and other not-for-profit organisations on a short-term basis to assist in promoting their charity or cause in our areas or provide cost-effective space for organisations in our central locations.

Our Section 106 contributions (an agreement to make a payment to a local authority in respect of planning obligations) totalled £513,000. These funds are generally for investment in public realm works.

Our total community contribution equated to 2.5% of EPRA pre-tax earnings.

We are establishing a community investment committee to oversee the strategic direction and effectiveness of our community giving.



Our key community partners include:

Pride
Provides a platform for London's LGBT+ community to raise awareness of LGBT+ issues and campaign for the freedoms that will allow them to live their lives on a genuinely equal footing. Supported since 2016.

ENO Community Choir
Provides an opportunity for people from all walks of life to come together for the joy of singing. Supported the choir for over 7 years.

House of St Barnabas
Supports homeless people in London back in to work through a City & Guilds accredited 12 week employability programme. We have sponsored one person per employability programme since 2015 - 9 people so far.

Westminster Tea Dance (through Sir Simon Milton Foundation)
The dance hosts 1,000 Westminster residents over the age of 65. Part of the Silver Sunday national campaign to tackle the blight of loneliness that affects so many older people. We have been a headline sponsor since 2014.

The Connection at St Martin's-in-the-Field
The Connection helps thousands of homeless people in Westminster every year move away from and stay off the streets of London. We have sponsored an outreach worker since 2012.

Chinese Community Centre
Sponsorship of a part-time advice worker who gives advice and support to Chinese people about welfare, benefits and housing. The Centre's mission is to preserve and promote Chinese culture, arts and identity, whilst helping the community to better integrate into mainstream UK community. Supported since 2013.



Employees

Our employees play a vital role in implementing our strategy and contributing to its evolution. The culture of the organisation and our approach to employee training, development and employment conditions has been an important part of our focus this year.

Diversity is important to ensure that we have a mix of views and inputs into our business. This is not limited to gender diversity, but includes a wide spectrum of attributes and backgrounds we look for when recruiting new employees. We have increased our employee numbers by three this year and in the recruitment process, we implemented new procedures to ensure that we are recruiting from the widest talent pool.

In the real estate sector, there is a concerted effort to ensure gender is at the forefront of diversity initiatives. We are committed to gender equality and employee development. This is reflected in our membership of both Real Estate Balance and the RICS Inclusive Employer Quality Mark. Our gender diversity is set out below and in the Nomination Committee report. We have been ranked first in the FTSE250 progress for Executive Committee and Direct Reports in the Hampton-Alexander review on gender diversity. Overall, the Group was ranked 37 in the FTSE250 for combined Board and Executive Committee diversity.

We believe that investing in training and development is essential and, this year, employees underwent an average of 16 hours training. A number of new training initiatives have been introduced including an e-learning training programme. We have also had training on unconscious bias, time management and people management skills. Employees receive personal development reviews and annual appraisals. The Board and employees undertook culture workshops to discuss and document the corporate values and behaviours.

14% of employees have taken advantage of the flexible working arrangements we offer.

We recognise the importance of community volunteering from both an employee and a community perspective and are now introducing volunteering leave.

There have been no instances of non-compliance with our Anti-Bribery Policy during the financial year.

	2017	2016
Percentage of female employees overall	59%	60%
Percentage of female employees in senior leadership team*	57%	50%
Percentage of female board members	30%	30%
Average training hours per employee	16	12
Percentage of employees receiving professional development review	100%	100%
Average length of service (years)	12	12
Employee turnover	1	1
Absentee rate (EPRA calculation)	0.96	0.75
Number of employees with flexible working	4	3

*The like-for-like comparator group changed in 2017 following the creation of the senior leadership team. Therefore the previous year figures are not directly comparable.

See also page 81.



Real estate balance

An association of real estate leaders with the objective to work with both men and women in the real estate industry and with corporate leaders to achieve a greater gender balance at board and executive management level across the real estate sector.




RICS inclusive employer quality mark

Aims to drive behaviour changes by encouraging businesses in the real estate sector to look carefully at their employment practices and to ensure inclusivity is embedded in their operations.

Performance against targets

One of our strategic goals is to work with our stakeholders including tenants, suppliers, employees, agents and the local community throughout our operations. This engagement is inherent in our performance against the other three strategic goals, which are set out below:

 Strategic goal: ENVIRONMENTALLY SUSTAINABLE RE-USE AND MANAGEMENT OF BUILDINGS			
<p>Work with other stakeholders to investigate and promote solutions to reduce air pollution in the West End</p> <p>2017 Progress Focussed on vehicle movements: Launched initiative to consolidate deliveries to tenants in Carnaby Working with waste contractors to consolidate waste collections in Carnaby</p> <p>Future action 2018 Implement air quality strategy Extend initiatives to other locations</p>	<p>Refurbishment schemes above £1 million value target BREEAM Very Good</p> <p>2017 Progress Six schemes (both commercial and residential) on course to achieve a minimum of BREEAM Very Good</p> <p>Future action 2018 Continue to target BREEAM and develop fit out guide for commercial tenants</p>	<p>Increase the EPC rating of properties being refurbished</p> <p>2017 Progress Making progress towards compliance with MEE5 Of the EPCs assessed, over 80% were a grade C or above and all qualifying buildings achieved at least an E on completion of refurbishment</p> <p>Future action 2018 Extend the useful life of buildings and improve their sustainability by raising the EPC rating of properties being refurbished according to predetermined targets</p>	<p>Source timber from well-managed sources, certified by third party certification schemes</p> <p>2017 Progress Reuse of timber maximised throughout all schemes Over 95% of timber has been confirmed as sustainably sourced with full Chain of Custody and 92% using FSC timber</p> <p>Future action 2018 Continue to maximise the proportion of timber that is reused Source a minimum of 90% of all timber from certified sources and ensure all timber is purchased from legal sources</p>
<p>Maximise use of landlord procured renewable energy and reduce energy consumption in common parts</p> <p>2017 Progress All landlord controlled portfolio sourced 100% renewable electricity An increase of 3% for landlord-procured electricity, but overall reduction in greenhouse gas emissions</p> <p>Future action 2018 Continue to purchase green electricity where costs are within 5% of brown electricity Engage with tenants to achieve a year on year 3% energy reduction throughout the portfolio Reduce Greenhouse Gas emissions by a rolling annual target of 5% from the 2015 baseline by 2020</p>	<p>Recycle a minimum of 50% of tenants' waste and divert 90% from landfill</p> <p>2017 Progress 57% of tenants' waste recycled or composted in Carnaby and Seven Dials Green Apple award for Carnaby Remainder of all waste diverted to landfill 33% recycling achieved at Chinatown in first year of reporting</p> <p>Future action 2018 Continue to engage with tenants to improve recycling</p>	<p>Improve biodiversity appropriate to the Group's urban location</p> <p>2017 Progress Continued membership of Wild West End Increased area covered by 16% from 8,127 sq. ft. to 9,461 sq. ft. Developed Biodiversity strategy with five year targets</p> <p>Future action 2018 Continue membership of Wild West End Implement five year plan to achieve a 50% increase of coverage of biodiverse features</p>	



Strategic goal:
INVEST IN OUR COMMUNITY

Support local community groups and be proactive in identifying and working with charitable and other organisations

2017 Progress

Ongoing support of nominated charities

Future action 2018

Create community investment committee to set strategic goals for community engagement and identify new initiatives

Continue membership of London Benchmarking Group

2017 Progress

Contribution to community and stakeholders (including Section 106 payments) equates to 2.5% of EPRA pre-tax earnings

Future action 2018

Continue membership to monitor contributions

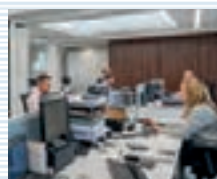
All projects registered with Considerate Constructors' Scheme achieve a minimum score of 30 out of 50

2017 Progress

Average score was 34.8 out of 50

Future action 2018

Continue to achieve a minimum score of 30 out of 50 (above 'satisfactory')



Strategic goal:
FAIR AND ETHICAL FRAMEWORK FOR EMPLOYEES AND SUPPLY CHAIN

Minimise risk of reportable health and safety accidents/incidents throughout the portfolio

2017 Progress

No incidents in 2017

Future action 2018

Review health and safety policies across the portfolio
Aim for no reportable accidents and incidents throughout the Group's activities

Ensure compliance with anti-bribery and corruption policy

2017 Progress

No policy breaches

Future action 2018

Maintain full compliance; continuing review of policies and procedures

Ensure London Living Wage is paid through the supply chain, where within our control

2017 Progress

The requirement for the payment of London living wage has been included in new contracts

Supplier Code issued to all principal suppliers

Future action 2018

Ensure adherence to Supplier Code
Aim for accreditation from Living Wage Foundation
Review compliance procedures and supplier reporting

Invest in training and development of our employees. Comply with employment legislation and best practice including diversity

2017 Progress

59% of employees are female. The Executive Committee has 57% females. The Board has 30% females

Gained Fairplace Award from Ethical Property Foundation

Signatory to the RICS Inclusive Employer Quality Mark

Future action 2018

Implement an action plan for the RICS Inclusive Employer Quality Mark
Continue to monitor diversity within the Group

डिशुम

Strategic





DISHOOM

report Annual review

Portfolio valuation

Strong capital value performance; further increases in contracted and prospective rents, expectation of continued rental growth, and sustained investor demand for secure assets with growth potential in the West End.

PORTFOLIO VALUATION^{1,4}

£3.64bn

VALUATION GROWTH^{1,2,4}

7.0%

ERV GROWTH^{1,2,4}

3.5%

Strong valuation performance

At 30 September 2017, the valuation of our portfolio, including our 50% share of the Longmartin joint venture, increased to £3.64 billion, following a revaluation surplus for the year of £233.2 million. Like-for-like valuation growth was 7.0%, bringing the compound annual growth rate over five years to 11.7%.

This year's valuation performance reflects sustained occupier demand, intensive asset management activity across our portfolio, and continued growth in contracted income and rental values. Also, it takes into account expectations of further rental growth, good occupancy levels, and low capital expenditure.

Sustained investor demand yet limited supply of assets to acquire

During the year, we have seen a sharpening of investor appetite, especially for freehold properties in our locations, which offer investment security, growing returns and limited exposure to obsolescence. This heightening of demand is particularly evident for properties close to prime streets, where lower rental levels offer better growth prospects.

The equivalent yield attributed by our valuers to our wholly-owned portfolio was 3.46%, an eleven basis points reduction over the year. The availability of buildings to purchase remains as limited as ever, largely because they are typically in long-term private ownership and existing owners are reluctant to sell. Consequently, when assets do become available, competition is fierce.

In the Longmartin joint venture, ERV reflects the conclusion of the first round of rent reviews, following scheme completion in 2011, where we have seen significant increases in rents. The equivalent yield for this geared long leasehold interest was broadly unchanged at 3.8%.

Potential for greater value

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

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

1 Including our 50% share of the Longmartin joint venture. See presentation of financial information on page 50

2 Like-for-like. See Glossary on page 147 for definition

3 Our 50% share

4 Portfolio excluding non-core asset acquired as part of a portfolio

VILLAGE	FAIR VALUE £M	% OF PORTFOLIO	ANNUALISED CURRENT INCOME £M	ERV £M	TOPPED-UP NET INITIAL YIELD %	EQUIVALENT YIELD %
Carnaby	1,265.5	35%	39.7	51.2	3.04%	3.56%
Covent Garden	947.2	26%	28.2	36.4	2.76%	3.36%
Chinatown	791.5	22%	23.8	30.3	2.75%	3.42%
Soho	272.1	7%	8.9	10.7	2.96%	3.49%
Fitzrovia	140.2	4%	4.7	5.5	2.93%	3.36%
Wholly-owned portfolio	3,416.5	94%	105.3	134.1	2.89%	3.46%
Longmartin joint venture ³	227.8	6%	8.8	10.4	3.25%	3.80%
Total portfolio^{1,4}	3,644.3	100%	114.1	144.5		

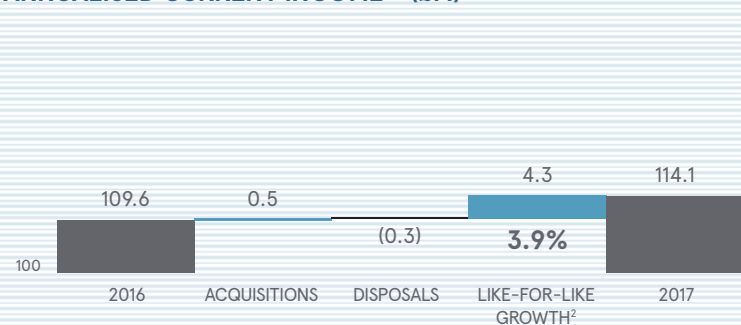
VILLAGE	2017 VALUATION GROWTH ²	5-YEAR CAGR ²
Carnaby	7.1%	13.5%
Covent Garden	7.5%	10.5%
Chinatown	6.0%	10.1%
Soho	11.3%	12.6%
Fitzrovia	11.4%	12.0%
Wholly-owned portfolio	7.5%	11.7%
Longmartin joint venture ³	1.0%	11.2%
Total portfolio¹	7.0%	11.7%

Continuing growth in contracted rents and ERVs

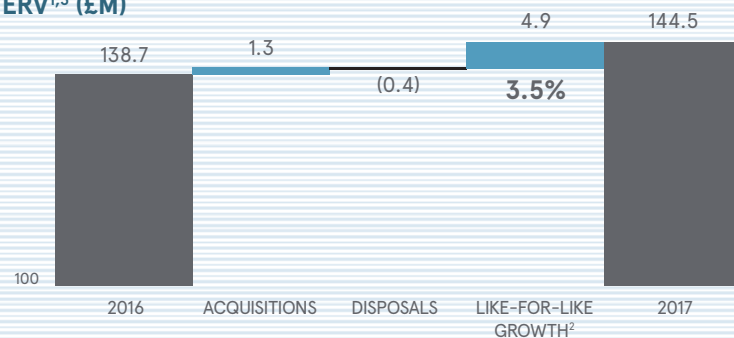
Demand for space in our carefully-curated locations has been good throughout the year, which, together with extensive asset management across the portfolio, has continued to drive growth in contracted and potential future income.

At 30 September 2017, annualised current income stood at £114.1 million, following a like-for-like increase of 3.9% during the year. The ERV of our portfolio, which is based on current rental tones and largely reflects rental evidence we have established through our leasing transactions, was assessed by our valuers at £144.5 million, £30.4 million or 26.6% above current income. Like-for-like ERV growth over the year was 3.5%.

ANNUALISED CURRENT INCOME^{1,3} (£M)

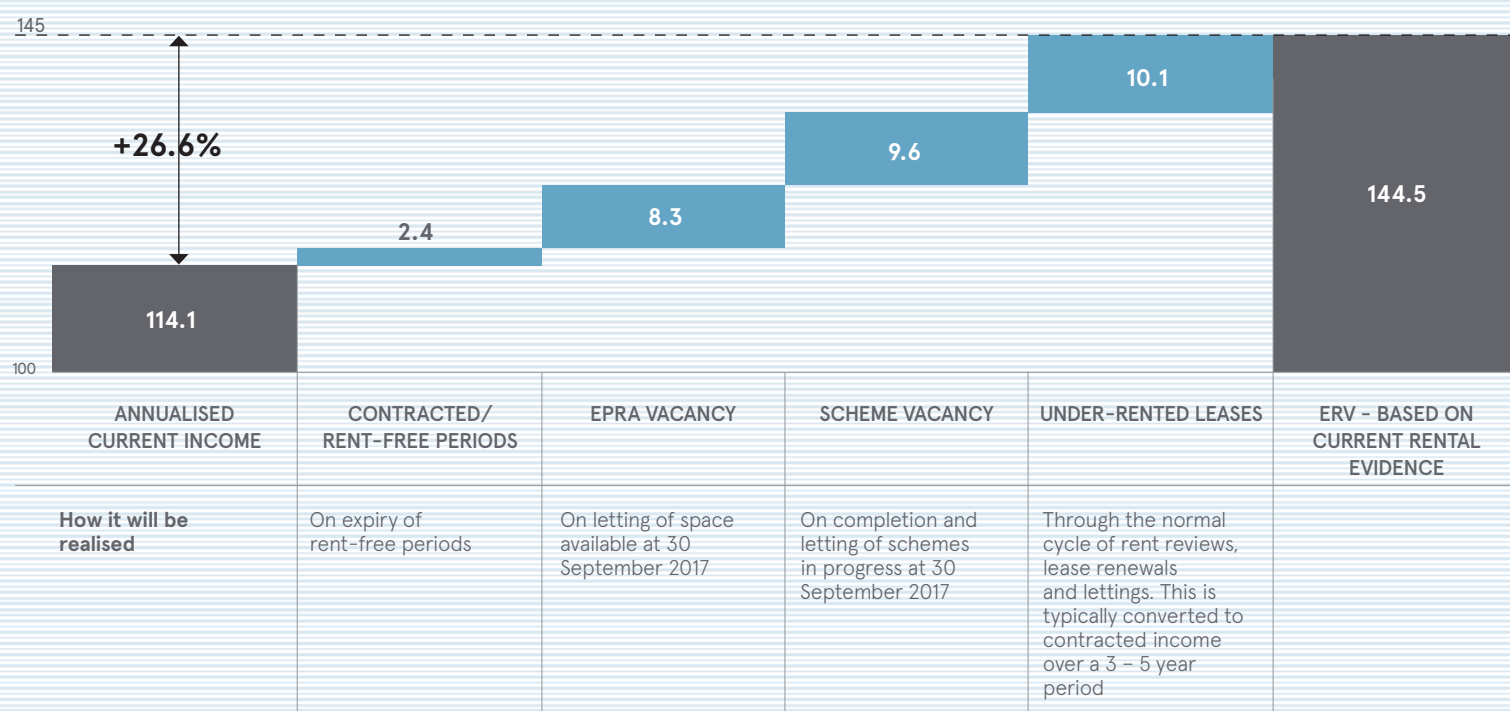


ERV^{1,3} (£M)



The components of the portfolio reversionary potential are shown below. Of the total uncontracted reversion, 67% is accounted for by restaurants, leisure and retail. In our locations, these uses have a long history of sustained demand, which, together with a restricted availability of space, underpins their growth prospects. We remain confident that, with our proven long-term management strategy, we shall continue to convert this rental potential into cash flow, whilst delivering further long-term growth in rental values.

COMPONENTS OF THE REVERSION^{1,3} (£M)



¹ Including our 50% share of the Longmartin joint venture. See presentation of financial information on page 50

² Like-for-like. See Glossary on page 147

³ Excluding a non-core asset acquired as part of a portfolio



Exercise



Leasing and occupancy

Sustained demand across our portfolio helped deliver strong leasing results. Our Thomas Neal's Warehouse and Central Cross schemes completed in the year and letting is underway.

Leasing

During the year, we concluded leasing transactions in the wholly-owned portfolio with a rental value of £31.1 million (2016: £27.8 million). Of this, commercial transactions totalled £23.8 million (2016: £21.6 million) and residential lettings and renewals amounted to £7.3 million (2016: £6.2 million). Rents for commercial uses were, on average, 6.7% above ERV at 30 September 2016.

LEASING ACTIVITY DURING THE YEAR¹

	£M	
Commercial		
Lettings and lease renewals	13.4	+7.7% vs September 2016 ERV
Rent reviews	10.4	+22.6% vs previous rent (equivalent to 4.2% CAGR over five years)
	23.8	+6.7% vs September 2016 ERV
Residential		
Lettings and renewals	7.3	-1.6% vs prior rent
Total	31.1	

Our share of lettings, lease renewals and rent reviews in the Longmartin joint venture was £3.9 million (2016: £2.7 million), with commercial rents achieved broadly in line with ERV at 30 September 2016. Accounting for £3.2 million, rent reviews delivered average increases of 36.4% compared with previous rental levels, an equivalent 5-year CAGR of 6.4%. We have now concluded the majority of this first round of rent reviews following scheme completion in 2011.

EPRA vacancy

At 30 September 2017, EPRA vacancy was 6.0% of ERV, an increase of 4.4% over the year. The total includes 3.5% in respect of Thomas Neal's Warehouse and Central Cross. Excluding these larger schemes, EPRA vacancy was 2.5%, in-line with our long-term average.

Completed larger schemes

We have created large, prominent retail and restaurant units at our Thomas Neal's Warehouse and Central Cross schemes, of which 34% by ERV is now let or under offer. Larger space requires occupiers to commit to significant investment in fit-out and substantial rental obligations and we expect letting periods to be longer for these units than for the smaller space typically we have to offer. Current macro-economic uncertainties are showing signs of slowing potential tenants' decision-making processes. We will be patient in selecting occupiers which meet our objective of delivering long-term rental growth.

Thomas Neal's Warehouse

In the heart of Seven Dials, our scheme created a unique 22,800 sq. ft. flagship retail unit. At 30 September 2017, it accounted for 0.7% of available-to-let ERV. The space now is under offer to a single occupier.

Central Cross

Located at the eastern gateway to Chinatown, next to Leicester Square Underground station and a few minutes' walk from Tottenham Court Road station, our scheme is well-positioned to benefit from high and growing footfall.

We have created exceptional, double-height accommodation with five shops, totalling 34,500 sq. ft., on Charing Cross Road and seven restaurants, fronting Newport Place and Newport Court, extending to 13,300 sq. ft.

At 30 September 2017, all four of the smaller restaurants (ERV: £0.4 million) were let or under offer. Subsequently, we have placed one large restaurant under offer (ERV: £0.3 million). We have ongoing discussions with a number of parties for the remaining space.

¹ Wholly-owned portfolio










Other vacancy

Available-to-let vacancy, excluding larger schemes, comprised two cafés (ERV: £0.1 million), six shops (ERV: £1.2 million), 13,100 sq. ft. of office space (ERV: £0.8 million) and one apartment.

Space under offer included two restaurants, five shops, 2,100 sq. ft. of offices and five apartments.

In the Longmartin joint venture, two shops were available to let. The ERV of our 50% share of this space was £0.2 million.

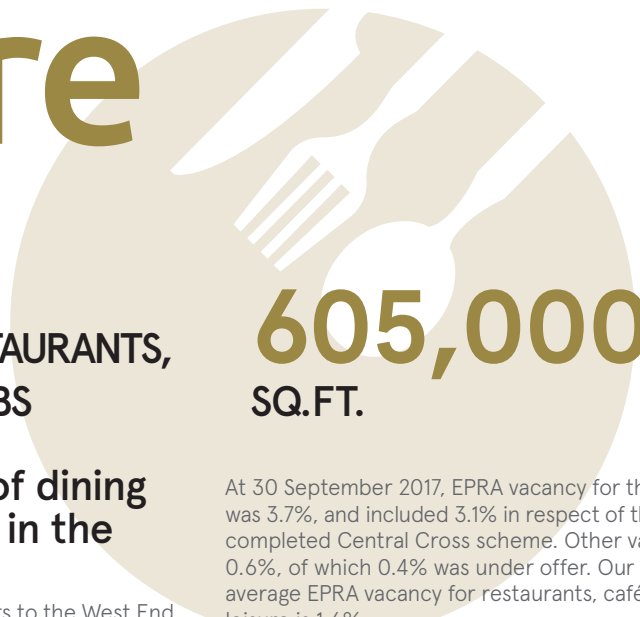
EPRA VACANCY¹ AT 30 SEPTEMBER 2017

	RESTAURANTS, CAFÉS AND LEISURE	SHOPS	OFFICES	RESIDENTIAL	TOTAL	% OF TOTAL ERV 2017	2016
Larger schemes ²	£1.4m	£3.4m	-	-	£4.8m	3.5%	-
Other vacancy -available-to-let	£0.1m	£1.2m	£0.8m	£0.1m	£2.2m	1.7%	0.5%
-under offer	£0.2m	£0.6m	£0.2m	£0.1m	£1.1m	0.8%	1.1%
	 £1.7m 18,500 sq.ft.	 £5.2m 72,000 sq.ft.	 £1.0m 15,300 sq.ft.	 £0.2m 4,100 sq.ft.	 £8.1m 109,900 sq.ft.	 6.0%	 1.6% 31,000 sq.ft.

1 Wholly-owned portfolio

2 Thomas Neal's Warehouse and Central Cross

Restaurants, cafés and leisure

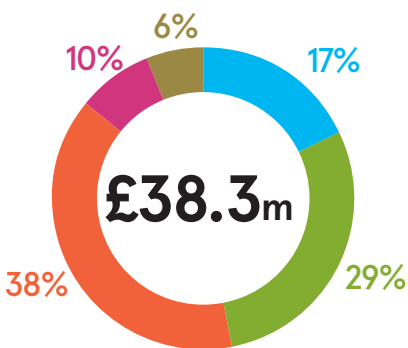


37% OF OUR PORTFOLIO^{1,2}

282 RESTAURANTS, CAFÉS AND PUBS

605,000 SQ.FT.

ANNUALISED CURRENT INCOME BY VILLAGE²



- CARNABY
- COVENT GARDEN
- CHINATOWN
- SOHO
- FITZROVIA

Largest provider of dining and leisure space in the West End

With increasing numbers of visitors to the West End, and the widely-recognised growth in interest and spending on leisure activities, our 282 restaurants, cafés and pubs are important drivers of footfall and trading in our locations. We are the largest single provider of dining and leisure space in the West End, curating high-profile and busy destinations such as Chinatown, Kingly Court, Neal’s Yard and the Opera Quarter. The majority of our restaurants provide casual dining, with a focus on atmosphere, quality and experience, increasingly with an all-day offer.

Operators are attracted to the West End as it provides access to exceptional daily footfall throughout the year, a discerning, affluent customer base of domestic and international visitors and a large working population. The independent sector is particularly active, reflecting the interest from diners to experience high quality, creative and accessible new food concepts, often then sharing their experiences on social media.

At 30 September 2017, EPRA vacancy for these uses was 3.7%, and included 3.1% in respect of the recently completed Central Cross scheme. Other vacancy was 0.6%, of which 0.4% was under offer. Our ten-year average EPRA vacancy for restaurants, cafés and leisure is 1.6%.

Newer leases provide us with more flexibility

Tenants invest considerable sums fitting out their space, sometimes spending the equivalent of 3-5 years’ rent and, therefore, we grant longer leases than for shops, to provide an extended period over which occupiers can amortise this cost.

Until recently, leases were granted over whole buildings and provided tenants with renewal rights on expiry. We find that upper floors often are now under-utilised and, where opportunities arise, we seek to negotiate the surrender of these leases to secure vacant possession. This allows us to improve the configuration of space on the lower floors, attract new operators on more beneficial terms, and often release valuable upper floors for other uses.

Reflecting the strength of demand for our restaurant space, in recent years we have reduced the term of leases we grant and introduced more flexibility at expiry. Also, we include turnover-related rental top-ups, giving us the higher of market rent and a percentage of annual turnover. This provides a useful contribution to both income and earnings.

10 years

WEIGHTED AVERAGE UNEXPIRED LEASE TERM^{2,3}

3.7%

EPRA VACANCY^{2,3}

£10.2m

LETTINGS / RENT REVIEWS^{2,4}
(22.1% of restaurant, cafés & leisure ERV)

- 19** NEW LETTINGS
- 6** LEASE RENEWALS
- 44** RENT REVIEWS

Demand outstrips availability of space

Availability of restaurant and leisure accommodation remains constrained by local planning policies, which restrict large-scale increases in these uses, whether by development, extension of existing space, or conversion from other uses. The barriers to entry are high, with existing operators reluctant to relinquish their valuable sites, other than for significant premiums. Generally, tenants ensure they preserve their valuable occupation rights and our bad debt history is negligible.

Demand for the smaller space typically we have to offer is healthy, particularly from independent operators, established street-food concepts and start-ups seeking their first site.

1 % of annualised current income
 2 Wholly-owned portfolio
 3 At 30 September 2017
 4 Leasing activity during the year ended 30 September 2017



Cafés 

TYPICAL LEASE TERMS

	HISTORICAL LEASES	NEW LEASES
Term	25 years	15 years
Rent reviews	Five-yearly, upward-only	Five-yearly, upward-only
Security of tenure on expiry	Yes	No
Turnover-related top-up	No	Yes
Space leases typically granted over	Whole buildings	Operational space only (i.e. not upper floors)
Proportion of our restaurant leases (by income)	60%	40%
Incentives	N/A	Short rent-free period to help cover tenant fit-out time. No contribution to fit-out costs

OUR PROGRESS AGAINST 2017 KEY PRIORITIES

KEY PRIORITY	STATUS
Identify further opportunities to negotiate vacant possession of restaurants let on historical leases.	Negotiated vacant possession of six leases in the year, with a rental value of £0.8m.
Introduce new restaurant operators to our destinations.	19 new openings during the year.
Completion of our Central Cross scheme and associated public realm improvements.	Scheme completed in May 2017. 50% of restaurant space (by ERV) let or under offer currently. Public realm improvements commenced in October 2017.

2018 KEY PRIORITIES

Complete the letting of restaurant space at Central Cross.

Identify further opportunities to negotiate vacant possession of restaurants let on historical leases.

Introduce new restaurant operators to our destinations.

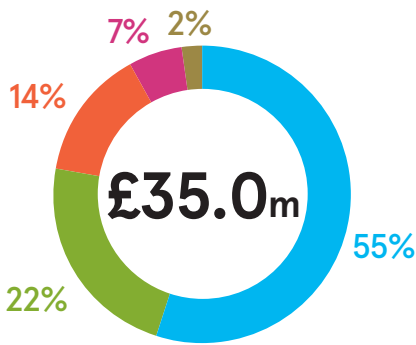
Retail

33% OF
OUR PORTFOLIO^{1,2}

302 SHOPS

474,000 SQ.FT.

ANNUALISED CURRENT INCOME
BY VILLAGE²



CARNABY
COVENT GARDEN
CHINATOWN
SOHO
FITZROVIA

4 years

WEIGHTED AVERAGE
UNEXPIRED LEASE TERM^{2,3}

11.1%

EPRA VACANCY^{2,3}

£8.1m

LETTINGS / RENT REVIEWS^{2,4}
(17.4% of retail ERV)

14 NEW LETTINGS
21 LEASE RENEWALS
21 RENT REVIEWS

Contribution to the West End as a leading shopping destination

Providing 77% of our current annualised retail income, our large clusters of shops in Carnaby and Seven Dials make an important contribution to the West End's reputation as a leading global retail destination.

Wide range of shop sizes and rents

An important element of the character of our destinations is the wide range of shop sizes and rental levels across our buildings and streets.

Of our 302 shops, 209 are small (ERV < £150,000 p.a.), providing 37% of our current annualised income, and 93 are large (63% of current annualised income). This allows us to provide a variety of retail formats, from start-ups to more established operators, whilst offering retailers flexibility to expand or introduce new concepts.

Importantly, rental levels in our high-footfall and spending locations are competitive compared with nearby streets (see the chart, opposite).

Responding to ever-changing shopper tastes

The majority of our space is let to fashion and lifestyle retailers.

Tenant selection is a key aspect of our strategy to create and maintain distinctive retail locations. Shoppers' behaviour is changing rapidly with an emphasis on innovation, experience, fulfilment and the ability to find something different from that commonly found in shopping centres and on high streets. To attract visitors, we seek out new, interesting concepts from across the world, to maintain a fresh retail mix. Additionally, we maintain flexibility in our leasing so we are able to respond to shoppers' ever-changing tastes and retailers' requirements.

Interest remains good

With high footfall, we continue to have good demand for space, both from domestic and overseas retailers, often opening new concept stores or flagships.

Despite well-publicised challenges being faced by the retail sector, leasing activity during the year has been good with lettings, renewals and rent reviews being concluded ahead of ERVs assessed by our valuers. Importantly, currently we have a number of tenants renewing leases early or upsizing, demonstrating their confidence in continued profitable trading in our locations.

EPRA vacancy at 30 September 2017 was 11.1% of retail ERV, of which vacant space at Thomas Neal's Warehouse and Central Cross accounted for 7.2%. Of other available space, 1.3% was under offer. Average retail vacancy over the past ten years has been 4.3%.

1 % of annualised current income

2 Wholly-owned portfolio

3 At 30 September 2017

4 Leasing activity during the year ended 30 September 2017

5 Source: Cushman & Wakefield, published information and company data

6 Based on 30 ft zones



Shopping



TYPICAL LEASE TERMS

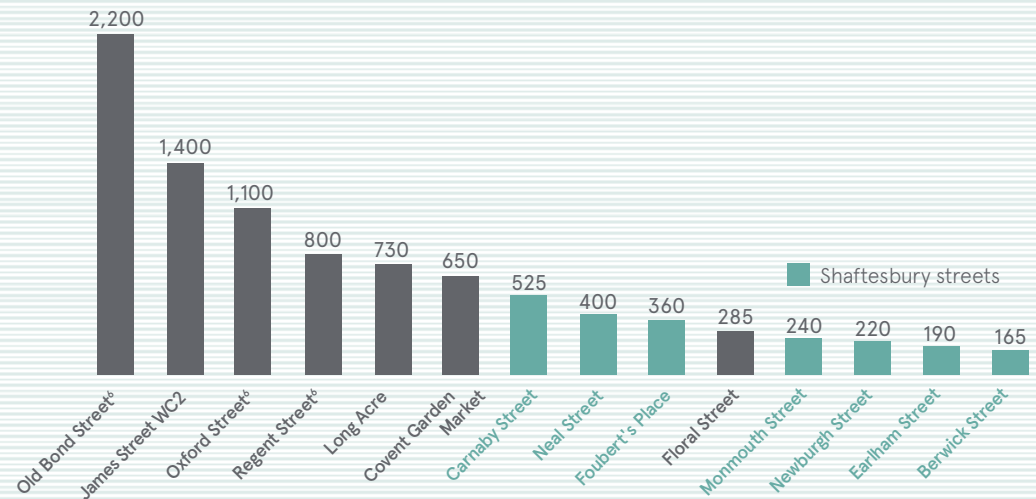
Our retail leases generally are short, giving us the opportunity to refresh tenant mix:

Smaller shops: 3-5 years

Larger shops: 5-10 years

Short rent-free period to help cover tenant fit-out periods.

WEST END RETAIL RENTAL TONES⁵ (PRIME ZONE A PER SQ.FT.)



OUR PROGRESS AGAINST 2017 KEY PRIORITIES

KEY PRIORITY

STATUS

Completion of our Thomas Neal's Warehouse and Charing Cross Road schemes.

Thomas Neal's Warehouse completed in October 2016 and now is under offer.

Central Cross completed in May 2017. Marketing continues.

Introduce further interesting retail concepts to our destinations.

14 new openings during the year.

2018 KEY PRIORITIES

Letting retail space at Central Cross.

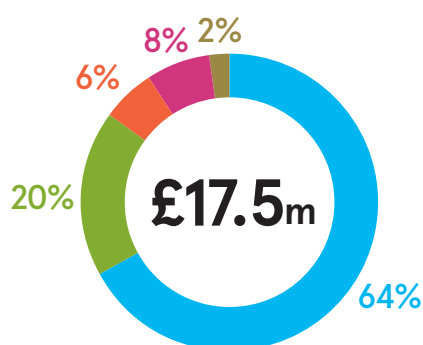
Continue to introduce interesting retail concepts to our destinations.

Offices

17% OF
OUR PORTFOLIO^{1,2}

403,000 SQ.FT.

ANNUALISED CURRENT INCOME BY VILLAGE²



- CARNABY
- COVENT GARDEN
- CHINATOWN
- SOHO
- FITZROVIA

4 years

WEIGHTED AVERAGE UNEXPIRED LEASE TERM^{2,3}

4.0%

EPRA VACANCY^{2,3}

£5.5m

LETTINGS / RENT REVIEWS^{2,4}
(22.1% of office ERV)

- 29** NEW LETTINGS
- 30** LEASE RENEWALS
- 4** RENT REVIEWS

Large provider of small, flexible office space

With 403,000 sq. ft. of office space, let to 243 tenants, we are an important provider of small office accommodation in the core West End. Our average letting is 1,380 sq. ft. at £55 per sq. ft. (2016: £51 per sq. ft.) and average ERV is £61 per sq. ft. (2016: £61 per sq. ft.).

Whilst we already provide flexible terms and space, we are working to ensure we remain competitive with other SME space providers.

Limited availability of space

Demand for our office space remains good, particularly from the media, creative and tech sectors, which often find their natural home in Soho and Covent Garden.

Availability of smaller office space remains low across our locations. Whilst we have seen a modest increase in lease incentive packages during the year, occupancy levels have been high. Retention rates have been good, with 30 leases being renewed.

Office vacancy at 30 September 2017 was 4.0% of total office ERV.

TYPICAL LEASE TERMS

Smaller offices: 3-5 years

Larger offices: 5-10 years, with break options at year 5

Incentives: Short rent-free period. No contribution to fit-out costs

OUR PROGRESS AGAINST 2017 KEY PRIORITIES

KEY PRIORITY	STATUS
Continue reconfiguring/upgrading our office space to ensure it meets modern, flexible working space standards and to improve its environmental performance to minimise occupation costs.	Schemes extending to 62,400 sq. ft. completed or underway at 30 September 2017.
Progress our 57 Broadwick Street redevelopment.	The scheme is on track to complete in early 2018. Marketing of the office space has commenced.

2018 KEY PRIORITIES

Maintain strong cash flows through high occupancy.

Complete our 57 Broadwick Street redevelopment.

Further office upgrades to meet modern, flexible space standards.

1 % of annualised current income

2 Wholly-owned portfolio

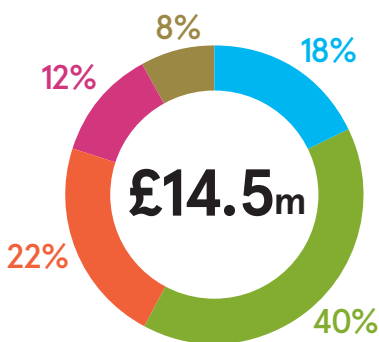
3 At 30 September 2017

4 Leasing activity during the year ended 30 September 2017

Residential

13% OF
OUR PORTFOLIO^{1,2}

ANNUALISED CURRENT INCOME
BY VILLAGE²



CARNABY
COVENT GARDEN
CHINATOWN
SOHO
FITZROVIA

1.2%
EPRA VACANCY^{2,3}

£7.3m
LETTINGS / RENT REVIEWS^{2,4}
(44.5% of residential ERV)

208 NEW LETTINGS
53 LEASE RENEWALS
9 RENT REVIEWS

562 APARTMENTS

Popular area to live

The West End is a popular place to live and we continue to see sustained demand to rent our mid-market apartments. Our flats are 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. We have a number of further planning consents for residential conversion, which we could implement in the future.

High occupancy and reliable cash flow

Demand for our mid-market apartments remains good, resulting in high occupancy levels and a stable cash flow. Normally, we have less than ten apartments available at any one time. At 30 September 2017 we had six apartments available, of which five were under offer.

During the year, we have seen a slight softening in rental levels, owing to increased availability of newly-built buy-to-let flats across central London. We continue our rolling programme to upgrade our apartments, in order to ensure their specification remains competitive and maintain our high occupancy rates.

336,000 SQ.FT.

Preference to lease, not sell, our apartments

Most of the value of our buildings is in the commercial uses on the lower floors. We prefer to lease, rather than sell, our apartments in order to retain control over whole buildings to realise the long-term potential in those valuable lower floors. During the year, we identified, and sold, nine apartments which we considered did not compromise long-term management flexibility.

TYPICAL LEASE TERMS

Three year Assured Shorthold Tenancies

Let unfurnished

Annual RPI uplifts

Mutual break options on a rolling two-month basis after the first six months

OUR PROGRESS AGAINST 2017 KEY PRIORITIES

KEY PRIORITY	STATUS
Continue our rolling refurbishment programme to upgrade our apartments and improve their rental prospects.	Refurbishment works on 79 apartments during the year, of which 40 were ongoing at year end.
Identify future potential residential conversions.	Planning consents granted to create 23 apartments.

2018 KEY PRIORITIES

Continue our rolling refurbishment programme to upgrade our apartments and improve their rental prospects.

Identify future potential residential conversions.

Maintain strong cash flow through high occupancy.

1 % of annualised current income

2 Wholly-owned portfolio

3 At 30 September 2017

4 Leasing activity during the year ended 30 September 2017

Portfolio investment

Considerable activity continues, adding to income, increasing rental tones and unlocking value. Important acquisitions secured during the year.

CAPITAL EXPENDITURE

£40.3m

SPACE UNDER REFURBISHMENT DURING THE YEAR

249,400sq.ft.

Investing across our portfolio

Continuing the trend over recent years, high levels of asset management and refurbishment activity continue across our portfolio, improving our buildings, increasing income and rental potential, and unlocking value.

Capital expenditure during the year totalled £40.3 million, representing 1.29% of wholly-owned portfolio value, with schemes extending to 249,400 sq. ft. (13.7% of wholly-owned floor space). This included £14.5 million in respect of our three larger schemes: Thomas Neal's Warehouse, Central Cross and 57 Broadwick Street.








During the year, we secured 62 planning consents, an important part of maintaining a pipeline of projects. At year end, we had 22 planning applications awaiting decision.

We continue to identify opportunities to implement further asset management initiatives. This often involves negotiations to secure vacant possession of space to enable us to accelerate the implementation of our ideas.

Projects in hand at year end

At 30 September 2017, we had schemes extending to 124,000 sq. ft. and representing 6.6% of ERV, down from 11.0% a year ago. This decrease was largely due to the completion of our Thomas Neal's Warehouse and Central Cross schemes.

VACANT SPACE¹ HELD FOR, OR UNDER, REFURBISHMENT AT 30 SEPTEMBER 2017

	RESTAURANTS, CAFÉS AND LEISURE	SHOPS	OFFICES	RESIDENTIAL	TOTAL	% OF TOTAL ERV 2017	2016
Larger schemes ²	£0.4m	£0.6m	£1.2m	£0.1m	£2.3m	1.7%	5.7%
Other schemes	£1.5m	£1.9m	£2.1m	£1.1m	£6.6m	4.9%	5.3%
	 <p>£1.9m</p> <p>20,800 sq.ft.</p>	 <p>£2.5m</p> <p>31,200 sq.ft.</p>	 <p>£3.3m</p> <p>47,300 sq.ft.</p>	 <p>£1.2m</p> <p>24,700 sq.ft.</p>	 <p>£8.9m</p> <p>124,000 sq.ft.</p>	 <p>6.6%</p>	 <p>11.0%</p> <p>202,000 sq.ft.</p>

1 Wholly-owned portfolio

2 2017: 57 Broadwick Street, Carnaby, 2016: Central Cross, Thomas Neal's Warehouse and 57 Broadwick Street

57 Broadwick Street, Carnaby

Construction at our mixed-use project at 57 Broadwick Street, at the eastern entrance to Carnaby, is progressing well. Located within a few minutes' walk of the new western entrance to Tottenham Court Road station, on Dean Street, the scheme will provide:

- 11,800 sq. ft. of flagship retail and restaurant space over the lower floors;
- 15,000 sq. ft. of new grade A office accommodation across the upper floors; and
- two apartments totalling 1,900 sq. ft.

The scheme is expected to cost £14.9 million, of which £10.2 million had been incurred by 30 September 2017. Construction of the retail and restaurant accommodation (ERV: £1.0 million) has now completed and the space either is let or under offer. Marketing of the office accommodation, which is planned to complete early in 2018, has commenced.

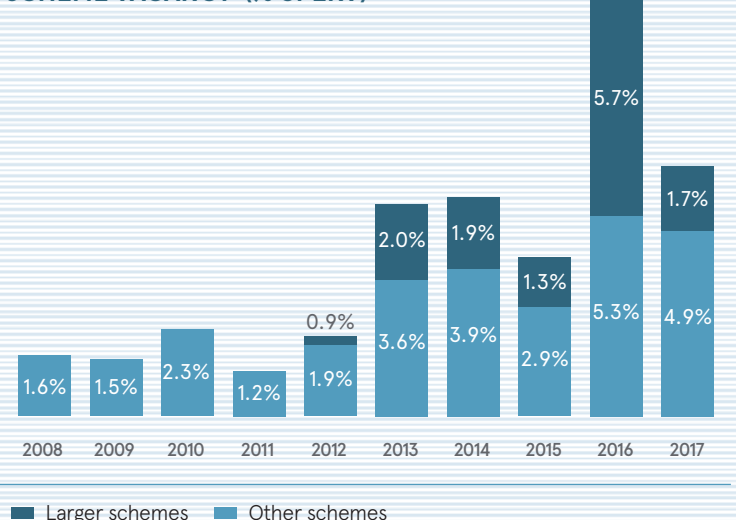
Other schemes

During the year, schemes with an ERV of £4.6 million completed and are largely now income-producing. New schemes, with an ERV of £4.1 million, commenced.

We had 47 schemes underway at 30 September 2017, extending to 95,300 sq. ft. and representing 4.9% of ERV. These included 17,600 sq. ft. of restaurants and cafés (ERV: £1.5 million), 22,500 sq. ft. of shops (ERV: £1.9 million), 32,300 sq. ft. of office space (ERV: £2.1 million), and 38 apartments either being created or up-graded (ERV: £1.1 million). Of this, space with an ERV of £0.9 million was under offer.

In the Longmartin joint venture, our share of capital expenditure during the year was £1.2 million. At 30 September 2017, the ERV of our 50% share of space held for refurbishment was £0.7 million. This includes the redevelopment of the prominent 13,000 sq. ft. mixed-use building on the corner of Long Acre and Upper St Martin's Lane. Expected to complete in late 2018, our share of the cost of this scheme is expected to be £4.6 million.

SCHEME VACANCY¹ (% of ERV)



Improving the public realm

Improving the public realm is a key part of our management strategy.

Public realm improvements both to Cambridge Circus and the western section of Earlham Street are now close to completion. We expect that these schemes, together with the opening of the Elizabeth Line, will, over time, materially improve footfall throughout Seven Dials, bringing benefits particularly to those streets where rental values are currently materially below their long-term potential.

At our Central Cross holding, Westminster City Council's improvement scheme for Newport Place and Newport Court, which we are funding, has commenced recently. It is scheduled for completion in phases from spring 2018. This new public space will be traffic-free each day, other than for servicing between 7am and noon, providing the opportunity, subject to planning and licensing approvals, for al fresco dining.

As part of the plans to improve pedestrian capacity, in advance of the opening of the Elizabeth Line, Westminster City Council have designated Broadwick Street as a priority pedestrian route. There have already been improvements to the public realm at the eastern end of the street and we are now working with the City Council on plans to improve the streetscape around 57 Broadwick Street and the eastern entrance to Carnaby.

Acquisitions with good rental growth prospects

£37.1m

ACQUISITIONS

During the year, we acquired seven properties at a total cost of £37.1 million. These comprised four restaurants, two shops, one pub and 3,700 sq. ft. of office space, of which 2,300 sq. ft. has planning consent for residential use. Three of these buildings were acquired with vacant possession. Through short and medium-term asset management initiatives, these additions each offer the potential for good rental and capital growth, either individually or in combination with our existing ownerships.

We continue to identify and investigate opportunities to acquire assets in, and around, our areas, which offer the opportunity for future rental growth.

90-104 Berwick Street

In August 2017, we entered in to a contract to forward purchase a long-leasehold interest in 90-104 Berwick Street, Soho, at a price of £38.5 million.

Located at the southern end of Berwick Street, the property is currently being redeveloped to provide 12,500 sq. ft. of retail, a 5,500 sq. ft. supermarket, a 2,000 sq. ft. restaurant and a 110-bedroom hotel. Both the hotel and supermarket have been pre-let. The redevelopment is expected to complete in late 2018, which will, subject to satisfying various contractual conditions, trigger the completion of the acquisition.

This strategic acquisition increases our ownership of Berwick Street frontages to 50%. Once completed, it will enable us to accelerate our long-term strategy on this important north-south route in the heart of Soho, which we consider to have good medium to long-term prospects. We expect Berwick Street, which is currently in the final phase of major public realm improvements, to benefit from a significant increase in footfall from the opening of the Elizabeth Line and Tottenham Court Road's new ticket hall on Dean Street in December 2018.

Financial results

REPORTED RESULTS

NET ASSET VALUE PER SHARE¹

£9.49
+10.7%

NET PROPERTY INCOME

£88.3m
+5.0%

BASIC EPS

108.1p
+203.7%

DIVIDENDS PER SHARE

16.0p
+8.8%

EPRA RESULTS¹

EPRA NAV

£9.52
+7.2%

NAV RETURN

+8.9%

EPRA EARNINGS

£45.2m
+15.9%

EPRA EPS

16.2p
+15.7%

This year's results show further growth in income, earnings and dividends, resulting from continued crystallisation of our portfolio's reversionary potential and the benefit of lower financing costs. Net asset value growth was driven by a strong portfolio valuation performance.

Presentation of financial information

Our property portfolio is a combination of properties which are wholly owned by the Group and a 50% share of property held in joint venture.

The financial statements, prepared under IFRS, includes the Group's interest in its joint venture as one-line items in the Income Statement and Balance Sheet. The analysis below is based on the IFRS financial statements.

Internally, management consider the valuation of properties and our debt position on a proportionally consolidated basis, including our 50% share of the joint venture. Consequently, the analysis of the valuation on pages 36 to 38 and the finance review on pages 56 to 57 are presented on this proportionally consolidated basis.

We consider that this presentation better explains to stakeholders the Group's activities and financial position. Measures presented on a proportional consolidation basis are alternative performance measures as they are not defined under IFRS. Further details are set out on page 140.

Income statement

	2017 £M	2016 £M
Net property income	88.3	84.1
Administrative expenses	(14.1)	(14.1)
Valuation gains ²	231.7	108.3
Operating profit	305.9	178.3
Net finance costs	(32.7)	(33.6)
Debt and interest rate swaps fair value movements ³	22.0	(64.1)
Share of Longmartin post-tax results	6.4	18.5
Profit before tax	301.6	99.1
Tax	-	-
Reported earnings for the year	301.6	99.1
Basic earnings per share	108.1	35.6p

Reported earnings

Profit after tax for the year amounted to £301.6 million (2016: £99.1 million). Basic earnings per share increased to 108.1p (2016: 35.6p), largely due to:

- the portfolio revaluation surplus, which contributed 82.7p (2016: 38.9p).
- net property income which added 31.7p (2016: 30.2p).
- the decrease in the fair value deficit of our interest rate swaps added 7.9p, compared with an increase in this deficit, which reduced earnings per share by 12.5p last year.
- net finance costs, excluding fair value movements, reduced earnings per share by 11.7p (2016: 12.1p).
- a decrease in our share of the post-tax profits from our joint venture, which contributed 2.3p (2016: 6.6p), largely driven by a lower revaluation surplus.

Additionally, last year's earnings per share were reduced by 10.5p as a result of a one-off charge to recognise the fair value of our 8.5% Debenture Stock.

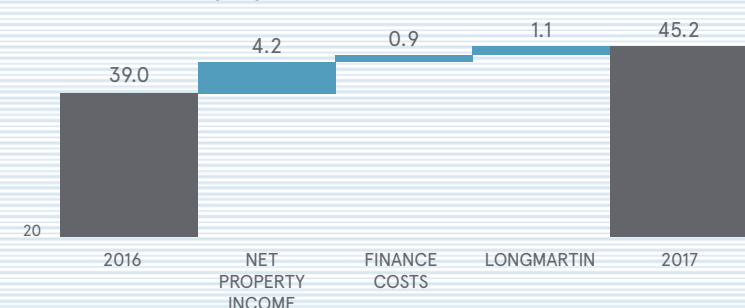
EPRA earnings¹

As is usual practice in our sector, we produce alternative measures for certain indicators, including earnings, making adjustments set out by EPRA in its Best Practice and Policy Recommendations. EPRA earnings are a measure of the level of underlying operating results and an indication of the extent to which current dividend payments are supported by recurring earnings. In our case, EPRA earnings exclude valuation movements in respect of our properties and interest rate swaps, profits on disposal of investment properties and deferred tax arising in our Longmartin joint venture. In 2016, it also excluded the charge for recognising the fair value of our Debenture Stock. EPRA earnings are reconciled below.

	2017 £M	2016 £M
IFRS profit after tax	301.6	99.1
Adjusted for:		
Change in value of investment properties	(230.6)	(108.3)
Change in fair value of financial derivatives	(22.0)	34.9
Profit on disposal of investment properties	(1.1)	-
Recognition of fair value of Debenture Stock	-	29.2
Adjustments in respect of the Longmartin joint venture:		
Change in value of investment properties	(2.6)	(11.3)
Deferred tax	(0.1)	(4.6)
EPRA earnings	45.2	39.0
EPRA EPS	16.2p	14.0p

EPRA earnings increased by 15.9% to £45.2 million (2016: £39.0 million) and EPRA EPS grew 15.7% to 16.2p (2016: 14.0p). This increase was principally driven by growth in net property income as we continue to capture our portfolio's reversionary potential, lower finance costs following our refinancing in October 2016 (see page 56), and increased profits from our Longmartin joint venture, having concluded a number of rent reviews during the year.

EPRA EARNINGS (£M)

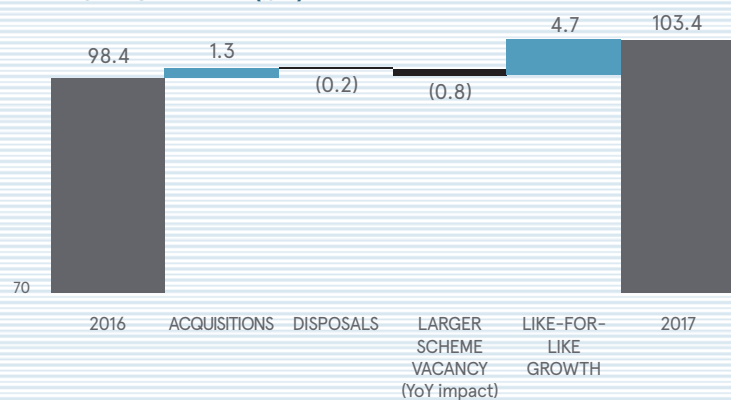


Net property income

Rents receivable increased by £5.0 million to £103.4 million (2016: £98.4 million). Like-for-like growth was 5.0%, as we continue to convert our portfolio's reversionary potential into contracted cash flow. Acquisitions contributed £1.3 million to the increase, whilst vacancy arising from our larger schemes and disposals reduced rents receivable compared with last year by £0.8 million and £0.2 million, respectively.

Irrecoverable property charges were £15.1 million (2016: £14.3 million), representing 14.6% of rents receivable (2016: 14.5%). After these costs, net property income was £88.3 million, up 5.0% (2016: £84.1 million).

RENTS RECEIVABLE (£M)



Administrative expenses

Administrative expenses totalled £14.1 million (2016: £14.1 million). This included charges for annual bonuses of £2.7 million (2016: £3.0 million) and share options of £1.8 million (2016: £2.5 million). Administrative costs, excluding these charges, increased by £1.0 million to £9.6 million (2016: £8.6 million), reflecting growing activity within our business, increased employment costs and additional headcount. We do not capitalise administrative costs.

1 An alternative performance measure ("APM"). See page 140

2 Profit on disposal and surplus on revaluation of investment properties

3 Change in fair value of interest rate swaps and, in 2016, recognition of fair value of Debenture Stock



Cocktails

Valuation gains and disposal profits

The surplus arising on the revaluation of our wholly-owned portfolio amounted to £230.6 million (2016: £108.3 million). This represented a like-for-like increase of 7.5%, principally driven by like-for-like ERV growth of 3.4%, together with yield compression of 11 basis points. Further details are provided on pages 36 to 38.

Disposals of non-core assets in the period totalled £13.8 million, 12.6% above book value at 30 September 2016. These included nine apartments, a small mixed-use building in Covent Garden and 1,500 sq. ft. of ancillary commercial basement space, which was sold to an adjoining owner. After costs, these disposals generated a profit in the year of £1.1 million.

Net finance costs

Net finance costs (excluding the change in fair value of interest rate swaps) decreased by £0.9 million to £32.7 million (2016: £33.6 million) largely as a result of the benefits of reduced borrowing costs following our refinancing in October 2016. This was partly offset by:

- higher net debt as a result of acquisitions and further investment in our portfolio; and
- an accelerated write-off of unamortised deferred loan issue costs of £0.3 million, following our refinancing in September 2017.

Debt and interest rate swaps fair value movements

Following increases in long-term interest rates during the year, the fair value deficit in respect of our interest rate swaps decreased, leading to a credit to the Income Statement of £22.0 million. We have now terminated these swap contracts.

Share of Longmartin post-tax results

Our share of post-tax profit from the Longmartin joint venture decreased by £12.1 million to £6.4 million (2016: £18.5 million), largely due to a lower revaluation surplus of £2.6 million (2016: £11.3 million). Our share of net property income increased by £1.3 million, following the successful conclusion of a number of rent reviews which contributed to a like-for-like increase in rents receivable of 17.2%.

Tax

As a REIT, the Group's activities are largely exempt from corporation tax and, as a result, there is no tax charge in the year (2016: £Nil).

In common with most businesses, we do collect and pay other taxes and levies e.g. payroll taxes, VAT, Stamp Duty Land Tax, Business Rates, and withholding tax on Property Income Distributions. During the year, the total amount paid in respect of these taxes amounted to £18.1 million (2016: £22.2 million). In addition, our share of corporation tax incurred by the Longmartin joint venture was £0.9 million (2016: £0.6 million).

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

Dividends

As a REIT, we are required to distribute a minimum of 90% of qualifying REIT income, calculated by reference to tax rather than accounting rules, as a PID. This is treated as income for investors, and is taxed according to their own tax status. PIDs are subject to withholding tax at basic rate income tax, except for certain classes of investors who can register to receive their distributions gross, rather than net.

Notwithstanding this distribution requirement, our dividend policy is to maintain steady growth in dividends, reflecting the long-term trend in our income and EPRA earnings, adjusted to add back the non-cash accounting charge for equity-settled remuneration. To the extent that dividends exceed the amount available to distribute as a PID, we pay the balance as ordinary dividends.

The Board has recommended a final dividend of 8.1p per share, up 7.3% on last year's final dividend (7.55p per share). Together with the interim dividend of 7.9p per share, this brings the total for the year to 16.0p per share, an increase of 8.8% on 2016 (14.7p per share).

This increase reflects growth in net property income and earnings enhancements from the refinancing reported last year and is covered 1.01 times by EPRA earnings per share and 1.04 times by adjusted earnings per share¹, after adding back the non-cash accounting share option charge of £1.4 million.

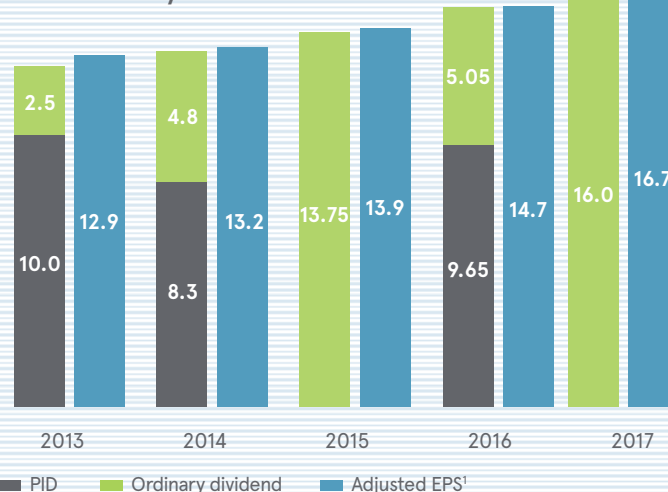
If approved at the 2018 AGM, the final dividend will be paid on 16 February 2018. The exceptional charges associated with our refinancing activities during the year are charged against our current year qualifying REIT income. Since these charges outweigh qualifying income in the year, the final dividend will be paid as an ordinary dividend. It is likely that PID distributions will resume in 2018.

The Board monitors the Group's ability to pay dividends out of available resources and distributable reserves. Prospective dividend payments are estimated in our forecasts, which also take into consideration future liquidity requirements.

At 30 September 2017, we had distributable reserves of £218.0 million. It is our policy, where possible, for subsidiary companies to distribute the majority of their distributable profits to Shaftesbury PLC annually. Currently, there are no restrictions on subsidiaries' ability to distribute profits.

DIVIDENDS VS EARNINGS (PENCE PER SHARE)

Dividends 5-year CAGR: 5.9%



See Portfolio valuation on page 36

See Financial management on pages 56 to 57

¹ EPRA EPS, adjusted to add back the non-cash accounting charge for equity-settled remuneration. This is an alternative performance measure. See page 140

Balance Sheet

	2017 £M	2016 £M
Investment properties	3,407.3	3,111.6
Investment in joint venture	148.0	146.4
Net debt	(914.2)	(752.1)
Fair value of financial instruments	-	(114.1)
Other net assets/(liabilities)	5.8	(4.7)
Net assets	2,646.9	2,387.1
Net asset value per share¹	£9.49	£8.57

Net asset value per share¹

Net asset value per share increased by 10.7% to £9.49 (2016: £8.57), largely due to the revaluation surplus on our investment properties, which contributed 82p. Operating profit, excluding the revaluation surplus, added 27p. Net finance costs reduced net asset value per share by 4p, after a credit for the decrease in the fair value deficit attributable to our interest rate swaps, prior to their termination in September 2017, of 8p. Our share of the Longmartin joint venture contributed 2p and dividends paid during the year totalled 15.45p.

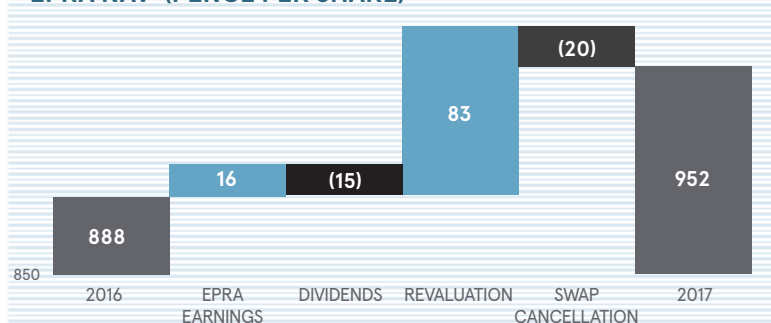
EPRA NAV¹

EPRA NAV is a sector-recognised benchmark, which makes adjustments to reported NAV to provide a measure of the fair value of net assets on a long-term basis. Assets and liabilities which are not expected to crystallise in normal circumstances are excluded. In our case, the calculation excludes deferred tax related to property valuation surpluses in the Longmartin joint venture and the fair value of interest rate swaps. Having terminated our remaining interest rate swaps during the year, there is now no adjustment to EPRA NAV in respect of these.

EPRA NAV per share increased by 64p (7.2%) to £9.52 (2016: £8.88). EPRA earnings of 16.2p per share were offset largely by dividends paid in the year (15.45p per share). The revaluation surpluses from the wholly-owned portfolio and the Longmartin joint venture added 83p. The cancellation of our remaining interest rate swaps reduced EPRA NAV by 20p. Growth over the year, excluding these exceptional refinancing costs, was 9.5%.

Net asset value return¹ measures shareholder value creation, taking into account the growth in EPRA NAV together with dividends paid in the period. Net asset value return in 2017 was 8.9% (2016: 3.8%).

EPRA NAV¹ (PENCE PER SHARE)



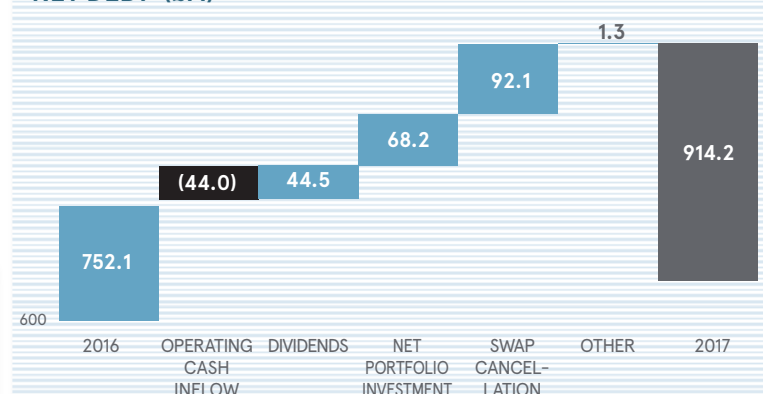
EPRA NAV ¹	2017 £M	2016 £M
IFRS net assets	2,646.9	2,387.1
Effect of exercise of options	0.5	0.5
Diluted net assets	2,647.4	2,387.6
Adjusted for:		
- Fair value of financial instruments	-	76.1
Adjustment in respect of the Longmartin joint venture:		
- Deferred tax	17.9	18.0
EPRA NAV	2,665.3	2,481.7
EPRA NAV per share	£9.52	£8.88
EPRA NAV growth	7.2%	2.2%
Net asset value return¹	8.9%	3.8%

Cash flows and net debt

Net debt increased by £162.1 million to £914.2 million (2016: £752.1 million). The major cash flows were:

- Operating cash inflow totalling £44.0 million.
- Dividends paid amounting to £44.5 million.
- Net capital investment in our portfolio of £68.2 million.
- Termination of interest rate swaps at a cost of £92.1 million.

NET DEBT¹ (£M)



¹ An Alternative Performance Measure ("APM"). See page 140



Financial management

Important refinancing activity has increased our financial resources, diversified our sources of finance, and significantly reduced financing costs.

Sources of capital

Under REIT rules, we are required to distribute the majority of our recurring earnings. Furthermore, the importance of our ownership clusters in long-term value creation means that opportunities to recycle capital are limited.

Therefore, investment in our portfolio is funded through a combination of equity and debt, with equity providing the permanent capital to support our long-term strategy. We use debt to enhance, not drive, returns.

Low-risk debt structure

Consistent with the long-term nature of our portfolio and secure income streams, our core debt finance is provided by long-term arrangements with covenant structures which do not restrict the active management of our assets. Medium-term revolving facilities provide us with flexibility in managing our resources and capacity to invest further in our existing portfolio, in particular allowing us to act swiftly when acquiring properties.

Over the long term, we would expect debt to represent around one third of our invested capital, although we consider other metrics, such as interest cover, when considering gearing levels.

Financing activity during the year

We have concluded important initiatives during the year to strengthen further the Group's financing arrangements, taking advantage of the current interest rate environment and lenders' appetite to provide secure long-term finance.

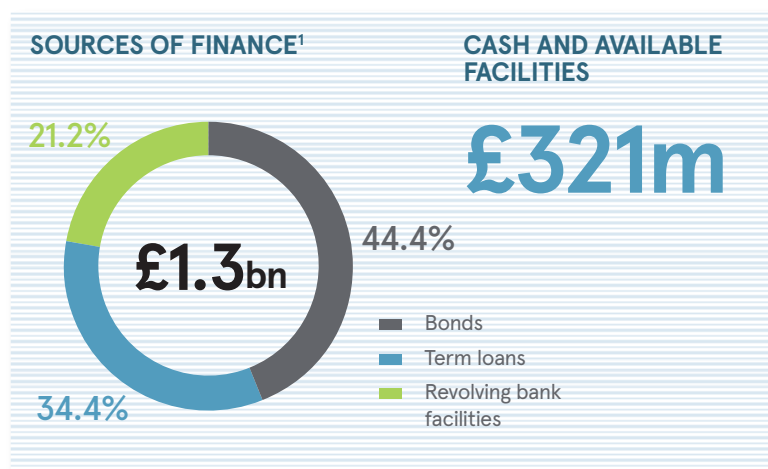
During the year we issued £575 million of secured bonds:

DATE OF ISSUE	AMOUNT £M	RATE	MATURITY
October 2016	285.0	2.487%	2031
September 2017	290.0	2.348%	2027

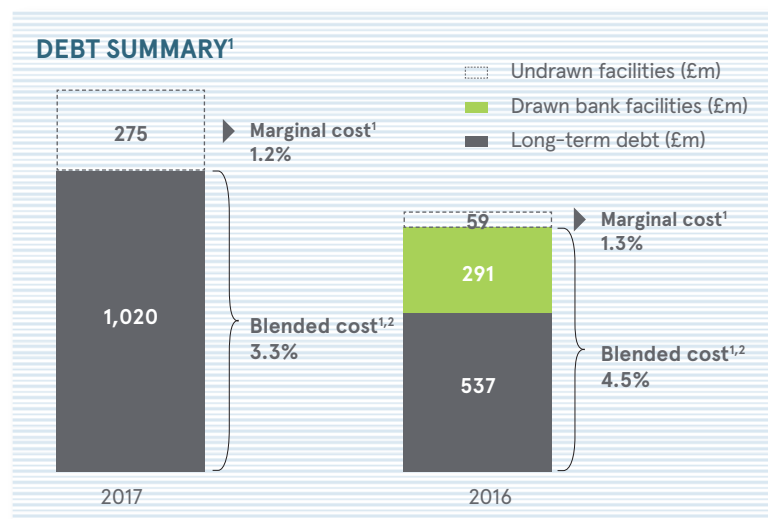
The proceeds of the first issue, in October 2016, were used to redeem our £61 million 8.5% Debenture Stock, including a prepayment cost of £31.1 million, and to terminate interest rate swaps with a notional principal of £55 million, at a cost of £34.1 million. The balance was used to reduce drawings against our revolving credit facilities.

Following the second issue, in September 2017, we repaid bank facilities totalling £75 million, reduced drawings against our revolving credit facilities, with the balance being retained as cash. Subsequently, we cancelled our remaining interest rate swaps at a cost of £57.9 million.

Together, these transactions increased our financial resources, diversified our sources of debt, reduced the blended cost and extended the average maturity.



At 30 September, our cash and undrawn revolving credit facilities totalled £320.6 million and our blended cost of debt had fallen over the year by 1.2% to 3.3%. The marginal cost of our undrawn facilities was just 1.2%. As we continue to fund net investment in our portfolio through further drawings against these facilities, our weighted average cost of debt will fall further.



1 Including our 50% share of Longmartin debt. See presentation of financial information on page 50

2 Including non-utilisation fees on undrawn bank facilities

3 Based on EPRA net assets

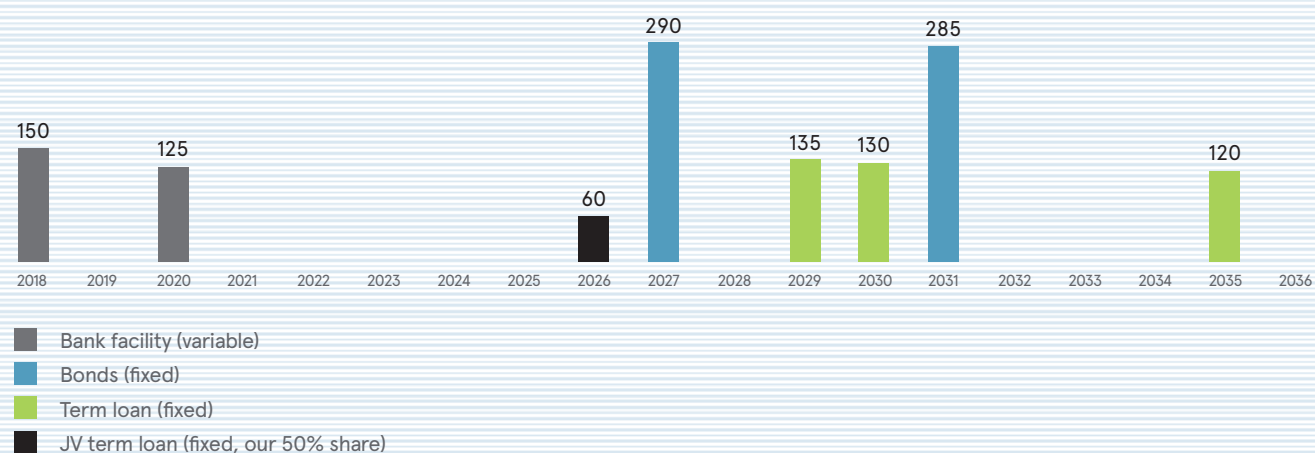
4 Based on net debt

5 An Alternative Performance Measure (APM). See page 140

	2017 £M	2016 £M
DEBT SUMMARY		
Debt excluding Longmartin JV		
- Fixed/hedged debt	959.8	657.0
- Drawn unhedged bank debt	-	110.7
Wholly-owned	959.8	767.7
Longmartin non-recourse debt (50% share)	60.0	60.0
Total debt^{1,5}	1,019.8	827.7
Cash and cash equivalents		
- Wholly-owned	(45.6)	(15.6)
- Longmartin (50% share)	(0.6)	(2.0)
Net debt (including our 50% share of Longmartin)^{1,5}	973.6	810.1
Less: our share of Longmartin net debt	(59.4)	(58.0)
Reported net debt	914.2	752.1
DEBT METRICS		
Undrawn floating rate facilities (£m)	275.0	59.3
Loan-to-value ^{4,5}	26.7%	24.2%
Gearing ^{3,4,5}	36.5%	32.6%
Interest cover ⁵	2.3x	2.1x
% debt fixed	100%	87%
Blended cost ^{2,5}	3.3%	4.5%
Marginal cost of undrawn floating rate facilities	1.2%	1.3%
Weighted average maturity (years)	10.3	9.2

DEBT MATURITY PROFILE¹

Weighted average maturity: 10.3 years



We are in advanced discussions currently to extend both of our bank facilities from 2018 and 2020 to 2022.



Nightlife

Risk management

The Board’s attitude to risk management is consistent with its low overall appetite for risk.

This report should be read in conjunction with the viability statement on page 64.

Overview

The Board structures the Group’s operations to minimise exposure to investment, operational and financial risks, and to ensure that there is a rigorous, regular review of risks and mitigation across its activities.

Important factors contributing to the relatively low risk of our business include:

- The Group invests only in London’s West End, where there is a long history of resilience, stability and sustained occupier demand for restaurant, leisure and retail space, which are the principal sources of our rental income and portfolio value
- With a diverse tenant base, there is limited exposure to any single tenant
- The nature of our portfolio does not expose us to risks inherent in material speculative development schemes
- We have an established and experienced management team, based in one location, close to all our holdings
- We manage our balance sheet on a conservative basis with moderate leverage, long-term finance, a spread of loan maturities, good interest cover and with the majority of interest costs fixed.

Management structure

As a foundation to effective day-to-day risk management, we have a culture which encourages open dialogue within the management team and with the wide range of external advisors we employ in running the business. Our team, based in one office, within fifteen minutes’ walk of all our holdings, comprises four executive directors and 25 staff. The executive management team, with an average tenure of over 16 years, has an in-depth knowledge of our business and the West End property market.

The Board’s attitude to risk is embedded in the business, with executive directors closely involved in all aspects of operations and significant decisions. Non-executive directors approve capital, debt and non-routine transactions over a specified level.

Senior management, below Board level, is incentivised in the same way as executive directors to achieve the Group’s strategic goals of delivering long-term growth in rental income, capital values and shareholder returns. Decisions are made for long-term benefit, rather than short-term gain. Succession planning across the management team is continually monitored by the Board.

Responsibilities



Risk management and internal control

The Board reviews the nature and extent of the Group's principal risks and uncertainties, and monitors the risk management framework and internal control systems. Such systems are designed to manage, rather than eliminate, the risks faced by the business and can provide only reasonable, not absolute, assurance against material misstatement or loss. Their adequacy and effectiveness are monitored through the risk management and audit processes which include financial and property management audits.

The Group has established processes and procedures to identify, assess, and manage the principal risks and uncertainties we face. These processes and procedures were in place throughout the year and remained in place up to the date of the approval of the Annual Report and accord with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014).

The key elements of the Group's procedures and internal financial control framework are:

- Close involvement of the executive directors in all aspects of day-to-day operations, including regular meetings with employees to review risks and controls.
- Clearly defined responsibilities and limits of authority.
- Defined schedule of matters for decision by the Board including significant acquisitions, disposals, major contracts, material refurbishment/development proposals and any other transaction outside the normal course of business.
- A comprehensive system of financial reporting and forecasting, which includes forecast liquidity requirements and loan covenant compliance.
- The day-to-day management of the Group's portfolio is outsourced to two managing agents. The Group monitors the performance of each managing agent and has established extensive financial and operational controls to ensure that each maintains an acceptable level of service and provides reliable financial and operational information. The managing agents share with the Group their internal control assessments. The Group periodically uses the services of an external consultant to review the managing agents' operational processes and controls.

Risk assessment

Operational and financial risks facing the Group are monitored through a process of regular assessment by the executive team. The aim of this assessment is to:

- Provide reasonable assurance that material risks are identified.
- Ensure appropriate mitigation action is taken at an early stage.

Risks are considered in terms of their impact and likelihood from operational, financial and reputational perspectives. Risks, and the controls in place to mitigate them, are formally reported, discussed and challenged, at meetings of the Audit Committee and the Board. To the extent that significant risks, failings or control weaknesses arise during the year, these are reported to the Board and appropriate action is taken to rectify the issue and implement controls to mitigate further occurrences.

The Audit Committee has monitored the Group's risk management and internal control system, and having reviewed the effectiveness of material controls, has not identified any significant failings or weaknesses in the Group's controls during the year.

Principal risks and uncertainties



The Board has carried out a robust assessment of the principal risks and uncertainties which might prevent the Group achieving its goal of long-term growth in rental income, capital values and shareholder returns. These risks and uncertainties are consistent with those reported in 2016.

The performance of the UK economy has been relatively resilient since the EU referendum in June 2016. Whilst national consumer spending trends are unclear, trading in our locations continues to be buoyant, benefiting from increasing numbers of international visitors, whose spending power has been enhanced by the strength of their local currencies against Sterling since the referendum.

Looking ahead, the UK faces a period of uncertainty as it negotiates its exit from the EU, which brings a risk of lower business and consumer confidence. Whilst it is not possible to conclude as to any long-term impact this may have on our business, we expect the West End, underpinned by its wide appeal and dynamic economy, will maintain its long record of resilience.

Details of the principal risks and uncertainties, mitigation and evolution of risk during the year are set out on pages 61 to 63.

GEOGRAPHIC CONCENTRATION RISK

RISK	POTENTIAL IMPACT	MITIGATION	COMMENTARY	HOW RISK HAS EVOLVED
<p>Events which discourage visitors to the West End e.g.</p> <ul style="list-style-type: none"> • Threats to security or public safety due to terrorism • Health concerns (e.g. pandemics) <p>1</p>	<ul style="list-style-type: none"> • Reduced visitor numbers, spending and occupier demand • Reduced rental income and/or capital values • Potential increased vacancy and declining profitability • Damage to property 	<ul style="list-style-type: none"> • Inherent risk given the geographic concentration of our investments in a high profile location • Insurance cover maintained for terrorism and loss-of-rent • Close liaison with statutory authorities to maximise safety of visitors • Detailed emergency response plans 	<p>London has a growing population, is the most visited city destination for international tourists in the western world, and current forecasts are for further growth in visitor numbers. Across the West End, spending and occupier demand continue to be healthy</p> <p>The UK's terrorism threat level currently is "severe" after briefly being raised to "critical" earlier this year</p>	
<p>Competing destinations lead to long-term decline in footfall in our villages</p> <p>1 3</p>	<ul style="list-style-type: none"> • Reduced visitor numbers and occupier demand • Reduced rental income and/or capital values • Potential increased vacancy and declining profitability 	<ul style="list-style-type: none"> • Ensure our villages maintain a distinct identity • Management strategies to create prosperous destinations within which tenants can operate • Seek out new concepts, brands and ideas to keep our villages vibrant and appealing • Consistent strategy on tenant mix, which evolves over time • Marketing and promotion of our villages • KPI to deliver sustainable rental growth • Regular board monitoring of performance and prospects 	<p>Footfall and occupier demand across our villages remains good. We continue to see rental growth and low underlying vacancy</p>	

REGULATORY RISK

<p>All our properties are in the boroughs of Westminster and Camden. Changes to national or local policies, particularly planning and licensing, could have a significant impact on our ability to maximise the long-term potential of our assets</p> <p>1 2</p>	<ul style="list-style-type: none"> • Limit our ability to optimise revenues • Reduced profitability • Reduced capital values 	<ul style="list-style-type: none"> • Ensure our properties are operated in compliance with local regulations • Make representations on proposed policy changes, to ensure our views and experience are considered • Mix of uses in our portfolio means we are not reliant on income from one particular use 	<p>There are no current indications that the evolution of planning and licensing frameworks, either as a result of national or local legislation, will have a material impact on the Group's business for the foreseeable future</p>	
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Link to business model:



- 1 Exceptional portfolio in the heart of London's West End
- 2 Focus on restaurants, leisure and retail
- 3 Creating distinctive, lively and interesting destinations

-  Risk increased
-  Risk unchanged
-  Risk decreased






Relaxing

ECONOMIC RISK

RISK	POTENTIAL IMPACT	MITIGATION	COMMENTARY	HOW RISK HAS EVOLVED
<p>Economic uncertainty and lower confidence could reduce consumer spending. Together with upward cost pressures, this could reduce tenant profitability and occupier demand</p> <p>1 2 3</p>	<ul style="list-style-type: none"> • Pressure on rents • Declining profitability • Reduced capital values 	<ul style="list-style-type: none"> • Focus on assets, locations and uses which have historically proved to be economically resilient • Tourism and retail/leisure spending in the West End are not reliant on the wider-UK economy • Promoting our areas • Diverse tenant base with limited exposure to any one tenant • Tenant deposits held against unpaid rent obligations at 30 September 2017: £18.5m 	<p>Restaurant, leisure and retail tenants provide 70% of our annualised current income</p> <p>In our areas, trading, footfall and spending have been resilient since the EU referendum and we continue to benefit from healthy demand and rental growth. However, uncertainty will remain until the UK's future arrangements with the EU are negotiated</p>	
<p>Decline in the UK real estate market due to macro-economic factors e.g. global political landscape, currency expectations, bond yields, interest rate expectations, availability and cost of finance, relative attractiveness of property compared with other asset classes</p> <p>2 4</p>	<ul style="list-style-type: none"> • Reduced capital values • Decrease in NAV, amplified by gearing • Loan covenant defaults 	<ul style="list-style-type: none"> • Focus on assets, locations and uses where: <ul style="list-style-type: none"> - there is a structural imbalance between availability of space and demand - which have historically proved to be economically resilient and have demonstrated much lower valuation volatility than the wider market • Regular review of investment market conditions including bi-annual external valuations • Conservative levels of leverage, with the majority at fixed rates • Spread of sources of finance and loan maturities • Quarterly forecasts including covenant headroom review • Pool of uncharged assets available to top up security held by lenders 	<p>Interest rates have continued at historically low levels</p> <p>Present market sentiment is that increases will be moderate and gradual, although the current political and economic backdrop increases uncertainty</p>	

Link to business model:

- 1 Exceptional portfolio in the heart of London's West End
- 2 Focus on restaurants, leisure and retail
- 3 Creating distinctive, lively and interesting destinations
- 4 Prudent financial management

-  Risk increased
-  Risk unchanged
-  Risk decreased

Viability statement

The Board has assessed the prospects of the Group over a five year period. Based on the assumptions set out below, it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this assessment period.

The Board considered a five-year review of the Group's prospects, prepared by senior management. This period reflects lease lengths or rent review patterns across the majority of our portfolio, and corresponds with the Group's current forecast period. Our forecasts are updated half-yearly and reflect the Group's established strategy of long-term investment in London's West End, its existing commitments, available financial resources, and long-term financing arrangements. They consider profits, cash flows, funding requirements and other key financial ratios over the period, as well as the headroom in the financial covenants contained in the Group's various loan agreements.

KEY FORECAST ASSUMPTIONS

ASSUMPTIONS

The Group had cash and undrawn committed loan facilities at 30 September 2017 totalling £320.6 million, which comfortably exceeds the Group's commitments over the assessment period. This assumes an ability to refinance revolving credit facilities totalling £150 million and £125 million which mature in 2018 and 2020 respectively.

Crystallisation of the portfolio reversionary potential over the period.

COMMENT

The Group maintains a prudent approach to gearing, with debt facilities which are largely fixed and long-term in nature. At 30 September, our loan-to-value ratio¹ was 26.7%. The interest on all drawn debt was fixed at that point and our weighted average maturity of debt was 10.3 years.

The two facilities which mature during the period of assessment represent 22.2% of our total committed debt facilities.

We are currently in advanced negotiations to refinance both of these facilities and the Board has reasonable confidence that these negotiations will conclude successfully.

We have a long record of crystallising the independently-assessed ERV of our portfolio over a three-to-five year period. 67% of the total uncontracted portfolio reversion arises from restaurants, leisure and shops, the demand for which, in our locations, is not cyclical and has demonstrated sustained long-term growth over many years. ERVs are based on current, proven rental tones, and do not assume any further growth.

Principal risks and uncertainties

The most relevant potential impacts on viability, which arise from our principal risks and uncertainties are set out below:

- A substantial and sustained decrease in visitor numbers to the West End and our villages which could result in reduced occupier demand, rental income and/or capital values, higher vacancy and declining profitability
- Regulatory changes which could reduce profitability and capital values
- Changing economic conditions which could reduce capital values, reducing headroom in loan covenants.

Scenario analysis

In carrying out this review, we assumed no further acquisitions nor capital expenditure, other than that which was committed or approved by the Board. Similarly, we assume no new debt facilities are raised and no debt refinancing takes place, other than refinancing the bank facilities which mature during the forecast period.

The review overlaid the potential impact of the principal risks which could affect solvency or liquidity in 'severe but plausible' scenarios onto the five-year forecasts and concluded that the business would remain viable. It included sensitivity analyses which flexed inputs to the forecasts including reduced income, profitability and capital values, both individually and in unison, to reflect these severe but plausible scenarios.

Asset value declines resulting from increasing equivalent yields to levels similar to those in 2008/09 were modelled. This would result in a near halving of our portfolio valuation. In unison, we considered decreases in rental income of up to 40%. These assumptions would represent a significant contraction in the size of the business over the five-year period. However, our assessment is that such a scenario would not threaten the viability of the Group.

Viability

Based on the assessment outlined above, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to September 2022.

The Strategic Report on pages 1 to 64 was approved by the Board on 27 November 2017.

Brian Bickell
Chief Executive

Chris Ward
Finance Director

¹ Based on net debt and including our 50% share of the Longmartin joint venture.



Openings





Governance

Our people

Executive Directors

BRIAN BICKELL, FCA
Chief Executive

Overall responsibility for implementing the Group's strategy and day-to-day operations

Joined the Group in 1986

Board appointment

Appointed Finance Director on 20.7.1987 and Chief Executive on 1.10.2011

External appointments

Director of Longmartin Properties Limited

Board member of Westminster Property Association

Chairman, UK China Visitor Alliance

Board member of Freehold

SIMON J QUAYLE, BSC, MRICS
Executive director

Responsible for the asset management and operational strategy in Carnaby, Soho and Fitzrovia

Joined the Group in 1987

Board appointment

Appointed Property Director on 1.10.1997

External appointments

ZSL development strategy board

Revo strategy board

TOM J C WELTON, MRICS
Executive director

Responsible for the asset management and operational strategy in Covent Garden and Chinatown

Joined the Group in 1989

Board appointment

Appointed Property Director on 1.10.1997

External appointments

Director of Longmartin Properties Limited

CHRIS P A WARD, MA (OXON), ACA
Finance Director

Responsible for implementation of the Group's financial strategy and all aspects of accounting and taxation

Joined the Group in 2012

Board appointment

Appointed Finance Director on 9.1.2012

External appointments

Westway Trust: trustee, chairman of audit committee and member of property and regeneration committee

From left to right: Brian Bickell, Chris Ward, Tom Welton and Simon Quayle



Non-executive Directors

JONATHAN C NICHOLLS ACA, FCT*
Non-executive Chairman and Chairman of the Nomination Committee

Board appointment 1.9.2016 and Chairman on 1.10.2016

Experience

From 1985 various roles at Abbey National. In 1996 joined Hanson plc and became Finance Director in 1998.

Joined Old Mutual plc in 2006 as Group Finance Director

Non-executive director of Man Group plc 2004-2006

Non-executive director and chairman of the audit committee of Great Portland Estates plc 2009-2016

Non-executive director and chairman of the audit committee of SIG plc 2009-2017

Other appointments

Non-executive director, senior independent director and chairman of the audit committee of D S Smith plc

Non-executive director, senior independent director and chairman of the audit committee of Istock plc

Skills

Over 19 years' experience of public company boards and their operation Finance, commercial, strategic, communication, investor relations and management skills

20 years' experience in property and related industries

JILL C LITTLE*
Non-executive director and Senior Independent Director
 Board appointment 2010

Experience

John Lewis Partnership 1975 to 2012. Merchandise director 2002-2011 and Business and Development director 2011-2012

Other appointments

Chairman of the Commercial Group of the National Trust, NTE Limited and NTRE Limited

Non-executive director of Joules Group Plc and Nobia AB

Skills

Extensive experience in the retail sector Communication and management skills

SALLY E WALDEN*
Non-executive director and chairman of the Remuneration Committee
 Board appointment 2012

Experience

From 1984 to 2009 with Fidelity International in senior fund management roles

Other appointments

Trustee of the Fidelity Foundation
 Director of the Pantry Partnership

Skills

Experience of financial markets and fund management

Financial analysis skills

Experience in remuneration structures

DERMOT C A MATHIAS BSC, FCA*
Non-executive director and Chairman of the Audit Committee
 Board appointment 2012

Experience

Partner in the corporate finance department of BDO LLP from 1980

Senior partner of BDO and chairman of the policy board of BDO International 2002-2009

Other appointments

Non-executive director of Rectory Homes Limited

Governor of Activate Learning

Skills

Strong financial skills

Extensive experience in leadership and management

RICHARD AKERS FRICS*
Non-executive director
 Board appointment 28.11.2017

Experience

Senior executive of Land Securities Group plc (1995-2014). Joined main board in May 2005 following appointment as Managing Director of the Retail Portfolio.

Director and President of the British Council of Shopping Centres 2009-2012.

Other appointments

Non-executive director, senior independent director and chairman of the remuneration committee and safety, health and environmental committee of Barratt Developments PLC

Member of the advisory board of Battersea Power Station Development Company Limited

Skills

Broad range of real estate knowledge and experience, including retail property

HILARY S RIVA, OBE*
Non-executive director
 Board appointment 2010

Experience

Previously managing director of various high street brands including Top Shop, Warehouse, Dorothy Perkins and Evans

Chief Executive of the British Fashion Council from 2005-2009 and remained in a non-executive capacity until November 2010

Other appointments

Non-executive director and chairman of the remuneration committee of ASOS plc

Director of Shepherd Neame Limited

Skills

Extensive experience in the fashion retail sector

Understanding of consumer behaviour and strategic planning

*Independent non-executive directors for the purposes of the UK Corporate Governance Code. More detailed biographies are available on our website.

From left to right: Jonathan Nicholls, Sally Walden, Dermot Mathias, Jill Little, Richard Akers and Hilary Riva



Management team

Details of the senior leadership team and the Company Secretary are set out below. Together with the executive directors, they comprise the Executive Committee. See page 75 for information on the committee.



PENNY THOMAS LLB (HONS), FCIS
Company Secretary
Joined 2005

Advises the Board on governance. Responsible for compliance, company secretarial and group-wide sustainability. Member of sustainability and community investment committees.



JULIA WILKINSON BSC MSC MRICS
Portfolio & Group Restaurant
Strategy Executive
Joined 1997

Group restaurant and leisure leasing strategy and Opera Quarter, Coliseum and Fitzrovia asset management.



ANDREW PRICE BSC (HONS), MRICS
Portfolio Executive
Joined 2001

Group-wide acquisitions strategy and Chinatown asset management. Chairman of community investment committee.



ROB KIRK BSC (HONS), MRICS
Portfolio Executive
Joined 2004

Carnaby and Soho asset management and group-wide property management and environmental strategy. Member of sustainability committee. Board member - Soho Neighbourhood Forum.



SAM BAIN-MOLLINSON
BA (HONS) MSC MRICS
Head of Retail
Joined 2011

Group retail strategy and retail leasing.



CHARLES OWEN BSC (HONS), MRICS
Portfolio Executive
Joined 2012

Seven Dials and St Martin's Courtyard asset management and group-wide planning. Member of community investment committee.



KAREN BAINES FCIM
Head of Group Marketing &
Communications
Joined 2016

Consumer, trade and corporate communications, marketing and events.

Corporate website

shaftesbury.co.uk

Other websites

carnaby.co.uk
sevendials.co.uk
chinatown.co.uk
thisissoho.co.uk
stmartinscourtyard.co.uk



Governance at a glance

THE CHAIRMAN

- Independent Chairman
- Leadership of the Board

THE ROLE OF THE BOARD

- Schedule of matters reserved for the Board
- D&O cover and deeds of indemnity

DIVISION OF RESPONSIBILITY

- Separation of roles of Chairman and Chief Executive
- Statement of responsibilities - page 104

NON-EXECUTIVE DIRECTORS

- Meetings of non-executive directors held without executives
- Senior Independent Director identified

LEADERSHIP

RISK MANAGEMENT AND INTERNAL CONTROL

- Robust assessment of principal risks - page 59
- Effectiveness of risk management and internal control systems - page 60
- Viability statement - page 64

FINANCIAL AND BUSINESS REPORTING

- Annual report which is fair, balanced and understandable - page 83
- Auditor's report - pages 105 to 110
- Business model description - page 11
- Going concern - page 102

AUDIT COMMITTEE AND AUDITORS

- Audit Committee report - pages 82 to 84
- Recent and relevant financial experience - Dermot Mathias
- Whistleblowing policy - page 29
- Review of need for internal audit function - page 84

UK CORPORATE GOVERNANCE CODE¹

Full compliance - see page 74

THE LEVEL AND COMPONENTS OF REMUNERATION

- Annual Remuneration report - pages 92 to 100

ACCOUNTABILITY

EFFECTIVENESS

COMPOSITION OF THE BOARD

- Independent Chairman
- Balance of 4 executive directors and 4 independent non-executive directors
- Skills and experience – pages 68 to 69

RE-ELECTION

- All directors stand for annual re-election
- 2 non-executive directors have more than 6 years' service and are subject to rigorous review

EVALUATION

- Full external Board performance evaluation – page 77

APPOINTMENTS TO THE BOARD

- Nomination Committee process for new non-executive director appointment – page 80

DEVELOPMENT

- Induction of Chairman and non-executive director – page 81
- Directors' training is monitored and updates on regulatory and legislative changes provided
- New compliance training programme

COMMITMENT

- Time commitment considered when electing and re-electing directors

INFORMATION AND SUPPORT

- Company Secretary advises the Board through the Chairman
- Access to independent professional advice
- Good information flows between management and the Board

DIALOGUE WITH SHAREHOLDERS

- Over 225 meetings with investors and potential investors in the year, including portfolio tours
- Chairman and Senior Independent Director available to shareholders

CONSTRUCTIVE USE OF GENERAL MEETINGS

- Accessible AGM with voting on a poll, separate resolutions and proxy voting (for, against or withheld)
- Committee Chairs available at AGM to answer questions
- Notice sent out at least 20 working days before meeting

RELATIONS WITH SHAREHOLDERS

PROCEDURE

- Remuneration policy summary table – pages 90 to 91
- Annual remuneration report – pages 92 to 100
- No director is involved in fixing their own remuneration

REMUNERATION



Corporate Governance

THE ROLE OF THE BOARD IN GOVERNANCE IS TO SET THE STRATEGIC AIMS OF THE BUSINESS, PROVIDE LEADERSHIP AND SUPERVISION AND REPORT TO SHAREHOLDERS ON ITS STEWARDSHIP

Dear shareholder

I am delighted to be writing to you following my first year as your Chairman.

Corporate governance is embedded in our culture and the day-to-day running of your Company. I am committed to maintaining the high standards we have demonstrated for many years. We pride ourselves on being open, transparent and engaged with our shareholders, stakeholders and our local community.

We have a well-balanced Board with a good range of skills. It is important that I ensure there is a steady and smooth rotation and refreshing of non-executive directors.

Oliver Marriott retired as a director in July having served for almost eight years. I thank him, on behalf of the Board and shareholders, for his contribution during this time.

We will appoint a new non-executive director, Richard Akers, on 28 November 2017. His skills will complement those of his fellow directors. He will be proposed to shareholders for election at the AGM in February 2018. The process leading up to his recommendation for election is contained in the Nomination Committee report. We are delighted to welcome him to the Board.

In accordance with good governance, each of my fellow directors and I will stand for re-election at the AGM. The Nomination Committee had recommended the re-election of Jill Little and Hilary Riva, who have both served on the Board for more than six years, having considered the contribution that they make to the business and their continuing independence.

Compliance with the UK Corporate Governance Code

The Company has complied in full with the UK Corporate Governance Code during the year. The application of the principles of the Code is contained in this report and in the individual Committee reports which follow.

Employees

The knowledge, experience and commitment of our employees is critical to the delivery of our strategy. I have spent time this year getting to know, not only my fellow Board members, but also everyone who works for us.

This year, we have focussed on employee recruitment, training and development. We have instigated a number of procedures around recruitment to ensure we recruit from a diverse talent pool. Training and development are important to ensure employees grow in their roles and that we continue to retain their skills and experience.

We have recently formed an Executive Committee comprising the executive directors, Company Secretary and the senior leadership team. Its role is to monitor operational matters and contribute to the longer term evolution of the Group's strategy and its implementation. It provides senior employees below Board level, greater engagement and experience in managing the Group's business. Further information can be found on page 70.

Culture

Culture is important in the operation of the Board and throughout the Group. Our corporate culture underpins the success of our business and is embedded throughout our long-term business model.

The Board has an open and transparent culture which is facilitated and monitored by me. This is particularly evident in Board meetings where we engage in constructive and open dialogue.

As part of our July meeting, Board culture was discussed. This was the first stage of our work, to articulate and document our culture and values, which has been extended throughout the organisation.

Data protection

In addition to the risk and control framework review, particular attention has been focussed this year to ensure that we have appropriate data and information governance processes, controls and policies in place ahead of the implementation of the General Data Protection Regulation in May 2018.

Further information on our risks is contained in risk management on pages 59 to 63.

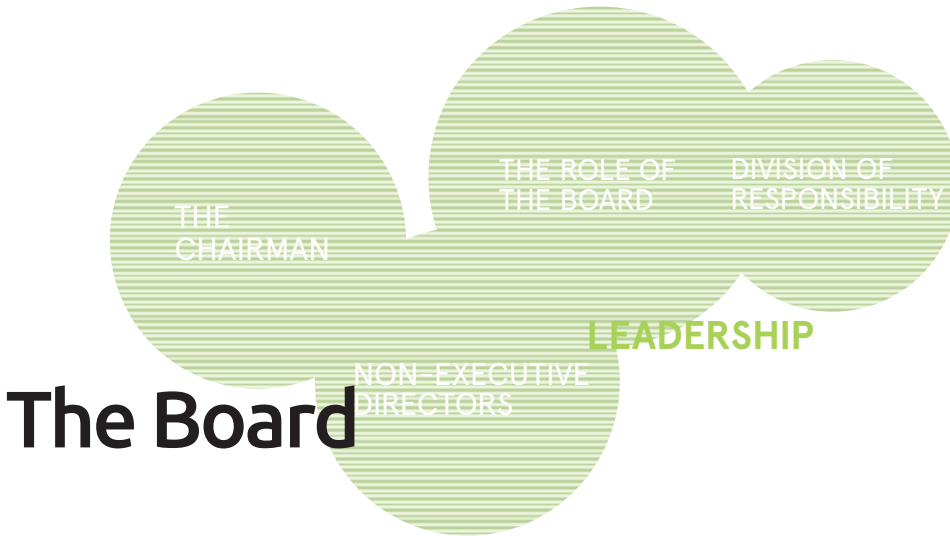
Board performance evaluation

This year, we have undertaken a full external Board performance review. The process, recommendations made, and the actions to implement those recommendations, are summarised on page 77.

Jonathan Nicholls
Chairman

27 November 2017





There is a balance of executive and non-executive directors, with a wide range of business skills, including property, finance, retail and fund management on our Board. All directors contribute to constructive debate in the boardroom and to the implementation of the Group's strategy.

The Chairman was independent on his appointment to the Board. He chairs the Nomination Committee, but, in line with the UK Corporate Governance Code, is not a member of the Remuneration or Audit Committees. Each of the other non-executive directors is considered by the Board to be independent.

The Board meets regularly and there is an annual cycle of topics to be considered, including key management and financial updates, as well as approval of significant acquisitions and refurbishment schemes.

Each Committee provides a summary of business discussed to the Board and the minutes of all Committees are circulated to the Board.

Whilst strategy is considered at every Board, one meeting each year is dedicated to this topic. The July 2017 Board meeting focused on a strategy session which considered the impact of external changes and developments and how the Group's business model might be affected. This included consideration of the Company's culture, succession, the impact of technology, changes in consumer behaviours and the tourism market as well as the resources and skills the business may require in the future.

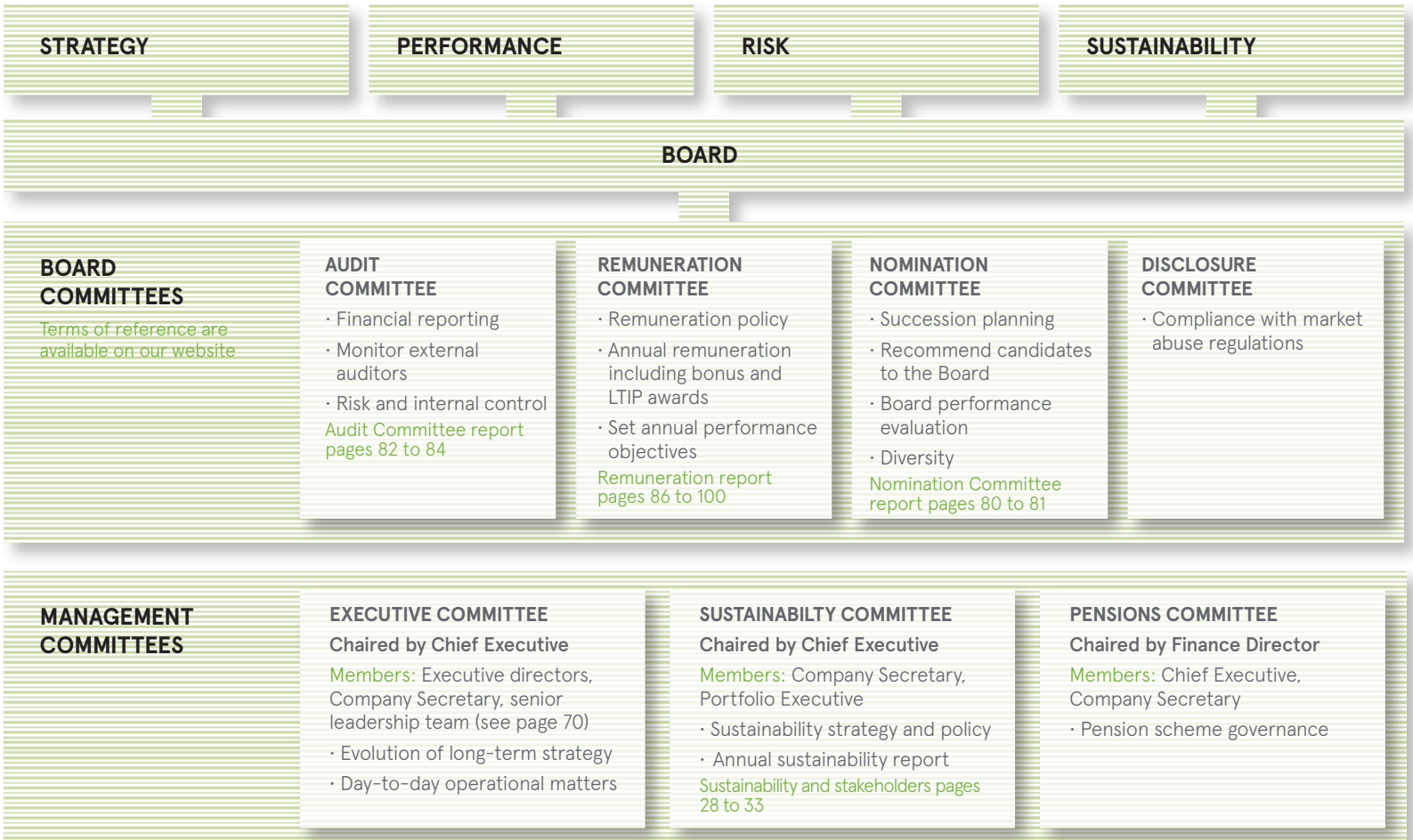
Employees below Board level are invited to present to the Board on operational topics during the course of the year. Non-executive directors have direct and open access to employees below Board level.

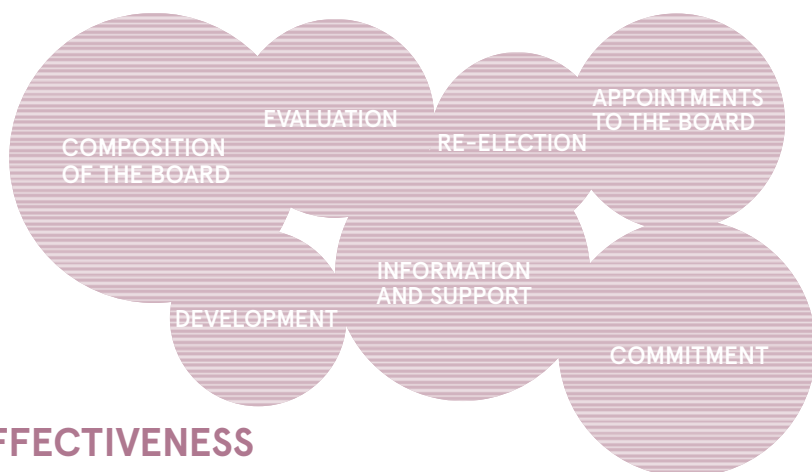
BOARD MEETING ATTENDANCE

(six held)

Chairman	
Jonathan Nicholls	6
Executive directors	
Brian Bickell	6
Simon Quayle	6
Tom Welton	6
Chris Ward	6
Non-executive directors	
Jill Little	6
Oliver Marriott*	5
Dermot Mathias	6
Hilary Riva	6
Sally Walden	6

* Five meetings were held in the period prior to his retirement on 6 July 2017





EFFECTIVENESS

- All directors are subject to annual re-election. Two non-executive directors have more than six years' service and were subject to rigorous review by the Nomination Committee which considered their contribution and independence.
- Training and development of directors including the implementation of an e-learning programme.
- Close engagement with the business and employees and an open-door policy for non-executive directors.
- Good flow of information to the Board.
- Regular visits/tours of the portfolio.

Board performance evaluation

No evaluation was undertaken last year due to the change of the Chairman but, the Board undertook to carry out a full externally-facilitated evaluation during the course of 2017. Boardroom Dialogue was appointed to carry out the review. Meetings were held with each director and the Company Secretary individually. The report was discussed at the September meeting of the Board.

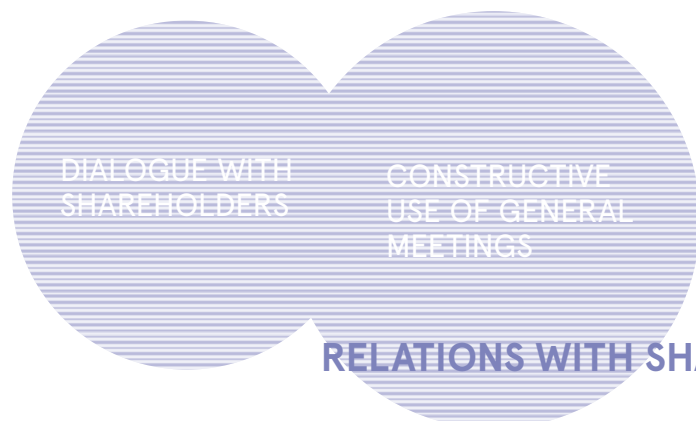
- The conclusion of the evaluation was that the Board functions well.
- The appointment of a new Chairman has been received positively by stakeholders and he has settled well into the role.
- There is an excellent working relationship at all levels of the Board.

Areas to focus on in the year ahead include:

- Continuing focus on succession planning for both executive and non-executive directors.
- Increased training and development of employees.
- Introduce a NED only session at every Board meeting (currently held annually).
- Streamline the volume and format of information to the Board.

The Senior Independent Director reviewed the performance of the Chairman. The Chairman reviewed the performance of all other directors.

A review of each committee was undertaken by its members.



RELATIONS WITH SHAREHOLDERS

- The Board considers regular contact with our shareholders to be an important aspect of corporate governance. Investor relations is the responsibility of the Chief Executive.
- Tours are held with the UK Shareholders Association, which represents private investors.
- During the year, the Chief Executive and executive directors held over 225 meetings with UK and overseas institutional investors comprising both current and potential shareholders. Meetings involved either group or individual presentations and tours of the portfolio. The tours provide an opportunity to see the Group's assets, understand management strategy, and to meet the senior leadership team and other employees.
- Engagement with equity and market analysts including portfolio tours.
- Feedback from shareholder and analyst meetings is provided to the Board.
- Analysts' capital markets day held with a focus on Chinatown.
- All directors are present at the AGM and available to answer questions from shareholders. New AGM format includes a presentation from the Chief Executive on the Group's business.
- Live audio webcasts with replay facilities are available for the annual and half year results presentations to analysts.



Events





Nomination committee report



Dear shareholder

The primary role of the Committee is to consider Board composition and orderly succession, both for executive and non-executive directors.

During the year, Oliver Marriott retired following eight years' service and Richard Akers will join the Board.

KEY RESPONSIBILITIES

- Review the structure, size and composition of the Board and its Committees (including skills, experience, independence and diversity) and make recommendations to the Board accordingly.
- Lead the process for new Board appointments and review succession for directors and senior management.
- Review the time commitment expected from the Chairman and non-executive directors.
- Ensure an effectiveness review of the Board, its Committees and directors is conducted annually.

Succession planning and development

As Chairman of this Committee, my focus is on Board succession and talent development to ensure that there is a pipeline of able and experienced people in the business for potential future senior executive and Board appointments.

The Committee ensures that the evolution of the Board's membership is planned and properly managed, and that in the event of unforeseen changes, management and oversight of the Group's business and long-term strategy would not be disrupted.

To manage executive director succession, we address continuity in, and development of, the management team below Board level. Current executive directors have a long tenure and there are no immediate vacancies at Board level. However, we recognise that it is important to develop internal talent. Our development planning encourages employees to fulfil their potential and grow in their roles.

Search for a non-executive director

As part of the evolution of Board membership, and following the retirement of Oliver Marriott, a search was undertaken to recruit a non-executive director. The Board considered the skills required and appointed The Zygos Partnership, to undertake the search. They have worked with us on a number of appointments and appreciate our business, strategy, culture, diversity policy and the skills we were seeking. Shortlisted candidates were interviewed by myself and the Senior Independent Director. The final interview was with the Chief Executive, executive directors and the Company Secretary.

The Committee recommended to the Board the appointment of Richard Akers, who joins us on 28 November 2017. We are delighted with his appointment, which brings his broad range of experience to complement the overall skill set of the Board. He has wide experience within the real estate and construction sectors. The Committee was careful to ensure that his other roles did not give rise to any conflicts of interest and that he has sufficient time to devote to his directorship.

A detailed induction programme has commenced to familiarise Richard with the business.

We will continue to keep the composition of the Board under review.

KEY ACTIVITIES

- Committee Report
- Proposed directors for election and re-election
- Review skills of directors for re-election with more than 6 years' service



Succession planning for executive

Directors standing for election and re-election

Richard Akers will be proposed for election to the Board at the 2018 AGM.

Jill Little and Hilary Riva have been on the Board for more than six years. The Committee has concluded that they continue to bring to the Board the appropriate range of skills and expertise to operate effectively and maintain their independence. The Committee therefore recommends that they remain on the Board for a further year. Therefore, on the advice of the Committee, the Board proposes the re-election of each director. Board tenure is set out opposite.

Jonathan Nicholls
Chairman - Nomination Committee
27 November 2017

Chairman induction

The Senior Independent Director, assisted by the Company Secretary, led a detailed induction, summarised below, which commenced prior to the Chairman's appointment to the Board on 1 September 2016. It took place over several months and ensured that he had a thorough understanding of the Group, its business and operations, and met key stakeholders.

- Tours of the Group's portfolio with the director and executive responsible for each area.
- Meetings with executive and non-executive directors.
- Meetings with key corporate advisors.
- Meetings and introductions to employees.
- Provision of detailed induction pack.
- Meetings with major shareholders.
- Attendance at Committee meetings as an observer.
- Attendance at year end results presentation.

Diversity

The Board recognises the importance of diversity, both in its membership, and in the Group's employees. It has a clear policy to promote diversity across the business.

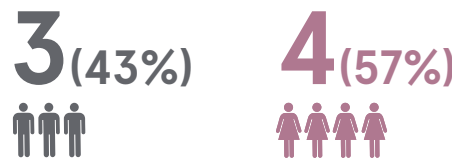
The Board considers that quotas are not appropriate in determining its composition and has therefore chosen not to set targets.

All aspects of diversity, including but not limited to gender, are considered at every level of recruitment. All appointments to the Board, and elsewhere in the Group, are made on merit. Gender diversity of the Board and Group is set out below,

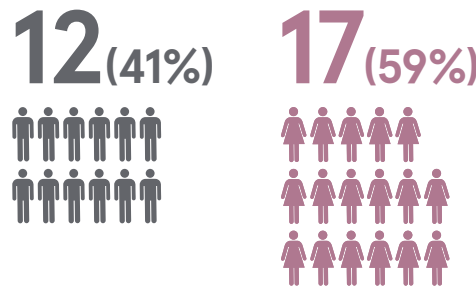
DIRECTORS



SENIOR LEADERSHIP TEAM (EXCLUDING EXECUTIVE DIRECTORS)



ALL EMPLOYEES



The Group supports initiatives to promote diversity within the real estate sector. Brian Bickell is a board member of Freehold, a forum for LGBT real estate professionals.

The Group has committed to the RICS Inclusive Employer Quality Mark scheme which aims to drive behaviour changes by encouraging businesses in the real estate sector to look carefully at their employment practices and to ensure inclusivity is embedded in their operations. During the year, we have appointed three new employees and these principles have been applied in the recruitment process. Unconscious bias training has been held for all employees.

The Group is a member of Real Estate Balance whose objective is to achieve a better gender balance, at board and executive management level, in the real estate industry, by supporting the development of a female talent pipeline across the sector.

COMMITTEE MEMBERS AND MEETING ATTENDANCE (three held)

Jonathan Nicholls Chairman	3
Jill Little	3
Oliver Marriott*	1
Dermot Mathias	3
Hilary Riva	3
Sally Walden	3

* Two meetings were held in the period prior to his retirement on 5 July 2017

TENURE OF DIRECTORS (at 30 September 2017)

Chairman	
Jonathan Nicholls	1 year
Non-executive directors	
Jill Little	7½ years
Dermot Mathias	5 years
Hilary Riva	7½ years
Sally Walden	5 years
Executive directors	
Brian Bickell	31 years
Simon Quayle	*20 years
Chris Ward	5¾ years
Tom Welton	*20 years

* Period of Board membership

directors and non-executive directors

• Diversity policy

MAY 2017

SEPTEMBER 2017



Audit committee report



KEY RESPONSIBILITIES

- **Review** in detail the work of the external auditor and valuer and any significant financial judgement made by management.
- **Monitor** the Group's reporting process and financial management.
- **Scrutinise** the full and half yearly financial statements.
- **Consider** the appointment of the external auditor, their reports to the Committee and their independence.
- **Review** the risk management framework and ensure that risks are carefully identified and assessed, and that systems of risk management and internal control are in place and effective.
- **Review** the Group's arrangements by which employees and our supply chain may raise concerns about possible improprieties in financial reporting or other matters.

Dear shareholder

I am pleased to present the Committee's report for the year.

The Committee is an important element of the Group's governance structure and provides effective oversight of the performance, independence and objectivity of the auditor and the audit process.

Our role is to review and advise the Board on financial reporting including the processes around the portfolio valuation, which is the most significant figure in the annual results. This, and other judgements made by the Board in the preparation of the financial statements, are discussed in detail below.

The Committee advises the Board on various statements made in the Annual Report, including those on viability, going concern, risk and controls and whether, when read as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Committee also oversees the Group's risk management framework and processes.

Going concern

The Committee reviewed whether it was appropriate to adopt the going concern basis in the preparation of the results. In considering this, we reviewed the Group's five-year forecasts, availability of committed bank facilities and expected headroom under the financial covenants in our debt arrangements. This review included sensitivity analyses. Following the review, it recommended to the Board that it was appropriate to adopt the going concern basis. The Board's confirmation is set out on page 102.

Viability statement

At the request of the Board, the Committee reviewed the Viability Statement and the period for which the Board should assess the prospects of the Group. Last year, the Group considered a five-year period to be appropriate. Following the review, the Committee concluded that this period remains appropriate. The Committee reviewed a report from management which set out the basis for the conclusions in the Viability Statement, including scenario analyses. The Board's Viability Statement is set out on page 64.

KEY ACTIVITIES

- Annual report
- Recommend re-appointment of auditors
- Committee report
- Approved auditor fees
- Objectivity of auditors
- Viability statement
- Going concern
- Risks and internal control

NOVEMBER 2016

Financial statements

The executive directors confirmed to the Committee that they were not aware of any material misstatements in the Annual Report and the auditors confirmed that they had found no material misstatements in the course of their work.

After reviewing the reports from management and, following its discussions with the auditors and valuers, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed, challenged and are sufficiently robust.

2017 annual report:

Fair, balanced and understandable

The directors are responsible for preparing the Annual Report. The Committee reported to the Board that the Annual Report:

- was fair, balanced and understandable;
- provided the necessary information for shareholders to assess the Group's performance, business model and strategy; and
- had been written in straightforward language, without unnecessary repetition of information, and that the use of any adjusted measures, e.g. those set out in EPRA Best Practice Recommendations, had been adequately explained and reconciled to the financial statements and not been given more prominence than a corresponding measure under IFRS.

The Committee considered the systems and controls around the preparation of the financial statements, the procedures to bring relevant information to the attention of the preparers of the financial statements, and whether the report was in accordance with the information provided to the Board during the year.

Significant judgements:

Valuation of investment properties

The valuation opinion provided by independent external valuers is one of the critical components of the annual and half year financial results. External valuations are subjective and require significant judgement to be exercised by the valuation firm.

To assist the Board's review of the valuation, management prepared a detailed analysis. The valuers presented their valuation to the Committee, providing comparable evidence for key judgements. Following the presentation, the Committee had a discussion with the valuers without management present.

The auditors use in-house real estate specialists, who met with the valuers as part of their audit and report their findings to the Committee.

The Board considered the valuation at its meeting to approve the financial statements.

Other areas of judgement

Whilst not material in the context of the Group's assets or net assets, the Committee reviewed the judgements made by management in calculating the charge for equity-settled remuneration.

COMMITTEE MEMBERS AND MEETING ATTENDANCE (three held)

Dermot Mathias	3
Chairman	
Jill Little	3
Oliver Marriott*	1
Hilary Riva	3
Sally Walden	3

* Two meetings were held in the period prior to his retirement on 5 July 2017

- Half year results
- Audit plan & strategy
- Review of auditors
- Approved non-audit fees
- Risk and controls

MAY 2017

- Whistleblowing policy review
- Considered need for internal audit function
- Reviewed risks and internal controls framework
- Cyber security

SEPTEMBER 2017

External auditors

The Committee is satisfied with the effectiveness of the external audit. The Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

This is the second year that Eamonn McGrath has been the lead audit partner. There are no contractual obligations restricting the Group's choice of external auditor. In accordance with the current regulations, the Group will re-tender the audit at least every ten years.

Annual auditor assessment

Annually, the Committee assesses the qualifications, expertise, resources, and independence of the Group's external auditors, as well as the effectiveness of the audit process. It does this through discussion with the Finance Director, review of a detailed assessment questionnaire and confirmations from the external auditor. The Chairman of the Committee and the Finance Director also met with an independent partner of Ernst & Young LLP.

This is the second year that Ernst & Young LLP have been our auditor and following informal assessments, to date, the Committee is satisfied with the effectiveness of the external audit and the interaction between the auditors and the Committee. Following completion of the current year's audit, the Committee will carry out a formal assessment of the audit process.

Ernst & Young LLP has confirmed to the Committee that:

- They have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditors and to ensure the objectivity of their audit report.
- The total fees paid by the Group during the year do not represent a material part of their firm's fee income.
- They consider that they have maintained their audit independence throughout the year.

The Committee has satisfied itself as to their qualifications, expertise and resources and remains confident that their objectivity and independence are not in any way impaired by reason of the non-audit services which they provide to the Group.

Award of non-audit assignments to the external audit firm

The policy of the Committee is that non-audit assignments are not awarded to the external audit firm if there is a risk that their audit independence and objectivity could be compromised. Other than in exceptional circumstances, non-audit fees should not exceed audit and assurance fees in any year. The award of any non-audit assignment to the Group's auditors in excess of £25,000 is subject to the prior approval of the Committee.

There was one non-audit assignment during the year relating to the issue of a First Mortgage Bond by Shaftesbury Chinatown PLC.

Internal audit

In view of the focussed nature of the Group's business, the close involvement of the executive directors in day-to-day decision making and relatively simple structure, together with the regular independent reviews of the processes and controls of managing agents, the Committee has advised the Board that, at the present time, it considers that there is no need to establish an internal audit function.

The need for an internal audit function is reviewed annually.

Audit fees

Fees payable to the Group's auditors for audit and non-audit services are set out in note 4 to the Financial Statements on page 121.

Total fees related to non-audit services represented 41% of the total fees for audit and assurance services (2016: 50%).

The auditors were also paid £31,000 (2016: £27,000) for their audit of Longmartin Properties Limited. The Company's 50% share of this was £15,500 (2016: £13,500).

Dermot Mathias

Chairman – Audit Committee

27 November 2017



Premieres





Remuneration report

THE LEVEL AND
COMPONENTS OF
REMUNERATION

PROCEDURE

REMUNERATION

KEY RESPONSIBILITIES

- **Determine** the terms of employment and remuneration for executive directors and the Company Secretary.
- **Ensure** that the executive directors are remunerated fairly and responsibly with the long-term interests of the Company in mind.
- **Consider** the appropriateness of the directors' remuneration framework against arrangements for other employees.
- **Review** the remuneration policy every three years.
- **Approve** the design, targets and outcomes for the annual bonus schemes and share incentive schemes.
- **Ensure** that the remuneration report and disclosure of director remuneration is simple to read and understand, accurate and complete.

Dear shareholder

I am pleased to present our 2017 remuneration report.

The remuneration policy sets out our approach to the reward of executive and non-executive directors. Our aim is to provide a remuneration structure which is fair, with incentives aligned with the Group's strategy and long-term objectives, and which encourages executive continuity.

We have reported another strong set of results which has delivered growth in income and the value of the business. We have continued intensive asset management of our portfolio and completed important refinancing initiatives, as summarised in the Strategic Report on page 56. Against the backdrop of this performance, the Committee's main decisions during the year related to the following elements:

2018 salary review

Salaries of executive directors were reviewed and increases of 2% were approved, effective from 1 December 2017. This is below the average salary increases awarded to employees.

2018 annual bonus

The Committee reviewed the annual bonus framework for 2018 to ensure it remained aligned to the Group's strategy and operational goals. We decided that the performance measures remained appropriate but would introduce two minor amendments to the calibration for the year ahead. First, we are increasing the weighting of the "growth in ERV" metric from 20% to 35% of the overall bonus to reflect the strategic importance of rental growth to the business. Second, for that ERV metric, we will introduce a target range with a payout scaled from threshold to maximum, depending on the performance achieved. This reflects feedback from our investors and is intended to make the target more stretching whilst also providing greater incentive to maximise performance within a range of potential outcomes. Targets will be fully disclosed retrospectively in next year's report.

Annual bonus outcomes

At the beginning of each year, we set financial and operational targets for the annual bonus scheme which align with the Group's long-term strategy. Where projects extend for periods beyond the financial year, annual targets are set to assess progress towards achievement of the ultimate objectives. In setting targets, we use the Group's KPIs which drive value through the delivery of long-term rental growth.

The outcome of performance against our targets was 55% of the maximum potential award. The 2017 bonus targets are disclosed in full on page 94.

Each executive director has elected to receive his award solely in the form of deferred shares, and will therefore receive an award under the Deferred Annual Share Bonus Scheme of 82.5% of salary in December 2017, which will vest in December 2020.

KEY ACTIVITIES

- Set annual bonus targets
- Annual bonus outcomes
- Annual review of remuneration policy
- Ratify LTIP vesting
- LTIP grant approval
- Committee report

NOVEMBER 2016

(2 MEETINGS)

LTIP vesting

LTIP awards which were made in 2014 will vest in December 2017, based on a three year performance period which ended on 30 September 2017. Annualised TSR of 15.5% per annum exceeded that of the benchmark (FTSE 350 Real Estate Index) by 11% per annum over the period. Growth in NAV exceeded the benchmark RPI by 7.9% over the period. As a result of this performance, the TSR target and the NAV target were fully met resulting in 100% vesting of these awards.

2018 LTIP grant

An LTIP award will be made in December 2017 at 125% of basic annual salary with a three-year performance period ending 30 September 2020. Subject to performance against the targets (TSR performance compared with the FTSE 350 REIT Index and NAV growth), which will remain unchanged, the awards will vest in December 2020, and be released in December 2022 following a two-year post-vesting holding period.

Alignment with employees

In reviewing salaries and bonus outcomes, we consider overall remuneration packages of the executive directors. Employee remuneration levels are considered when reviewing executive directors' salaries. Employees receive the same benefits as directors; they participate in the LTIP and have the opportunity to defer their annual bonus into shares. They also participate in Sharesave, and receive health and life insurance.

The Company makes a pension contribution to employees: executive directors receive 25% of salary and all other employees receive 17.5% of salary. This is paid into a pension or may be taken as a cash equivalent, in which case it is reduced for any associated tax borne by the Group.

Review of non-executive director and chairman fees

Fees for non-executive directors, including the Chairman, are reviewed every two years.

Fees for non-executive directors were reviewed by the Board and new fee levels equating to an increase of 3.6% will take effect from 1 December 2017.

The Committee reviewed the Chairman's fee taking into account his time commitment, experience and performance. His performance during his first year in the role was reviewed in a process led by the Senior Independent Director. The Committee agreed to increase the fee to £225,000 with effect from 1 December 2017. The fee will remain below the lower quartile of UK listed companies of a similar financial size and most of our closest industry peers.

Remuneration policy

Our policy was approved at the 2016 AGM, with 94% of shareholders, who voted, voting in favour. The policy table is summarised on page 91 for ease of reference.

We are not proposing any changes this year.

The 2016 Annual Remuneration Report was approved at the 2017 AGM, with 99% of shareholders who voted, voting in favour.

We will review our policy during 2018 for shareholder approval in 2019.

We look forward to receiving your continued support at the forthcoming AGM.

Sally Walden

Chairman – Remuneration Committee
27 November 2017

Context for the Group's remuneration approach

The Group has 29 employees, including four executive directors. The combined holdings of the executive directors is just over 3.1 million shares (market value at 30 September 2017 of circa £31 million). This equates to individual holdings of between 3 and 30 times their annual salary.

These substantial holdings have been built up over a number of years through a combination of:

- Taking the annual bonus in shares through the Deferred Annual Share Bonus scheme;
- Retaining shares from the LTIP; and
- Acquiring shares for cash.

The Group's small team of executive directors and key employees all have a close involvement in the continuing development and implementation of the Group's strategy. Consequently, the Committee considers it appropriate that, in setting objectives and measuring performance, emphasis is placed on team rather than individual performance.

Average length of service of the executive directors is 24 years and of the executive committee is eleven years.

COMMITTEE MEMBERS AND MEETING ATTENDANCE (four held)

Sally Walden Chairman	4
Jill Little	4
Oliver Marriott*	3
Dermot Mathias	4
Hilary Riva	4

* Three meetings were held in the period prior to his retirement on 5 July 2017

ADVISOR TO THE COMMITTEE

Deloitte LLP act as independent advisor to the Committee.

Deloitte LLP is a member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the Deloitte LLP engagement partner and team that provide remuneration advice to the Committee do not have connections with the Group that may impair their objectivity and independence. The fees charged by Deloitte LLP for the provision of independent advice to the Committee during the financial year were £24,500 (excluding VAT). Deloitte LLP provided no other services to the Group during the year.

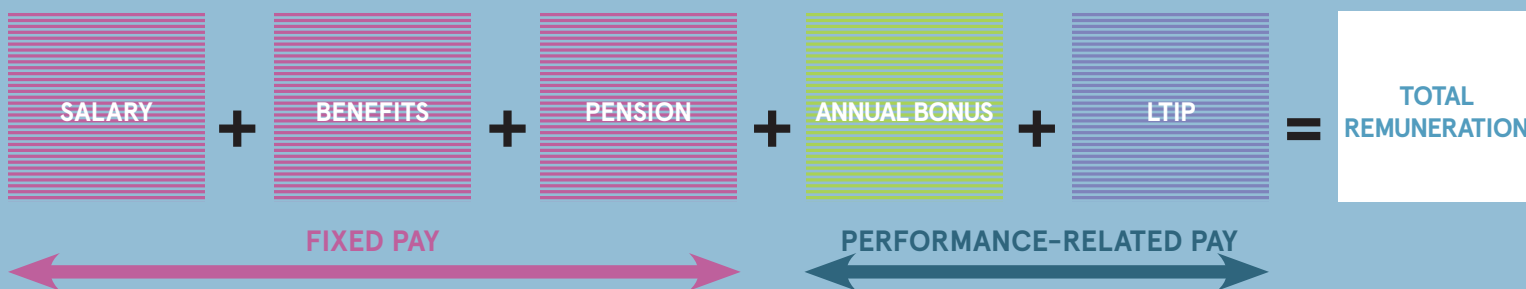
- Market update
- Update on LTIP
- Review AGM feedback
- Review terms of reference

- Salary review
- Review advisor's performance
- Preparation for year end remuneration processes
- Review Chairman's fees
- Dilution review

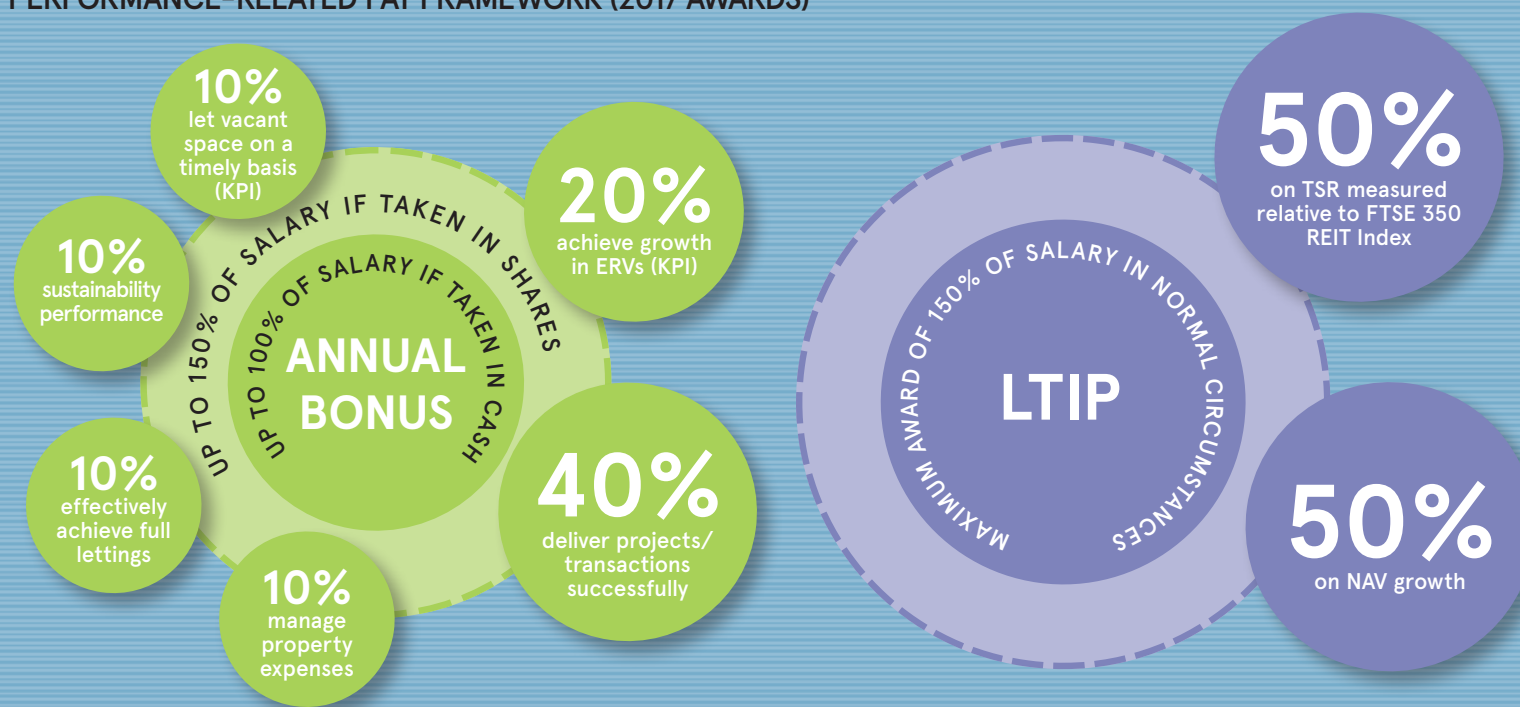


Walking

Remuneration at a glance



PERFORMANCE-RELATED PAY FRAMEWORK (2017 AWARDS)



2017 GROUP PERFORMANCE

RENTS RECEIVABLE

£103.4m
+5.1%

EPRA EARNINGS PER SHARE¹

16.2p
+15.7%

PORTFOLIO VALUE¹

£3.64bn
+7.0%²

TSR (SHAFTESBURY)

+6.5%

ERV GROWTH²

+3.5%

DIVIDENDS PER SHARE

16.0p
+8.8%

EPRA NAV PER SHARE¹

£9.52
+7.2%

TSR (FTSE350 REAL ESTATE INDEX)

+5.5%

¹ An alternative performance measure (APM). See page 140

² Like-for-like. See Glossary on page 147

Summary of remuneration policy

Our policy was approved on 5 February 2016.

A summary of the Remuneration Policy table for executive director remuneration is reproduced opposite for information only.

The full Remuneration Policy is on our website and set out on pages 84 to 91 of the 2015 Annual Report.



Executive Directors

ELEMENT	OPERATION / PERFORMANCE MEASURES	MAXIMUM POTENTIAL VALUE
SALARY	<p>Salaries are normally reviewed annually with effect from 1 December. Any increases are determined with reference to inflation and the salary increases for other employees, unless there is a change of role or responsibility or a new director is recruited</p> <p>Sector and other relevant market data (e.g. against constituent companies of the FTSE 350 REIT Index) may be requested from remuneration advisors as required</p> <p>The Committee recognises the importance of setting salaries at levels in the context of market median levels in the real estate sector, but which are not excessive in relation to the Group's particular strategy and features. The emphasis in the Group's remuneration policies is to place greater weight on performance-based rewards within the overall remuneration package</p>	<p>The Committee does not specify a maximum salary or maximum salary increase</p> <p>Further details on salary levels and any increases are provided in the Annual Remuneration Report</p>
ANNUAL BONUS	<p>Annual performance targets are set by the Committee at the beginning of the year and are linked to the Group's strategy and key business objectives</p> <p>At the end of the financial year, the Committee evaluates performance against these objectives, whilst also taking into account overall financial performance and future prospects. The Committee also satisfies itself that short-term targets have not been met at the expense of long-term goals</p> <p>Within the limits of the scheme, the Committee has discretion to adjust bonus outcomes (upwards or downwards) as it considers appropriate, to ensure alignment of pay with overall performance and market conditions</p> <p>Minimum performance required for any part of the bonus to be earned is calibrated so as to be appropriately stretching and achievable</p> <p>Where directors take all or part of the bonus as an award of shares (in the form of a conditional award of shares or a nil-cost option), these awards vest after a minimum of three years from grant under the Company's deferred bonus plan. No further performance conditions apply. Awards may also, at the Committee's discretion, be settled in cash</p> <p>Malus and clawback provisions apply to all elements of the bonus. Performance is assessed against a set of key financial and non-financial annual measures which may vary each year depending on the annual priorities of the business</p> <p>Measures will be weighted in alignment with the Group's strategy for each year. A substantial part of the total bonus will be based on quantitative KPIs. Further details of the measures, weightings and targets applicable for a given period are provided in the Annual Remuneration Report for that year</p>	<p>Directors have the choice to take a bonus in shares or cash, in full or part as follows:</p> <p>Up to 150% of salary if taken entirely in shares; or Up to 100% of salary if taken entirely in cash</p>
LTIP	<p>Awards may be granted in the form of nil cost options, conditional share awards or, at the Committee's discretion, be settled in cash</p> <p>At the end of the performance period, performance against the targets is calculated, and the percentage of awards that will vest is determined</p> <p>Unless the Committee determines otherwise, vested awards will then be subject to an additional holding period before participants are entitled to receive their shares. A holding period will normally last for two years, unless the Committee determines otherwise</p> <p>Malus and clawback provisions apply to the LTIP</p> <p>The awards will be subject to performance targets measured over a three-year period. It is intended that these performance measures are aligned to strategic objectives and shareholder value</p> <p>The current performance measures are:</p> <ul style="list-style-type: none"> • TSR measured relative to a relevant index of peers; and • NAV growth <p>Threshold vesting is 25% of the award. The detailed targets are set out in the Annual Remuneration Report</p>	<p>Maximum value 150% of salary at date of grant in normal circumstances</p> <p>Maximum value 200% of salary in exceptional circumstances such as executive recruitment (this has not been used to date)</p>
ALL EMPLOYEE PLANS	<p>Executive directors are eligible to participate in other share plans, which are offered on similar terms to all employees, for example Sharesave and SIP</p>	<p>The limits are as defined by HMRC from time to time</p>
PENSION	<p>Contribution paid into a personal pension plan or taken as a cash equivalent, reduced for any resultant tax liability borne by the Group</p>	<p>25% of salary</p>
OTHER BENEFITS	<p>Each executive director currently receives:</p> <ul style="list-style-type: none"> • car allowance • private medical cover • life insurance • permanent health insurance <p>Other benefits may be provided if considered reasonable and appropriate by the Committee, including, but not limited to, housing allowance and relocation allowance</p>	<p>There is no maximum value. Benefits are set at a level which the Committee determines is reasonable and appropriate</p> <p>The value may vary depending on service provided, cost and market conditions</p>

Annual remuneration report

Set out below is the annual remuneration report on directors' pay for the year ended 30 September 2017.

The report details how we intend to apply the remuneration policy for the year ahead and how we implemented it during the year.

Statement of implementation of remuneration for the year ending 30 September 2018

Executive directors' salaries from 1 December 2017

	1.12.2017 £'000	1.12.2016 £'000	INCREASE
B BICKELL	500	490	2%
S J QUAYLE	353	346	2%
T J C WELTON	353	346	2%
C P A WARD	349	342	2%

This compares to an average increase across the employee population of 5%.

Annual bonus targets

Maximum bonus of up to 150% of salary (if taken in shares) and 100% of salary (if taken in cash).

Disclosure of annual bonus targets for the year ending 30 September 2018 is deemed to be commercially sensitive and therefore the actual targets are not set out in this report. A range for the rental growth target is being introduced with a threshold level for achievement. The targets will be disclosed retrospectively next year, provided they are no longer commercially sensitive.

MEASURE	WEIGHTING	TARGET OR REASON FOR NON-DISCLOSURE
RENTAL GROWTH		
Deliver growth in ERVs ¹	35%	The Committee considers specific disclosure of targets regarding the achievement of rental levels, the speed of completing letting or delivery of specific projects or transactions would be prejudicial to the interests of shareholders. As a consequence of the geographic concentration of the Group's portfolio, disclosure of such targets could have a material adverse impact on the Group's position when negotiating transactions with current or potential tenants or other parties
OCCUPANCY		
Maximise portfolio occupancy	10%	
Let vacant property quickly ¹		
OTHER		
Ratio of property outgoings to gross rents receivable	5%	To match baseline year (2013) corporate responsibility scores in GRESB and EPRA reporting benchmarks
Corporate responsibility performance	10%	
Deliver projects/transactions successfully	40%	Specific operational objectives to be met during the year critical to progressing long-term property projects and financing

¹ Group KPIs

LTIP

LTIP awards of 125% of salary will be granted in December 2017. Performance will be measured over a three-year period which commenced on 1 October 2017. A two-year post-vesting holding period will apply to these awards.

The performance measures will remain the same as those applicable to awards made last year and are as set out on page 95.

Non-executive directors' fees from 1 December 2017

Non-executive director fees are reviewed every two years and were reviewed this year to take effect from 1 December 2017.

Fees for the Chairman were increased to £225,000. Fees for non-executive directors were increased to £57,000. There is an additional fee of £10,000 where a non-executive director chairs a committee and for the Senior Independent Director (if not already in receipt of a Committee Chairman fee). There was no change to that fee. The Chairman does not receive an additional fee for chairing the Nomination Committee.

Remuneration for year ending 30 September 2017

Single total figure of remuneration for executive directors (audited)

	SALARY		BENEFITS ¹		PENSION BENEFIT ²		ANNUAL BONUS ³		LTIP ⁴		OTHER ⁵		TOTAL	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
B BICKELL	489	483	51	50	107	106	404	437	773	877	1	1	1,825	1,954
S J QUAYLE	345	341	47	47	76	75	285	308	545	619	1	1	1,299	1,391
T J C WELTON	345	341	38	34	76	75	285	308	545	619	1	1	1,290	1,378
C P A WARD	341	333	33	29	76	76	282	302	531	571	1	1	1,264	1,312

1 Benefits comprise car allowance, permanent health insurance, life insurance and health insurance

2 Pension contribution is 25% of salary and may be taken in cash (in part or entirely). The cash equivalent is reduced by any resultant tax liability borne by the Group

3 Payment for performance in respect of the relevant financial year. For 2017, the executive directors could have received bonuses of 82.5% of salary in shares or 55% of salary in cash. Each director has elected to take their 2017 bonus entirely in shares, which are deferred for a period of three years. No further performance criteria apply

4 Reflects the vesting of shares in the LTIP in respect of performance for the relevant financial year. The TSR and NAV performance conditions for the three-year performance period to 30.9.2017 were met in full and 100% of the awards vested. The value of these awards has been calculated by multiplying the number of shares that will vest by the three-month average share price to 30.9.2017 of £9.896. The 2016 estimated figure has been restated to reflect actual share price at the date of vesting. The value of dividends paid, or to be paid, on vested shares is also included

5 Sharesave options have been valued based on the monthly savings amount and the discount on the option price of 20%

Single total figure of remuneration for non-executive directors (audited)

	FEE		COMMITTEE CHAIR/ SENIOR INDEPENDENT DIRECTOR ¹ FEES		BENEFITS		TOTAL	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
J C NICHOLLS ²	150	12	-	-	3	-	153	12
J S LANE	-	129	-	-	-	-	-	129
J C LITTLE	55	55	10	9	-	-	65	64
O J D MARRIOTT ³	42	55	-	-	-	-	42	55
D C A MATHIAS	55	55	10	9	-	-	65	64
H S RIVA	55	55	-	-	-	-	55	55
S E WALDEN	55	55	10	9	-	-	65	64

1 Fee is only payable if the Senior Independent Director is not the chair of any other Committee

2 Joined Board on 1.9.2016 and became Chairman on 1.10.2016

3 Fees up to 5.7.2017 when he retired from the Board

Annual bonus outcome for year ended 30 September 2017

Full retrospective disclosure of the targets for the 2017 annual bonus scorecard is provided below. The bonus will be paid in December 2017.

MEASURE	WEIGHTING	TARGET	ACHIEVEMENT	PERCENTAGE AWARDED
RENTAL GROWTH				
Achieve growth in ERVs ^{1,2}	20%	Extent by which Group commercial leasing transactions exceed valuers' ERV by 5% in previous year	Commercial leasing transactions exceeded previous year ERV on average by 6.7%	
		Annual like-for-like growth in Group total ERV to exceed 5%	Annual growth in Group total ERV: 3.5%	10%
OCCUPANCY				
Let vacant space on a timely basis ^{1,2}	10%	Complete lettings within target periods set by us (measured from date space became available to let; range 1 – 3 months; excludes larger schemes ³)	Targets met for each use. Average period vacant: 1.5 months	10%
Effectively achieve full occupancy ²	10%	ERV of space available to let not to exceed 3% of Group ERV (measured quarterly; excludes larger schemes ³)	Quarterly EPRA vacancy: Range 1.5% – 3.0%	10%
OTHER				
Manage property expenses ²	10%	Ratio of property outgoings to gross rents receivable not to exceed three year rolling average	Ratio for year: 14.6% Rolling three year average: 14.5%	0%
Corporate responsibility performance	10%	Maintain relative rankings in key indices: • EPRA • GRESB	EPRA Gold award GRESB "green star" rating	10%
Deliver projects and transactions successfully	40%	Specific operational objectives to be met during the year critical to: Progressing key long-term projects and larger schemes ³ Maintaining long-term stability in the Group's financing arrangements	Although a number of project targets were met, letting progress at two completed larger projects did not meet their respective targets set at the beginning of the year	15%
TOTAL	100%			55%

Committee's exercise of discretion

The Committee has not exercised discretion in the award of bonuses for the year ended 30 September 2017. The table opposite shows historic exercise of discretion by the Committee.

YEAR	ACTUAL BONUS PERCENTAGE POTENTIAL ACCORDING TO ACHIEVEMENT TABLE	BONUS PERCENTAGE AFTER EXERCISE OF DISCRETION BY REMUNERATION COMMITTEE
2015	70%	Reduced to 60%
2016	82%	Reduced to 60%
2017	55%	55%

1 Group KPIs

2 Wholly-owned portfolio

3 Larger schemes: Thomas Neal's Warehouse, Central Cross and 57 Broadwick Street

LTIP vesting for the performance period to 30 September 2017

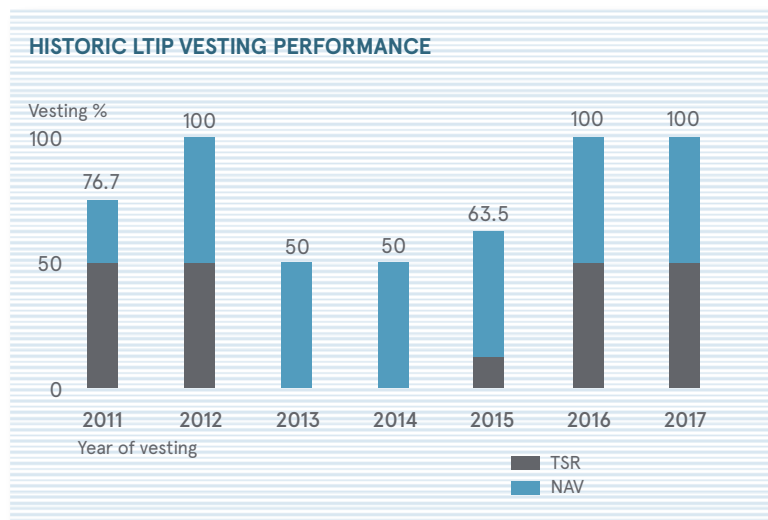
The detailed performance against targets which resulted in full vesting of the LTIP in 2017 is as follows:

ANNUALISED TSR OF THE COMPANY'S SHARES LESS ANNUALISED TSR OF THE FTSE 350 REAL ESTATE INDEX

AWARD VESTING CRITERIA	PERFORMANCE
Less than 0% pa	0%
0% pa	20%
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 20% and 100%
5.5% pa or more	100%
Performance in three-year period to 30 September 2017: 15.5% pa and outperformed the benchmark by 11.0% pa Vesting outcome (for this half of the award) 100% of maximum	

ANNUALISED NAV GROWTH LESS ANNUALISED RPI GROWTH

AWARD VESTING CRITERIA	PERFORMANCE
Less than 3% pa	0%
3% pa	30%
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 30% and 100%
7% pa or more	100%
Performance in three year period to 30 September 2017: 10.1% pa versus RPI growth of 2.2%. Outperformance of 7.9% Vesting outcome (for this half of the award) 100% of maximum	



Share scheme interests awarded during the year (audited)

SCHEME	FACE VALUE AT DATE OF AWARD £'000
B BICKELL Deferred Annual Share Bonus Scheme ¹ LTIP ²	438 607
S J QUAYLE Deferred Annual Share Bonus Scheme ¹ LTIP ²	309 429
T J C WELTON Deferred Annual Share Bonus Scheme ¹ LTIP ²	309 429
C P A WARD Deferred Annual Share Bonus Scheme ¹ LTIP ²	302 424

¹ Deferred Annual Share Bonus Scheme: Directors elected to take their annual bonus for the year ended 30.9.2016 in shares which were purchased in the market. The face value is calculated using the price paid to acquire the shares, being £8.91028. No further performance criteria are applied to share awards under this scheme.

² LTIP: Awards of nil cost options are made by the Committee at 125% of salary divided by the average share price over five days prior to the date of grant. The face value is calculated using the average share price used to determine the number of shares awarded, being £9.026 (the average share price over the five days prior, up to and including 5.12.16). There is a three year performance period (targets below) with a two year post vesting holding period.

Target performance for the awards granted during the year is as follows:

ANNUALISED TSR OF THE COMPANY'S SHARES LESS ANNUALISED TSR OF THE FTSE 350 REIT INDEX	AWARD VESTING CRITERIA
Less than 0% pa	0%
0% pa	25%
Between 0% pa and 5.5% pa	Pro-rata on a straight line basis between 25% and 100%
5.5% pa or more	100%
ANNUALISED NAV GROWTH LESS ANNUALISED RPI GROWTH	AWARD VESTING CRITERIA
Less than 3% pa	0%
3% pa	25%
Between 3% pa and 7% pa	Pro-rata on a straight line basis between 25% and 100%
7% pa or more	100%



Working



Directors' shareholdings and share scheme interests at 30 September 2017 (audited)

	SHARES OWNED OUTRIGHT	DEFERRED SHARES ¹	SHARES UNDER OPTION NOT VESTED AND SUBJECT TO PERFORMANCE CRITERIA ¹	SHARESAVE	SHAREHOLDING REQUIREMENT MET ²
EXECUTIVE DIRECTOR					
B BICKELL	1,157,160	146,728	207,483	4,812	Yes
S J QUAYLE	1,035,151	103,547	146,371	4,812	Yes
T J C WELTON	829,269	103,547	146,371	4,812	Yes
C P A WARD	105,733	98,713	143,640	3,950	Yes
NON-EXECUTIVE DIRECTOR					
J C NICHOLLS	10,000				
J C LITTLE	5,367				
H S RIVA	18,148				
D C A MATHIAS	16,208				
S E WALDEN	60,000				

¹ On exercise or vesting, deferred shares and LTIP nil cost options are subject to income tax and national insurance. The number that will actually be transferred will be reduced if directors sell sufficient shares to meet their income tax and employees' national insurance liability.

² For future executive director appointments, the equivalent of a shareholding of 200% of salary at date of appointment to the Board, to be accumulated over five years.

There have been no changes in directors' shareholdings between 30 September 2017 and the date of this report.

Additional details on the share awards summarised in this table are provided below, with further explanation on the operation of the plans set out in the Remuneration Policy table.

1. DEFERRED ANNUAL SHARE BONUS SCHEME

	DATE OF GRANT	MARKET PRICE ON DATE OF GRANT £	ENTITLEMENT TO ORDINARY SHARES			
			AT 1.10.2016	AWARDED IN YEAR ¹	DELIVERED IN YEAR	AT 30.9.2017
B BICKELL	17.12.2013	5.98	36,238	-	36,238	-
	22.12.2014	7.80	55,304	-	-	55,304
	8.2.2016	8.30	42,436	-	-	42,436
	12.12.2016	8.95	-	48,988	-	48,988
			133,978	48,988	36,238	146,728
S J QUAYLE	17.12.2013	5.98	25,651	-	25,651	-
	22.12.2014	7.80	39,075	-	-	39,075
	8.2.2016	8.30	29,928	-	-	29,928
	12.12.2016	8.95	-	34,544	-	34,544
			94,654	34,544	25,651	103,547
T J C WELTON	17.12.2013	5.98	25,651	-	25,651	-
	22.12.2014	7.80	39,075	-	-	39,075
	8.2.2016	8.30	29,928	-	-	29,928
	12.12.2016	8.95	-	34,544	-	34,544
			94,654	34,544	25,651	103,547
C P A WARD	17.12.2013	5.98	22,394	-	22,394	-
	22.12.2014	7.80	36,068	-	-	36,068
	8.2.2016	8.30	29,258	-	-	29,258
	12.12.2016	8.95	-	33,387	-	33,387
			87,720	33,387	22,394	98,713

There are 597,351 shares held in an employee benefit trust at 30 September 2017.

2. LTIP

NUMBER OF ORDINARY SHARES UNDER OPTION										
	DATE OF GRANT	MARKET PRICE OF SHARE ON GRANT £	AT 1.10.2016	GRANTED DURING YEAR	VESTED AND EXERCISED DURING YEAR	LAPSED DURING YEAR	AT 30.9.2017	MARKET PRICE OF SHARE ON DATE OF EXERCISE £	PERFORMANCE PERIOD	EXERCISE PERIOD
B BICKELL	20.12.2013	6.06	94,900	-	94,900	-	-	8.91028	1.10.2013-30.9.2016	12.2016-6.2017
	8.12.2014 ¹	7.78	74,220	-	-	-	74,220	-	1.10.2014-30.9.2017	12.2017-6.2018
	8.2.2016 ²	8.30	65,413	-	-	-	65,413	-	1.10.2015-30.9.2018	12.2020-6.2021
	12.12.2016 ²	8.95	-	67,850	-	-	67,850	-	1.10.2016-30.9.2019	12.2021-6.2022
			234,533	67,850	94,900	-	207,483			
S J QUAYLE	20.12.2013	6.06	67,000	-	67,000	-	-	8.91028	1.10.2013-30.9.2016	12.2016-6.2017
	8.12.2014 ¹	7.78	52,345	-	-	-	52,345	-	1.10.2014-30.9.2017	12.2017-6.2018
	8.2.2016 ²	8.30	46,126	-	-	-	46,126	-	1.10.2015-30.9.2018	12.2020-6.2021
	12.12.2016 ²	8.95	-	47,900	-	-	47,900	-	1.10.2016-30.9.2019	12.2021-6.2022
			165,471	47,900	67,000	-	146,371			
TJC WELTON	20.12.2013	6.06	67,000	-	67,000	-	-	8.91028	1.10.2013-30.9.2016	12.2016-6.2017
	8.12.2014 ¹	7.78	52,345	-	-	-	52,345	-	1.10.2014-30.9.2017	12.2017-6.2018
	8.2.2016 ²	8.30	46,126	-	-	-	46,126	-	1.10.2015-30.9.2018	12.2020-6.2021
	12.12.2016 ²	8.95	-	47,900	-	-	47,900	-	1.10.2016-30.9.2019	12.2021-6.2022
			165,471	47,900	67,000	-	146,371			
CPA WARD	20.12.2013	6.06	61,900	-	61,900	-	-	8.91028	1.10.2013-30.9.2016	12.2016-6.2017
	8.12.2014 ¹	7.78	51,175	-	-	-	51,175	-	1.10.2014-30.9.2017	12.2017-6.2018
	8.2.2016 ²	8.30	45,115	-	-	-	45,115	-	1.10.2015-30.9.2018	12.2020-6.2021
	12.12.2016 ²	8.95	-	47,350	-	-	47,350	-	1.10.2016-30.9.2019	12.2021-6.2022
			158,190	47,350	61,900	-	143,640			

1 The TSR and NAV performance conditions over the three years ended 30.9.2017 have been met in full and therefore all the nil cost options granted on 8.12.2014 will vest in December 2017.

2 Following approval of the Remuneration Policy at the 2016 AGM, options granted under 2016 LTIP rules include a two-year post-vesting holding period.

3. SHARES/SAVE

Options are granted at a 20% discount to the market price on date of grant up to the maximum monthly savings amount permitted by HMRC over three or five years.

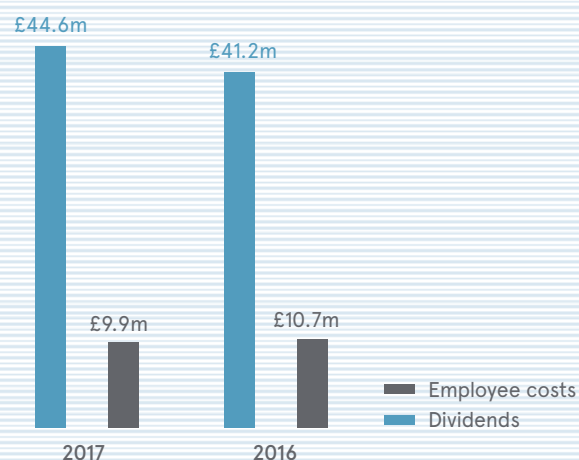
	DATE OF GRANT	NUMBER OF ORDINARY SHARES UNDER OPTION					AT 30.9.2017	OPTION PRICE £	MARKET VALUE OF SHARE ON DATE OF EXERCISE £	EXERCISE PERIOD
		AT 1.10.2016	GRANTED DURING YEAR	LAPSED DURING YEAR	EXERCISED DURING YEAR	AT 30.9.2017				
B BICKELL	2.7.2014	2,788	-	-	-	2,788	5.38	-	8.2019-1.2020	
	1.7.2016	2,024	-	-	-	2,024	7.41	-	8.2021-1.2022	
		4,812	-	-	-	4,812				
S J QUAYLE	2.7.2014	2,788	-	-	-	2,788	5.38	-	8.2019-1.2020	
	1.7.2016	2,024	-	-	-	2,024	7.41	-	8.2021-1.2022	
		4,812	-	-	-	4,812				
T J C WELTON	2.7.2014	2,788	-	-	-	2,788	5.38	-	8.2019-1.2020	
	1.7.2016	2,024	-	-	-	2,024	7.41	-	8.2021-1.2022	
		4,812	-	-	-	4,812				
C P A WARD	5.7.2012	3,759	-	-	3,759	-	3.99	9.81	8.2017-1.2018	
	2.7.2014	2,788	-	-	-	2,788	5.38	-	8.2019-1.2020	
	30.6.2017	-	1,162	-	-	1,162	7.74	-	8.2020-1.2021	
		6,547	1,162	-	3,759	3,950				

Percentage change in Chief Executive remuneration compared to average percentage change in remuneration for all other employees

	CHIEF EXECUTIVE CHANGE	OTHER EMPLOYEES CHANGE
Base salary	1.2%	3.3%
Taxable benefits	0.6%	3.0%
Annual bonus	(7.4)%	0.4%
TOTAL	(2.8)%	2.1%

The analysis for other employees is based on a like-for-like group of employees, i.e. the same individuals appear in the 2016 and 2017 figures and the 2016 comparatives have been restated on that basis.

RELATIVE IMPORTANCE OF SPEND ON PAY



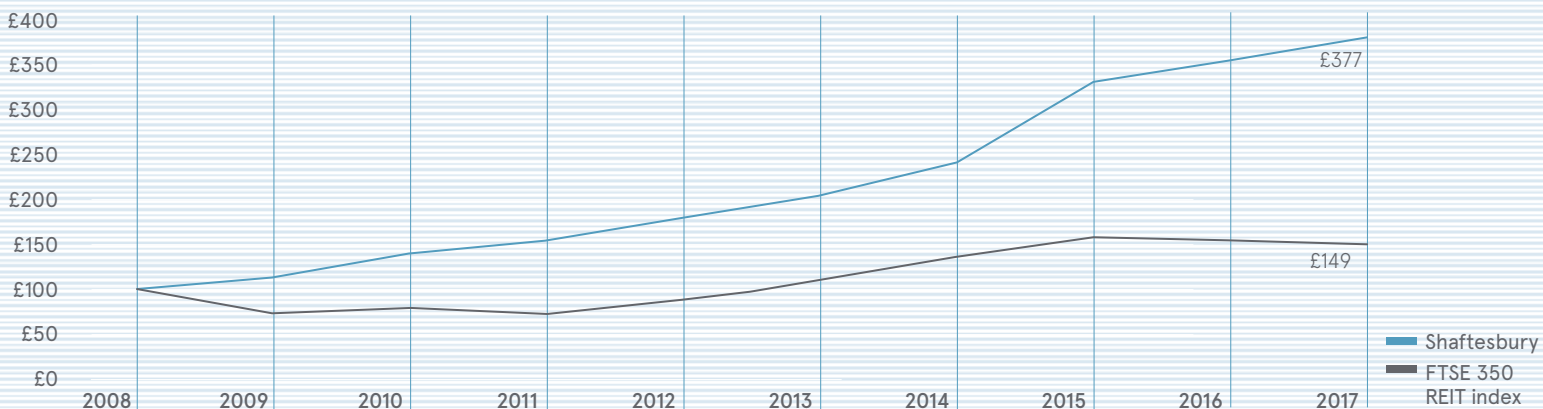
Review of past performance

The chart below shows the TSR for the Company compared with the FTSE 350 REIT Index, of which the Company is a constituent, over nine years. The Committee uses this index as one measure of performance for awards of shares under the LTIP, as it considers this is an appropriate measure against which the relative performance of the Company should be compared for the purposes of considering executive directors' remuneration.

The table below the TSR chart details the Chief Executive's single total figure of remuneration over the same period.

NINE-YEAR TSR CHART TO 30 SEPTEMBER 2017

Value of £100 invested at 30 September 2008



NINE-YEAR CHIEF EXECUTIVE SINGLE TOTAL FIGURE OF REMUNERATION¹

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Chief Executive single total figure of remuneration (£'000)	850	1,013	1,650	1,198	1,075	1,455	1,523	1,954	1,825
Annual bonus payout ² (% maximum)	50%	50%	90%	40%	40%	75%	60%	60%	55%
Long-term incentive award vesting (% maximum)	50%	50%	76.7%	100%	50%	50%	63.5%	100%	100%

SHAREHOLDER VOTING

At the 2017 AGM, there was an advisory vote on the Annual Remuneration Report. Voting by shareholders representing 72.37% of the issued share capital on the resolution was as follows:

	FOR	% FOR	AGAINST	% AGAINST	WITHHELD	TOTAL VOTES
Annual Remuneration Report	199,176,833	99.3	1,401,780	0.7	1,350,527	200,578,613

On behalf of the Board

Sally Walden

Chairman - Remuneration Committee

27 November 2017

¹ 2009-2011: Jonathan Lane, 2012-2017: Brian Bickell

² Based on award in cash. See page 91 for details if award taken in shares



Live music



Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2017.

Strategic report

For the review of the business and its likely future developments, see the Strategic Report on pages 1 to 64.

Results and dividends

The results for the year ended 30 September 2017 are set out in the Group Statement of Comprehensive Income on page 114.

An interim dividend of 7.9p per ordinary share was paid on 7 July 2017 (2016: 7.15p).

The directors recommend a final dividend in respect of the year ended 30 September 2017 of 8.1p per ordinary share (2016: 7.55p), making a total dividend for the year of 16.0p per ordinary share (2016: 14.7p). If authorised at the 2018 AGM, the dividend will be paid on 16 February 2018 to members on the register at the close of business on 19 January 2018. The dividend will be paid as an ordinary dividend.

Share capital

During the year, a total of 477,247 ordinary shares were issued at either nil cost on the exercise of LTIP options, or £6.94, £3.99 or £5.38 on the exercise of Sharesave options. At 30 September 2017, the Company's issued share capital comprised 279,032,329 ordinary shares of 25p each.

The Company has one class of ordinary shares. All shares rank equally and are fully paid. No person holds shares carrying special rights with regard to control of the Company. There are neither restrictions on the transfer of shares nor on the size of a holding, which are both governed by the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of shares in the Company that may result in restrictions on the transfer of shares or on voting rights.

Directors

The Company's rules governing the appointment and replacement of directors are contained in its Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders.

Details of the directors of the Company who served during the year ended 30 September 2017 and up to the date of the financial statements, their interests in the ordinary share capital of the Company and details of options granted under the Group's share schemes are set out in the Annual Remuneration Report on pages 92 to 100.

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year.

Going concern

The directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing these financial statements.

Purchase of own shares

The Company was granted authority at the 2017 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2018 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 October 2017 to 27 November 2017.

Substantial shareholdings

At 27 November 2017, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Rules and Transparency Rules, that the following shareholders held, or were beneficially interested in, 3% or more of the Company's issued share capital:

	ISSUED SHARE CAPITAL %
PEL Limited	25.02
Invesco Limited	9.99
Norges Bank	8.94
BlackRock Inc	6.67

Directors' indemnities and directors' and officers' liability insurance

The Company's agreement to indemnify each director against any liability incurred in the course of their office to the extent permitted by law remains in force.

The Group maintains Directors' and Officers' Liability Insurance.

Financial instruments

See pages 129 to 132.

Change of control

The Longmartin joint venture and a number of debt financing agreements contain clauses which take effect upon a change of control of the Group and may alter or terminate these agreements.

The Group's share schemes contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

Authorisation of directors' conflicts of interests

Directors are required to notify the Company of any conflict or potential conflict of interest and make an annual declaration. The Board confirms that no conflicts have been identified or notified to the Company during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

Employment, human rights and environmental matters

See sustainability and stakeholders on pages 28 to 33 and the Nomination Committee report on pages 80 to 81.

Independent auditors

A resolution for the re-appointment of Ernst & Young LLP as auditors to the Company will be proposed at the 2018 AGM. The Board, on the advice of the Audit Committee, recommends their re-appointment.

2018 annual general meeting

The 2018 AGM will include resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares and authority to call a general meeting on not less than 14 days' notice. The resolutions are set out in the Notice of Meeting, together with explanatory notes which are contained in a separate circular to shareholders which accompanies this Annual Report.

Disclosure of information to auditors

Each director has confirmed that:

- a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given in accordance with section 418 of the Companies Act 2006.

Greenhouse gas reporting

We report our greenhouse gas emissions in accordance with UK legislation. The figures relate to landlord controlled common parts such as staircases. The numbers are therefore minimal.

Overall, energy consumption has increased by a small amount. Due to the increased use of renewable energy in the national grid, greenhouse gas emissions in the portfolio decreased by 18% from 1,565.5 tonnes to 1,288 tonnes.

ABSOLUTE SCOPE 1 AND 2 GHG EMISSIONS¹

SCOPE 1	2017	2016-2017	
		2016	CHANGE
Total tCO ₂ e	207	375	-45%
SCOPE 2	2017	2016-2017	
		2016	CHANGE
Total tCO ₂ e	906	1,018	-11%

The chosen emissions intensity is common parts floor areas, which has been measured in 67 of the 125 (2016: 59 of 122) reported properties with common parts only and the emissions intensity figure has been obtained of 49.5 kgCO₂e/m² (0.05 tonnes CO₂e/m²), an increase over last year's 37.3 kgCO₂e/m² (0.04 tonnes CO₂e/m²). KWH (electricity) was 781,533 (2016: 289,569).

By Order of the Board

Penny Thomas
Company Secretary

Shaftesbury PLC
Incorporated, registered and domiciled in England and Wales number 1999238
22 Ganton Street
Carnaby
London W1F 7FD
27 November 2017

¹ For the reporting year we have again followed the UK Government environmental reporting guidance and used the 2017 UK Government's Conversion Factors for Company Reporting. Greenhouse gas emissions are reported using the following parameters to determine what is included within the reporting boundaries in terms of landlord and tenant consumption:

Scope 1 – direct emissions includes whole building gas data. Fugitive emissions from air conditioning are included where it is the landlord's responsibility within the common parts. There are no company vehicles to report within Scope 1.

Scope 2 – indirect energy emissions includes purchased electricity for the head office and landlord controlled common parts areas and a small number of buildings where the occupied areas and common parts are on the same meter. Electricity used in refurbishment projects has also been recorded.

Directors' responsibilities

The directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 'accounting policies, changes in accounting estimates and errors' and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the Group and Company has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to do so.

Directors' responsibility statement under the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed on pages 68 to 69 confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained on pages 1 to 64 of the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Directors' statement under the UK Corporate Governance Code

The Annual Report and Accounts, 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors confirm that to the best of their knowledge the Annual Report:

- presents information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provides additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and performance.

A copy of the financial statements of the Group is placed on the Company's website.

Information published on the internet is accessible in many countries with different legal requirements.

This responsibility statement was approved by the Board and signed on its behalf by:

Brian Bickell
Chief Executive
27 November 2017

Chris Ward
Finance Director
27 November 2017

Independent auditor's report to the members of Shaftesbury PLC

Our opinion on the financial statements

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 2017 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.

What we have audited

Shaftesbury PLC's financial statements at 30 September 2017 comprise:

	GROUP	COMPANY
Balance sheet	✓	✓
Statement of comprehensive income	✓	
Cash flow statement	✓	✓
Statement of changes in equity	✓	✓
Related notes 1 to 26, 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:

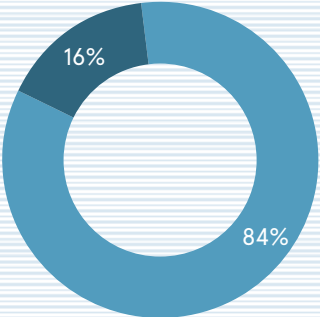
- the disclosures in the annual report set out on pages 61 to 63 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 60 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 118 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 64 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	<ul style="list-style-type: none"> 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
Audit scope	The Group operates in London's West End and consists of a single reportable 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 in the Group.
Materiality	<ul style="list-style-type: none"> Overall Group materiality: £36m which represents 1% of total assets. Specific Group materiality: £3.7m 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 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.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
<p>Risk: The valuation of investment property £3,407m (plus £231m being the Group's share in the Longmartin joint venture)</p> <p>Refer to the Audit Committee Report (pages 82 to 84); Accounting policies (page 120); and Note 9 of the Consolidated Financial Statements (pages 123 to 124)</p> <p>The valuation of investment property (including properties held in the 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 statement of comprehensive income and balance sheet.</p> <p>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.</p>	<p>Our audit procedures around the valuation of investment property included:</p> <ul style="list-style-type: none"> We understood and assessed the design and implementation of the Group's controls over data used in the valuation of the investment property portfolio and management's review of the valuations. 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 by agreeing this back to lease agreements. 	<p>We have audited the inputs, assumptions and review 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 2017.</p> <p>We did not identify any exceptions or material errors in the input testing for the sample we tested.</p> <p>We conclude that the valuation of each of the assets in the sample tested by our Chartered Surveyors are within a reasonable range.</p> <p>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.</p>
	 <p>84% Fair value of investment properties tested by audit team Chartered Surveyors</p> <p>16% Fair value of investment properties subject to analytical procedures</p>	
	<ul style="list-style-type: none"> 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 84% 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. 	

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
<p>Risk: Revenue recognition, including the timing of revenue recognition, and the treatment of rents and incentives</p> <p>£103m of rents receivable (FY16: £98m)</p> <p><i>Refer to the Audit Committee Report (pages 82 to 84); Accounting policies (page 119); and Note 2 of the Consolidated Financial Statements (page 121)</i></p> <p>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.</p> <p>In order to distort rental income, management could manipulate the deferred revenue balance or the IFRS rent adjustment for lease incentives.</p>	<ul style="list-style-type: none"> • 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. • In respect of the properties not in the sample tested by our Chartered Surveyors (16% 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 development properties) which enabled us to assess the stage of completion of, and gain specific insights into, these refurbishments/developments. • For development appraisals, we vouched the costs incurred to date, and agreed the cost to complete estimates to approved budgets and contractual arrangements. <ul style="list-style-type: none"> • 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 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 assessed 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. 	<p>We audited the timing of revenue recognition, treatment of rents and incentives, and assessed the risk of management override. Based upon the audit procedures performed, we conclude that revenue has been recognised on an appropriate basis in the year.</p>

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	£36.0m	£27.0m	£1.8m
Specific <i>Applicable for account balances not related to investment properties, loans & borrowings and derivatives</i>	5% of operating profit before investment property valuation movements and net finance costs	£3.7m	£2.8m	£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 30 September 2016.

We assessed that for account balances not related to investment properties (either wholly owned or within the joint venture), loans & borrowings and derivatives, 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 and, as the actual value of total assets increased from that which we had used as the initial basis for determining overall materiality (primarily due to the increase in property valuations from the annual revaluation), we increased our materiality threshold to £36.0m, as noted in the table above, which represents 1.0% of total assets of £3.6bn as at 30 September 2017.

In the prior year audit we adopted an overall materiality of £33.0m based on 1% of total assets. We also applied a specific materiality of £3.9m 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 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% (2016: 50%) of the respective materiality. We have increased our set performance materiality from 50% to 75% in the current year due to few uncorrected adjustments being identified in the 2016 audit, and no weaknesses being identified in our walk-through testing of key control processes. 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 £1.8m, 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 & borrowings and derivatives. 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 Overview, Strategic report Annual Review, Governance and Other information (including Shareholder information, Portfolio analysis, Basis of valuation, Summary report by the valuers, Sustainability and the Glossary of terms) set out on pages 1 to 104 and 139 to 147, 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 104** – 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 82 to 84** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 74** – 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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In 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; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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
- a Corporate Governance Statement has not been prepared by the Company

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 104 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance, 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 management either intends to liquidate the Group or the Company or to cease operations, or has 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 the Company 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, 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 HRMC.

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.

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 2 years, covering the years ending 30 September 2016 to 30 September 2017. 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.

Eamonn McGrath (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 November 2017

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.



Christmas



A person is seen from behind, sitting at a desk and looking at a computer screen. The background is a bokeh of blue and purple lights, suggesting a night cityscape or a modern office environment. The text "Financial statements" is overlaid in white on the screen.

Financial statements

Group statement of comprehensive income

For the year ended 30 September 2017

	NOTES	2017 £M	2016 £M
Revenue	2	111.5	106.2
Property charges	3	(23.2)	(22.1)
Net property income		88.3	84.1
Administrative expenses		(9.6)	(8.6)
Annual bonuses		(2.7)	(3.0)
Equity-settled remuneration	5	(1.8)	(2.5)
Total administrative expenses		(14.1)	(14.1)
Operating profit before investment property disposals and valuation movements		74.2	70.0
Profit on disposal of investment properties	6	1.1	-
Net surplus on revaluation of investment properties	9	230.6	108.3
Operating profit	4	305.9	178.3
Finance income		0.1	0.1
Finance costs	7	(32.8)	(33.7)
Recognition of fair value of Debenture Stock	16	-	(29.2)
Change in fair value of derivative financial instruments	17	22.0	(34.9)
Net finance costs		(10.7)	(97.7)
Share of post-tax profit from joint venture	11	6.4	18.5
Profit before tax		301.6	99.1
Tax charge for the year	8	-	-
Profit and total comprehensive income for the year		301.6	99.1
Earnings per share:	24		
Basic		108.1p	35.6p
Diluted		107.9p	35.5p
EPRA		16.2p	14.0p

Please see page 140 for an explanation of the EPRA measures used in these financial statements.

Balance sheets

As at 30 September 2017

	NOTES	GROUP		COMPANY	
		2017 £M	2016 £M	2017 £M	AS RESTATED 2016 £M
Non-current assets					
Investment properties	9	3,407.3	3,111.6	-	-
Accrued income	10	9.5	9.8	-	-
Investment in joint venture	11	148.0	146.4	59.0	59.0
Property, plant and equipment		1.2	1.4	1.2	1.4
Other receivables	14	3.7	3.7	-	-
Investment in subsidiaries	12	-	-	619.6	754.7
		3,569.7	3,272.9	679.8	815.1
Current assets					
Trade and other receivables	13	22.0	19.3	484.3	770.6
Cash and cash equivalents	14	45.6	15.6	25.8	0.5
Total assets		3,637.3	3,307.8	1,189.9	1,586.2
Current liabilities					
Trade and other payables	15	41.6	45.3	106.6	22.7
Borrowings	16	-	92.2	-	92.2
Non-current liabilities					
Borrowings	16	948.8	669.1	(0.8)	289.0
Derivative financial instruments	17	-	114.1	-	114.1
Total liabilities		990.4	920.7	105.8	518.0
Net assets		2,646.9	2,387.1	1,084.1	1,068.2
Equity					
Share capital	18	69.8	69.7	69.8	69.7
Share premium	19	124.9	124.8	124.9	124.8
Share-based payments reserve	19	3.0	3.6	3.0	3.6
Retained earnings	19	2,449.2	2,189.0	886.4	870.1
Total equity		2,646.9	2,387.1	1,084.1	1,068.2
Net asset value per share:					
	24				
Basic		£9.49	£8.57		
Diluted		£9.46	£8.54		
EPRA		£9.52	£8.88		

The Company made a profit of £57.7 million (2016: £282.9 million) in the year. See notes 13 and 15 for information on the reclassification of amounts due from/to subsidiaries in the Company financial statements.

On behalf of the Board who approved and authorised for issue the financial statements on pages 114 to 138 on 27 November 2017.

Brian Bickell
Chief Executive

Chris Ward
Finance Director

Cash flow statements

For the year ended 30 September 2017

	NOTES	GROUP		COMPANY	
		2017 £M	AS RESTATED 2016 £M	2017 £M	AS RESTATED 2016 £M
Cash flows from operating activities					
Cash generated from operating activities	22	76.7	74.6	(13.8)	(11.0)
Interest received		0.1	0.1	0.1	0.1
Interest paid		(32.8)	(32.7)	(11.1)	(18.0)
Net cash generated from operating activities		44.0	42.0	(24.8)	(28.9)
Cash flows from investing activities					
Investment property acquisitions		(40.1)	(59.7)	-	-
Investment property disposals	6	13.4	-	-	-
Capital expenditure on investment properties		(41.5)	(29.2)	-	-
Purchase of property, plant and equipment		(0.1)	(0.3)	(0.1)	(0.3)
Dividends received from joint venture		4.8	1.7	4.8	1.7
Decrease in loans to joint venture		-	0.5	-	0.5
Decrease in loans to subsidiaries		-	-	575.2	76.6
Increase in loans to subsidiaries		-	-	(82.4)	(93.0)
Acquisition of subsidiary		-	-	(9.8)	(1.7)
Net cash used in investing activities		(63.5)	(87.0)	487.7	(16.2)
Cash flows from financing activities					
Proceeds from exercise of share options		0.1	0.1	0.1	0.1
Proceeds from borrowings		146.5	114.5	146.5	107.2
Repayment of borrowings		(437.2)	(23.5)	(437.2)	(23.5)
Proceeds from issue of mortgage bonds	16	493.2	-	-	-
Repayment of debenture stock	16	(10.4)	-	(10.4)	-
Mortgage bond issue costs		(6.1)	-	-	-
Termination of derivative financial instruments	17	(92.1)	-	(92.1)	-
Equity dividends paid	21	(44.5)	(38.2)	(44.5)	(38.2)
Net cash from financing activities		49.5	52.9	(437.6)	45.6
Net change in cash and cash equivalents		30.0	7.9	25.3	0.5
Cash and cash equivalents at 1 October	14	15.6	7.7	0.5	-
Cash and cash equivalents at 30 September	14	45.6	15.6	25.8	0.5

The prior year comparatives have been restated in the Company cash flow statement, to present movements in loans to subsidiaries on a gross basis and in the Group cash flow statement, to reclassify £2.3 million between cash generated from operating activities and cash used for investment property acquisitions. In both cases, the directors consider the restatements more fairly present the cash flows for the Group and Company. These changes have no impact on the net change in cash and cash equivalents, net assets or reported results in either of the years presented.

Statements of changes in equity

For the year ended 30 September 2017

	NOTES	SHARE CAPITAL £M	SHARE PREMIUM £M	SHARE-BASED PAYMENTS RESERVE £M	RETAINED EARNINGS £M	TOTAL EQUITY £M
Group						
At 1 October 2015		69.6	124.7	4.0	2,127.1	2,325.4
Profit and total comprehensive income for the year		-	-	-	99.1	99.1
Transactions with owners:						
Dividends paid	21	-	-	-	(39.4)	(39.4)
Exercise of share options	18	0.1	0.1	-	(0.1)	0.1
Fair value of share-based payments	5	-	-	1.9	-	1.9
Release on exercise of share options		-	-	(2.3)	2.3	-
At 30 September 2016		69.7	124.8	3.6	2,189.0	2,387.1
Profit and total comprehensive income for the year		-	-	-	301.6	301.6
Transactions with owners:						
Dividends paid	21	-	-	-	(43.3)	(43.3)
Exercise of share options	18	0.1	0.1	-	(0.1)	0.1
Fair value of share-based payments	5	-	-	1.4	-	1.4
Release on exercise of share options		-	-	(2.0)	2.0	-
At 30 September 2017		69.8	124.9	3.0	2,449.2	2,646.9
Company						
At 1 October 2015		69.6	124.7	4.0	624.4	822.7
Profit and total comprehensive income for the year		-	-	-	282.9	282.9
Transactions with owners:						
Dividends paid	21	-	-	-	(39.4)	(39.4)
Exercise of share options	18	0.1	0.1	-	(0.1)	0.1
Fair value of share-based payments	5	-	-	1.9	-	1.9
Release on exercise of share options		-	-	(2.3)	2.3	-
At 30 September 2016		69.7	124.8	3.6	870.1	1,068.2
Profit and total comprehensive income for the year		-	-	-	57.7	57.7
Transactions with owners:						
Dividends paid	21	-	-	-	(43.3)	(43.3)
Exercise of share options	18	0.1	0.1	-	(0.1)	0.1
Fair value of share-based payments	5	-	-	1.4	-	1.4
Release on exercise of share options		-	-	(2.0)	2.0	-
At 30 September 2017		69.8	124.9	3.0	886.4	1,084.1

The Company's distributable reserves are disclosed in note 19 to the financial statements.

Notes to the financial statements

For the year ended 30 September 2017

1 Accounting policies

Basis of preparation

Shaftesbury PLC (the Company) is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is given on page 103. The Company is the ultimate parent company of the Shaftesbury PLC Group (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 £57.7 million (2016: £282.9 million) in the year.

These financial statements 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 and derivative financial instruments.

Going concern

The Group's business activities, together with the factors affecting performance, financial position and future development are set out in the Strategic Report on pages 1 to 64. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 54 to 57. 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.

Critical judgements, assumptions and estimates

The Group's significant accounting policies are stated below. Not all of these significant accounting policies require the directors to make difficult, subjective or complex judgements or estimates. However, the directors consider the valuation of investment properties to be critical because of the level of complexity, judgement or estimation involved and its impact on the financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

The Group's wholly-owned portfolio is valued by its external valuers, Cushman & Wakefield. Knight Frank LLP value the investment properties owned by the Longmartin joint venture. The valuations are used as the basis for the fair value of investment properties.

The valuation of the Group's property portfolio is 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 pages 142 to 143. 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 9 for further information.

New accounting standards and interpretations

a) The following amendments to existing Standards and Interpretations were relevant to the Group and mandatory for the first time for the financial year ended 30 September 2017:

STANDARD OR INTERPRETATION	EFFECTIVE FROM
Annual Improvements 2012-2014	1 January 2016
Amendments to IFRS 11 Joint arrangements on acquisition of an interest in a joint operation	1 January 2016
Amendments to IAS 16 and IAS 38 on depreciation and amortisation	1 January 2016
Amendments to IAS 27 Separate financial statements on equity accounting	1 January 2016
Amendments to IFRS 10, 12 and IAS 28 on consolidation for investment entities	1 January 2016
Amendments to IAS 1 Presentation of financial statements disclosure initiative	1 January 2016

No material changes to accounting policies arose as a result of these amendments.

1 Accounting policies continued

b) The following new Standards and amendments to existing Standards are relevant to the Group, are not yet effective in the year ended 30 September 2017 and are not expected to have a significant impact on the Group's financial statements:

STANDARD OR INTERPRETATION	EFFECTIVE FROM
Amendments to IAS 7 Statement of cash flows – disclosure initiative	1 January 2017
Amendments to IFRS 2 Classification of share-based payment transactions	1 January 2018
IFRS 9 Financial instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019

IFRS 9 – Financial Instruments

This standard deals with, amongst other things, the classification and measurement of financial instruments. Having carried out an assessment of the standard, the Group believes the main impact will be the measurement and presentation of trade receivables in the Group financial statements, and balances due from subsidiaries in the Company financial statements. Having considered expected credit losses and sources of forward-looking data, we do not currently expect any impact will be material.

IFRS 15 – Revenue from contracts with customers

This standard is based on the principle that revenue is recognised when control passes to a customer. In our case, the standard is most applicable to the recognition point for service charge income and disposals of investment properties. As the standard excludes rental income, which falls within the scope of IFRS 16 – Leases, it is not expected that IFRS 15 will have a significant impact on the Group's financial statements. There may be changes to presentation and disclosure.

IFRS 16 – Leases

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, which we estimate at approximately £3 million, in the year when the standard becomes effective.

c) There are no other Standards or Interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

Revenue comprises rents receivable from tenants under operating leases, recognised on an accruals basis, and recoverable expenses incurred on behalf of tenants, where the Group acts as principal. Rents are recognised on a straight-line basis over the term of the lease. Value added tax is excluded from all amounts. Income arising as a result of rent reviews is recognised when agreement of new terms is reasonably certain.

Premiums receivable from tenants to surrender their lease obligations are recognised in the Statement of Comprehensive Income.

The cost of any incentives given to lessees to enter into leases is spread 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. Lease incentives are usually in the form of rent-free periods.

Irrecoverable property costs are charged to the Statement of Comprehensive Income when they arise.

Employee benefits

Share-based remuneration

The cost of granting share options to employees is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant.

The fair value of the net asset value (non-market based) vesting condition is calculated when the options are granted, using the modified binomial option pricing model. At the end of each reporting period, the directors review their estimates of the number of options that are expected to vest based on actual and forecast net asset values. The impact of any revision to original estimates is recognised in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

The fair value of the total shareholder return (market based) vesting condition is calculated when the options are granted using the Monte Carlo simulation option pricing model, using various assumptions as set out in note 20. The fair value is charged on a straight-line basis over the vesting period. No adjustment is made to the original estimate for market based conditions after the date of grant, regardless of whether the options vest or not.

The amount charged in the Statement of Comprehensive Income is credited to the share-based payments reserve. Following the exercise of share options, the charges previously recognised in respect of those options are released from the share-based payments reserve to retained earnings.

Pension contributions

Payments to defined contribution plans are charged as an expense to the Statement of Comprehensive Income as they fall due.

1 Accounting policies continued

Investment properties

Investment properties are initially recognised on acquisition at cost, including related acquisition costs, and 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 reduced for any unamortised lease incentive 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.

Purchases and sales of investment properties are recognised in the financial statements when the significant risks and rewards of ownership are transferred.

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 and trade payables are recognised at fair value and subsequently held at amortised cost, less any provision for impairment in respect of trade receivables.

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.

Derivative financial instruments

Derivative financial instruments, comprising interest rate swaps for hedging purposes, are measured at fair value. Movements in fair value are recognised in the Statement of Comprehensive Income.

Segmental information

The Group's properties, which are all located in London's West End, are managed as a single portfolio. Its properties, which are of a similar type, are combined into villages. All of the villages are geographically close to each other and have similar economic features and risks. In view of the similar characteristics and the reporting of all investment, income and expenditure to the Board at an overall Group level, the aggregation criteria set out in IFRS 8 have been applied to give one reportable segment.

The Board assesses the performance of the reportable segment based on net property income and investment property valuation. Financial information provided to the Board is prepared on a basis consistent with these financial statements.

2 Revenue

	2017 £M	2016 £M
Rents receivable	103.4	98.4
Recoverable property expenses	8.1	7.8
	111.5	106.2

Rents receivable includes a charge of £0.5 million from amortisation of accrued income in respect of lease incentives (2016: credit of £0.5 million).

3 Property charges

	2017 £M	2016 £M
Property operating costs	7.1	6.5
Fees payable to managing agents	2.4	2.3
Letting, rent review, and lease renewal costs	3.4	3.3
Village promotion costs	2.2	2.2
Property outgoings	15.1	14.3
Recoverable property expenses	8.1	7.8
	23.2	22.1

4 Operating profit

	2017 £M	2016 £M
The following items have been (credited)/charged in arriving at operating profit:		
Administrative fees receivable from joint venture	(0.1)	(0.2)
Depreciation	0.3	0.4

AUDITOR REMUNERATION	2017 £000	2016 £000
Audit of the Company	60	59
Audit of the Group	128	83
Total fees for audit services	188	142
Audit related assurance services – half year review	22	21
Other assurance services	27	25
Non-audit services	29	25
Total fees for non-audit services	78	71
Total fees	266	213

The auditor provided no taxation services to the Group in 2017 (2016: nil). Total fees for non-audit services represented 41% (2016: 50%) of the total fees for audit services. The audit fees for the Company and the Group are relatively low due primarily to the simple Group corporate structure.

4 Operating profit continued

Group and Company

	2017 £M	2016 £M
EMPLOYEE COSTS		
Wages and salaries	4.5	4.3
Annual bonuses (including social security costs)	2.7	3.0
Social security costs	0.6	0.5
Other pension costs	0.3	0.4
Equity-settled remuneration (note 5)	1.8	2.5
	9.9	10.7

	2017 NUMBER	2016 NUMBER
AVERAGE MONTHLY NUMBER OF EMPLOYEES		
Executive directors	4	4
Head office and property management	22	20
Estate management	1	1
	27	25

A summary of directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Annual Remuneration Report on pages 92 to 100.

5 Equity-settled remuneration

	2017 £M	2016 £M
Charge for share-based remuneration	1.4	1.9
Employer's national insurance in respect of share awards	0.4	0.6
	1.8	2.5

A summary of the principal assumptions made at the last grant date is set out in note 20.

6 Profit on disposal of investment properties

	2017 £M	2016 £M
Net sale proceeds	13.4	-
Book value at date of sale	(12.3)	-
	1.1	-

7 Finance costs

	2017 £M	2016 £M
Debenture stock interest and amortisation	0.1	5.0
Mortgage bond interest	7.4	-
Bank and other interest	23.8	27.7
Issue cost amortisation	1.5	1.0
	32.8	33.7

8 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.

9 Investment properties

	2017 £M	2016 £M
At 1 October	3,111.6	2,908.0
Acquisitions	37.1	62.7
Disposals	(12.3)	-
Refurbishment and other capital expenditure	40.3	32.6
Net surplus on revaluation of investment properties	230.6	108.3
Book value at 30 September	3,407.3	3,111.6

Fair value at 30 September:

Core properties valued by Cushman & Wakefield	3,416.5	3,123.6
Non-core properties valued by Cushman & Wakefield	2.4	-
Less: unamortised lease incentives (note 10)	(11.6)	(12.0)
Book value at 30 September	3,407.3	3,111.6

The investment properties valuation comprises:

	2017 £M	2016 £M
Freehold properties	3,133.0	2,864.8
Leasehold properties	285.9	258.8
	3,418.9	3,123.6

Investment properties were valued at 30 September 2017 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors (RICS), working for Cushman & Wakefield, Chartered Surveyors, acting in the capacity of external valuers.

All properties were valued on the basis of fair value and highest and best use, in accordance with the RICS Valuation - Global Standards, which incorporate the International Valuation Standards and the RICS UK Valuation Standards edition current at the valuation date and IFRS 13. 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 equivalent yields and rental values (ERVs) applicable to the properties. 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 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 (2016: none).

The key assumptions made by the valuers are set out in the Basis of Valuation on pages 142 to 143.

The major inputs to the external valuation are reviewed by the senior management team. In addition, the valuer meets with external auditors 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 82 to 84.

A summary of the Cushman & Wakefield report can be found on pages 144 to 145.

Fees were agreed at fixed amounts in advance of the valuations being carried out. It is noted that Cushman & Wakefield acted as letting agents for Shaftesbury Carnaby PLC, Shaftesbury Soho Limited and Shaftesbury Chinatown PLC in the year. The fees payable by the Group to Cushman & Wakefield do not constitute a significant part of their fee income.

9 Investment properties continued

Sensitivity analysis

As noted in the critical judgements, assumptions and estimates section on page 118, 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	-5.0% £M	+0.25% £M	-0.25% £M
Increase/(decrease) in the fair value of investment properties	153.7	(154.4)	(241.9)	275.8

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 2017, the Group had capital commitments of £13.6 million (2016: £31.3 million). See pages 48 to 49 for a discussion of the Group's property activity during the year.

10 Accrued income

	2017 £M	2016 £M
Accrued income in respect of lease incentives	11.6	12.0
Less: included in trade and other receivables (note 13)	(2.1)	(2.2)
	9.5	9.8

Lease incentives are allocated between amounts to be charged against rental income within one year of the Balance Sheet date and amounts which will be charged against rental income in subsequent years.

11 Investment in joint venture

	2017 £M	2016 £M
Group		
At 1 October	146.4	129.6
Share of profits	6.4	18.5
Dividends received	(4.8)	(1.7)
Book value at 30 September	148.0	146.4

	2017 £M	2016 £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 103.

Control of Longmartin Properties Limited is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

11 Investment in joint venture continued

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

	2017 £M	2016 £M
Statement of Comprehensive Income		
Rents receivable	17.7	15.1
Recoverable property expenses	1.5	1.4
Revenue from properties	19.2	16.5
Property outgoings	(1.7)	(1.6)
Recoverable property expenses	(1.5)	(1.4)
Property charges	(3.2)	(3.0)
Net property income	16.0	13.5
Administrative expenses	(0.2)	(0.4)
Operating profit before investment property valuation movements	15.8	13.1
Net surplus on revaluation of investment properties	5.3	22.5
Operating profit	21.1	35.6
Net finance costs	(6.8)	(6.6)
Profit before tax	14.3	29.0
Current tax	(1.7)	(1.2)
Deferred tax	0.2	9.1
Tax (charge)/credit for the year	(1.5)	7.9
Profit and total comprehensive income for the year	12.8	36.9
Profit attributable to the Group	6.4	18.5
	2017	2016
	£M	£M
Balance Sheet		
Non-current assets		
Investment properties at book value	462.6	455.0
Accrued income	3.1	4.0
Other receivables	1.3	1.3
	467.0	460.3
Cash and cash equivalents	1.2	4.1
Current assets	3.9	4.0
Total assets	472.1	468.4
Current liabilities	10.1	9.4
Non-current liabilities		
Secured term loan	120.0	120.0
Other non-current liabilities	46.1	46.3
Total liabilities	176.2	175.7
Net assets	295.9	292.7
Net assets attributable to the Group	148.0	146.4

12 Investment in subsidiaries

	2017 £M	2016 £M
Shares in Group undertakings		
At 1 October	754.7	997.9
Acquisition of subsidiary	9.8	1.7
Impairment of subsidiary	(144.9)	(244.9)
At 30 September	619.6	754.7

During the year the Company acquired 100% of the share capital of Shaftesbury West End Limited (formerly Soho Thai Limited). Shaftesbury Chinatown PLC distributed £144.9 million to the Company, following a capital reduction during the year. Following this, the Company impaired its investment in this subsidiary. In 2016, Shaftesbury Carnaby PLC distributed £244.9 million to the Company following a capital reduction. The Company then impaired its investment. The distributions 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 AV Limited*
Shaftesbury Covent Garden Limited	Shaftesbury CL Investment Limited
Shaftesbury Chinatown PLC (formerly Shaftesbury Chinatown Limited)	Shaftesbury CL Limited*
Shaftesbury Soho Limited	Helcon Limited
Shaftesbury AV Investment Limited	Shaftesbury West End Limited (formerly Soho Thai Limited)

Dormant subsidiaries:

Carnaby Estate Holdings Limited	Shaftesbury Investments 1 Limited
Carnaby Investments Limited	Shaftesbury Investments 2 Limited
Carnaby Property Investments Limited*	Shaftesbury Investments 4 Limited
Chinatown Estate Holdings Limited	Shaftesbury Investments 5 Limited
Chinatown Property Investments Limited*	Shaftesbury Investments 6 Limited
Covent Garden Estate Holdings Limited	Shaftesbury Investments 7 Limited
Shaftesbury Covent Garden Property Investments Limited*	Shaftesbury Investments 8 Limited
Shaftesbury Charlotte Street Limited	Shaftesbury Investments 9 Limited
Charlotte Street Estate Holdings Limited	Shaftesbury Investments 10 Limited
Chinatown London Limited	

* 100% of the share capital of these subsidiaries is held by other Group companies.

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 103.

13 Trade and other receivables

	GROUP		COMPANY	
	2017 £M	2016 £M	2017 £M	AS RESTATED 2016 £M
Amounts due from tenants	12.0	10.5	-	-
Provision for doubtful debts	(0.5)	(0.5)	-	-
	11.5	10.0	-	-
Accrued income in respect of lease incentives (note 10)	2.1	2.2	-	-
Amounts due from subsidiaries	-	-	482.7	769.1
Amounts due from joint venture	0.9	0.9	0.9	0.9
Prepayments	7.1	4.4	0.6	0.6
Other receivables	0.4	1.8	0.1	-
	22.0	19.3	484.3	770.6

Amounts due from tenants at each year end included amounts contractually due and invoiced on 29 September in respect of rents and service charge contributions in advance for the period 29 September to 24 December. As at 30 September 2017, amounts due from tenants which were more than 90 days overdue totalled £1.1 million (2016: £1.5 million) and are considered to be past due. Provisions against these overdue amounts totalled £0.4 million (2016: £0.4 million). The remaining balance is not considered to be impaired.

At 30 September 2017, cash deposits totalling £18.5 million (2016: £18.0 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents.

Amounts due from subsidiaries at 30 September 2016 have been restated and presented on a gross basis (see note 15). This has no impact on the net assets of the Company for that year.

14 Cash and cash equivalents

Cash and cash equivalents at 30 September 2017, comprising cash at bank, were £45.6 million (2016: £15.6 million) for the Group and £25.8 million (2016: £0.5 million) for the Company.

Non-current other receivables include £3.7 million at 30 September 2017 (2016: £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.

15 Trade and other payables

	GROUP		COMPANY	
	2017 £M	2016 £M	2017 £M	AS RESTATED 2016 £M
Rents and service charges invoiced in advance	22.8	21.3	-	-
Amounts due in respect of property acquisitions	-	0.7	-	-
Trade payables and accruals in respect of capital expenditure	4.0	5.2	-	-
Amounts due to subsidiaries	-	-	100.6	13.5
Other taxation and social security	5.2	6.1	2.0	3.4
Other payables and accruals	9.6	12.0	4.0	5.8
	41.6	45.3	106.6	22.7

Amounts due to subsidiaries at 30 September 2016 have been restated and presented on a gross basis (see note 13). This has no impact on the net assets of the Company for that year.

16 Borrowings

	2017			2016		
	NOMINAL VALUE £M	UNAMORTISED ISSUE COSTS £M	BOOK VALUE £M	NOMINAL VALUE £M	UNAMORTISED ISSUE COSTS £M	BOOK VALUE £M
Group – Current borrowings						
Debenture Stock	-	-	-	92.2	-	92.2
Group – Non-current borrowings						
Mortgage bonds	575.0	(5.8)	569.2	-	-	-
Secured bank facilities	-	(0.8)	(0.8)	290.7	(1.7)	289.0
Secured term loans	384.8	(4.4)	380.4	384.8	(4.7)	380.1
Total non-current borrowings	959.8	(11.0)	948.8	675.5	(6.4)	669.1
Total Group borrowings	959.8	(11.0)	948.8	767.7	(6.4)	761.3
Company – Current borrowings						
Debenture Stock	-	-	-	92.2	-	92.2
Company – Non-current borrowings						
Secured bank facilities	-	(0.8)	(0.8)	290.7	(1.7)	289.0
Total non-current borrowings	-	(0.8)	(0.8)	290.7	(1.7)	289.0
Total Company borrowings	-	(0.8)	(0.8)	382.9	(1.7)	381.2

At 30 September 2017, there were no drawings against the Company's secured bank facilities (2016: £290.7 million). The Company is still able to benefit from these committed revolving credit facilities, and as such, unamortised issue costs of £0.8 million continue to be carried in the Balance Sheet.

16 Borrowings continued

Net debt/funds

	GROUP		COMPANY	
	2017 £M	2016 £M	2017 £M	2016 £M
Nominal borrowings – gross	959.8	767.7	-	382.9
Cash and cash equivalents (note 14)	(45.6)	(15.6)	(25.8)	(0.5)
	914.2	752.1	(25.8)	382.4

On 7 October 2016, Shaftesbury Carnaby PLC, a subsidiary of the Company, issued £285 million of Guaranteed First Mortgage Bonds (mortgage bonds 2031) with a coupon of 2.487% and maturity in September 2031. The bonds are secured by fixed charges over the properties held by Shaftesbury Carnaby PLC and a floating charge over Shaftesbury Carnaby PLC's assets. They also benefit from an unsecured guarantee from the Company.

On the same day, the Company's existing £61.0 million Debenture Stock (the stock) was redeemed in full, being satisfied by existing holders of the stock exchanging their stock for new bonds, or taking cash. Of the £285 million proceeds raised by the issue of the new bonds, £92.2 million was used to redeem the existing stock. This was satisfied by £10.4 million of cash and £81.8 million of new bonds. The fixed and floating charges relating to the stock were released.

On 7 September 2017, Shaftesbury Chinatown PLC, a subsidiary of the Company, issued £290 million of Guaranteed First Mortgage Bonds (mortgage bonds 2027) with a coupon of 2.348% and maturity in September 2027. The bonds are secured by fixed charges over the properties held by Shaftesbury Chinatown PLC and a floating charge over Shaftesbury Chinatown PLC's assets. They also benefit from an unsecured guarantee from the Company.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £3,015.4 million (2016: £2,436.9 million), and by floating charges over the assets of the Company and/or certain subsidiaries.

Availability and maturity of borrowings (Group)

	2017 FACILITIES			2016 FACILITIES		
	COMMITTED £M	DRAWN £M	UNDRAWN £M	COMMITTED £M	DRAWN £M	UNDRAWN £M
Repayable within 1 year	-	-	-	92.2	92.2	-
Repayable between 2 and 5 years	275.0	-	275.0	350.0	290.7	59.3
Repayable between 5 and 10 years	290.0	290.0	-	-	-	-
Repayable after 10 years	669.8	669.8	-	384.8	384.8	-
	1,234.8	959.8	275.0	827.0	767.7	59.3

Availability and maturity of borrowings (Company)

	2017 FACILITIES			2016 FACILITIES		
	COMMITTED £M	DRAWN £M	UNDRAWN £M	COMMITTED £M	DRAWN £M	UNDRAWN £M
Repayable within 1 year	-	-	-	92.2	92.2	-
Repayable between 2 and 5 years	275.0	-	275.0	350.0	290.7	59.3
	275.0	-	275.0	442.2	382.9	59.3

16 Borrowings continued

Interest rate profile of interest bearing borrowings (Group)

	2017		2016	
	DEBT £M	INTEREST RATE	DEBT £M	INTEREST RATE
Floating rate borrowings				
LIBOR-linked facilities (including margin)	-	-	110.7	1.75%
Hedged borrowings				
Interest rate swaps (including margin)	-	-	180.0	6.17%
Total bank borrowings	-	-	290.7	4.49%
Fixed rate borrowings				
Secured term loans	384.8	3.85%	384.8	3.85%
Mortgage bonds 2027	290.0	2.35%	-	-
Mortgage bonds 2031	285.0	2.49%	-	-
8.5% First Mortgage Debenture Stock – book value	-	-	92.2	7.93%
Weighted average cost of drawn borrowings		2.99%		4.45%

Interest rate profile of interest bearing borrowings (Company)

	2017		2016	
	DEBT £M	INTEREST RATE	DEBT £M	INTEREST RATE
Floating rate borrowings				
LIBOR-linked facilities (including margin)	-	-	110.7	1.75%
Hedged borrowings				
Interest rate swaps (including margin)	-	-	180.0	6.17%
Total bank borrowings	-	-	290.7	4.49%
Fixed rate borrowings				
8.5% First Mortgage Debenture Stock – book value	-	-	92.2	7.93%
Weighted average cost of drawn borrowings		-		5.10%

The Group and Company also incur non-utilisation fees on undrawn facilities. At 30 September 2017, the weighted average charge on the undrawn facilities of £275.0 million (2016: £59.3 million) for the Group and Company was 0.69% (2016: 0.70%).

The weighted average credit margin on the Group and Company's current bank facilities was:

	2017	2016
Drawn facilities	-	1.33%
If facilities were fully drawn	1.51%	1.37%

Details of the Group's current financial position are discussed on pages 56 to 57.

17 Financial instruments

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (GROUP AND COMPANY)	2017 £M	2016 £M
Interest rate swaps		
At 1 October – deficit	(114.1)	(79.2)
Swap contracts terminated	92.1	-
Fair value movement credited/(charged) to the Statement of Comprehensive Income	22.0	(34.9)
At 30 September – deficit	-	(114.1)

During the year the Group and Company terminated interest rate swap contracts with a notional principal of £180.0 million at a cost of £92.1 million.

17 Financial instruments continued

CATEGORIES OF FINANCIAL INSTRUMENTS	2017	AS RESTATED
	BOOK VALUE £M	2016 BOOK VALUE £M
Group		
Interest rate swaps	-	(114.1)
Financial assets: receivables and cash and cash equivalents		
Trade and other receivables (note 13)	11.5	10.0
Amounts due from joint venture (note 13)	0.9	0.9
Other receivables (note 14)	3.7	3.7
Cash and cash equivalents (note 14)	45.6	15.6
	61.7	30.2
Financial liabilities at amortised cost		
Trade and other payables - due within one year (note 15)	(13.6)	(17.9)
Interest bearing borrowings (note 16)	(948.8)	(761.3)
	(962.4)	(779.2)
Net financial instruments	(900.7)	(863.1)
Company		
Interest rate swaps	-	(114.1)
Financial assets: loans and receivables		
Amounts due from subsidiaries (note 13)	482.7	769.1
Amounts due from joint venture (note 13)	0.9	0.9
	483.6	770.0
Financial liabilities at amortised cost		
Trade and other payables - due within one year (note 15)	(4.0)	(5.8)
Amounts due to subsidiaries (note 15)	(100.6)	(13.5)
Interest bearing borrowings (note 16)	0.8	(381.2)
	(103.8)	(400.5)
Net financial instruments	379.8	255.4

Other receivables relate to cash held on deposit, which have certain conditions restricting their use which are due between 2029 and 2035. The Group's trade and other payables are all due within one year (2016: all due within one year).

Amounts due from/to subsidiaries have been restated at 30 September 2016 to present these balances on a gross basis. This has no impact on the net assets of the Company for that year.

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 in excess of book value. This excess, which is not recognised in the reported results for the year, is £16.2 million (2016: £52.5 million). 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.

17 Financial instruments continued

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.

30 SEPTEMBER 2017	BOOK VALUE £M	CONTRACTUAL CASH FLOWS £M	<1 YEAR £M	1-2 YEARS £M	2-5 YEARS £M	5-10 YEARS £M	>10 YEARS £M
Group							
Financial liabilities							
Interest bearing borrowings:							
Principal (note 16)	948.8	959.8	-	-	-	290.0	669.8
Interest	3.6	371.6	28.7	28.7	86.2	143.6	84.4
Total	952.4	1,331.4	28.7	28.7	86.2	433.6	754.2

30 SEPTEMBER 2016	BOOK VALUE £M	CONTRACTUAL CASH FLOWS £M	<1 YEAR £M	1-2 YEARS £M	2-5 YEARS £M	5-10 YEARS £M	>10 YEARS £M
Group							
Financial instruments							
Interest rate swaps	114.1	123.8	6.9	8.3	24.0	35.0	49.6
Financial liabilities							
Interest bearing borrowings:							
Principal (note 16)	761.3	767.7	92.2	-	290.7	-	384.8
Interest	5.1	235.6	20.0	19.9	50.7	74.1	70.9
Total	880.5	1,127.1	119.1	28.2	365.4	109.1	505.3

30 SEPTEMBER 2017	BOOK VALUE £M	CONTRACTUAL CASH FLOWS £M	<1 YEAR £M	1-2 YEARS £M	2-5 YEARS £M	5-10 YEARS £M	>10 YEARS £M
Company							
Financial liabilities							
Interest bearing borrowings:							
Principal (note 16)	(0.8)	-	-	-	-	-	-
Interest	0.2	-	-	-	-	-	-
Total	(0.6)	-	-	-	-	-	-

30 SEPTEMBER 2016	BOOK VALUE £M	CONTRACTUAL CASH FLOWS £M	<1 YEAR £M	1-2 YEARS £M	2-5 YEARS £M	5-10 YEARS £M	>10 YEARS £M
Company							
Financial instruments							
Interest rate swaps	114.1	123.8	6.9	8.3	24.0	35.0	49.6
Financial liabilities							
Interest bearing borrowings:							
Principal (note 16)	381.2	382.9	92.2	-	290.7	-	-
Interest	2.2	16.6	5.2	5.1	6.3	-	-
Total	497.5	523.3	104.3	13.4	321.0	35.0	49.6

17 Financial instruments continued

Management of financial risks (Group and Company)

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 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. Deposits held are referred to in note 13. The Group has a large and diverse tenant base so that tenant credit risk is widely spread.

Provision is made in full where recovery of financial assets is, in the opinion of the directors, uncertain. The carrying amount of financial assets, net of provisions for impairment, represents the Group's maximum exposure to credit risk. Financial assets that are neither past due nor impaired are expected to be fully recoverable.

Where cash deposits are held, they are placed with one of the Group's existing facility providers.

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 commitments and to extend its portfolio through investment and acquisition of additional properties. The Group's policies regarding finance and its current financial position are set out in the Strategic Report on pages 56 to 57.

Market risk

Market risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs. The Group's policy is to minimise market risk through long-term fixed rate debt. The Board keeps under review the Group's market risk, particularly in light of expectations of future interest rate movements.

Interest rate risk

At 30 September 2017, the Group's drawn borrowings consisted entirely of fixed rate debt. Given this, the Group's exposure to changes in long-term interest rates and the potential impact on the Group's results and equity is considered to be insignificant. This does not take into account valuation movements on the Group's investment properties as a result of movements in long-term interest rates, which would be reflected in the Statement of Comprehensive Income.

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 16 and the Group's equity structure is set out in the Statement of Changes in Equity. The Group regularly reviews its loan covenant compliance.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The Group's capital structure such as levels of gearing and loan-to-value ratio are discussed in the Strategic Report on pages 56 to 57.

18 Share capital

	2017 NUMBER MILLION	2016 NUMBER MILLION	2017 £M	2016 £M
Allotted and fully paid (ordinary 25p shares)				
At 1 October	278.6	278.2	69.7	69.6
Exercise of share options	0.4	0.4	0.1	0.1
At 30 September	279.0	278.6	69.8	69.7

The Company's Articles of Association contain provisions which set out the circumstances in which shareholders can exercise control over the issue of shares.

19 Reserves

The Statement of Changes in Equity is set out on page 117.

The following describes the nature and purpose of each of the reserves within equity.

RESERVE	DESCRIPTION AND PURPOSE
Share premium	Share premium is the 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	The equity-settled remuneration expense charged to the Statement of Comprehensive Income is credited to the share-based payments reserve. Upon exercise of options, the expense previously recognised is transferred to retained earnings.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income. Transfers from the share-based payments reserve are also credited to this account.

The Company's retained earnings at 30 September 2017 include amounts distributable of £218.0 million (2016 as restated: £316.5 million). The prior year figure has been restated to reflect realised losses on cancelled interest rate swap contracts prior to 30 September 2016.

20 Share-based remuneration

The following options to subscribe for ordinary shares granted to executive directors and employees under the Company's share option schemes were outstanding at 30 September 2017:

DATE OF GRANT	AT 1.10.2016	AWARDED	EXERCISED	LAPSED	AT 30.9.2017	EXERCISABLE 30.9.2017	OPTION EXERCISE PRICE	EXERCISE PERIOD
Sharesave scheme								
5.7.2012	11,277	-	(11,277)	-	-	-	£3.99	2017
2.7.2014	37,633	-	(14,214)	-	23,419	-	£5.38	2019
3.7.2015	19,270	-	(756)	(540)	17,974	-	£6.94	2018-2020
1.7.2016	21,368	-	-	-	21,368	-	£7.41	2019-2021
30.6.2017	-	16,115	-	-	16,115	-	£7.74	2020-2022
LTIP								
20.12.2013	451,000	-	(451,000)	-	-	-	Nil	2016-2017
8.12.2014*	403,950	-	-	(1,524)	402,426	-	Nil	2017-2018
2.12.2015	141,950	-	-	(3,150)	138,800	-	Nil	2018-2019
8.2.2016	224,225	-	-	-	224,225	-	Nil	2020-2021
12.12.2016	-	411,800	-	(5,179)	406,621	-	Nil	2019-2022
	1,310,673	427,915	(477,247)	(10,393)	1,250,948	-		

* 402,426 options over ordinary shares will vest in December 2017, following satisfaction of performance targets in respect of the three years ended 30 September 2017.

	AT 1.10.2016	AWARDED	EXERCISED	LAPSED	AT 30.9.2017
Weighted average exercise price	£0.41	£0.29	£0.27	£0.36	£0.43
Weighted average remaining contractual life	1.2 years				2.1 years

For share options exercised during the year the weighted average share price at the date of exercise was:

SCHEME	DATE OF GRANT	DATE OF EXERCISE	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE AT EXERCISE
LTIP	20.12.2013	14.12.2016	451,000	£8.91
Sharesave	5.7.2012	1.8.2017	11,277	£9.81
	2.7.2014	1.8.2017	14,214	£9.81
	3.7.2015	12.4.2017	756	£9.59

The LTIP and Sharesave schemes were the only share-based payment arrangements that existed during the year.

A summary of the rules of the schemes referred to above is set out in the Remuneration Report on page 91. The remuneration policy, which includes more detail, is available on the Group's website.

20 Share-based remuneration continued

The fair value of option grants is measured by Lane Clark & Peacock LLP, Actuaries & Consultants. For the grant made during the year, the main inputs and assumptions, and the resulting fair values, are as follows:

	2016 LTIP		
Grant date			12.12.16
Share price at date of grant			£9.01
Exercise price			Nil
Expected life – years			3
Performance condition			NAV and TSR
Assumed return volatility per annum – TSR performance condition			18%
Risk free discount rate per annum – TSR performance condition			0.3%
Assumed index return volatility* – TSR performance condition			19%
Assumed correlation between the Company's shares and those in the index* – TSR performance condition			84%
Basis of option pricing:			
NAV performance condition			Modified binomial
TSR performance condition			Monte Carlo
	NO	CONTINGENT	TWO YEAR
	HOLDING PERIOD	HOLDING PERIOD	HOLDING PERIOD
Discount for marketability	0%	3%	6%
Fair values:			
NAV	£9.01	£8.74	£8.47
TSR	£3.56	£3.45	£3.35

* The index is the FTSE 350 REIT Index.

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 under the 2016 LTIP are described in the Annual Remuneration Report on page 95.

21 Dividends

	2017	2016
	£M	£M
Final dividend for:		
Year ended 30 September 2016 at 7.55p per share	21.3	-
Year ended 30 September 2015 at 6.925p per share	-	19.5
Interim dividend for:		
Year ended 30 September 2017 at 7.9p per share	22.0	-
Year ended 30 September 2016 at 7.15p per share	-	19.9
Dividends for the year	43.3	39.4
Timing difference on payment of withholding tax	1.2	(1.2)
Dividends cash paid	44.5	38.2

A final dividend of 8.1p per share was recommended by the Board on 27 November 2017. Subject to approval by shareholders at the 2018 AGM, the final dividend will be paid as an ordinary dividend on 16 February 2018 to shareholders on the register at 19 January 2018. The dividend totalling £22.6 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2018. See page 53 of the Strategic Report for commentary on dividends.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 597,351 (2016: 491,804) ordinary shares during the year.

22 Cash flows from operating activities

	GROUP		COMPANY	
	2017 £M	AS RESTATED 2016 £M	2017 £M	2016 £M
OPERATING ACTIVITIES				
Profit before tax	301.6	99.1	57.7	282.9
Adjusted for:				
Lease incentives recognised (note 2)	0.5	(0.5)	-	-
Charge for share-based remuneration (note 5)	1.4	1.9	1.4	1.9
Depreciation (note 4)	0.3	0.4	0.3	0.4
Investment property valuation movements (note 9)	(230.6)	(108.3)	-	-
Profit on disposal of investment properties (note 6)	(1.1)	-	-	-
Net finance costs	10.7	97.7	(12.0)	82.6
Administrative charges, finance charges, and dividends received from subsidiaries settled through intercompany indebtedness	-	-	(200.1)	(623.1)
Impairment of subsidiary (note 12)	-	-	144.9	244.9
Dividends received from joint venture	-	-	(4.8)	(1.7)
Share of profit from joint venture (note 11)	(6.4)	(18.5)	-	-
Cash flows from operations before changes in working capital	76.4	71.8	(12.6)	(12.1)
Changes in working capital:				
Change in trade and other receivables	(0.5)	(0.2)	(0.1)	0.1
Change in trade and other payables	0.8	3.0	(1.1)	1.0
Cash generated from operating activities	76.7	74.6	(13.8)	(11.0)

23 Movement in borrowings

	1.10.2016 £M	CASH FLOWS £M	NON-CASH ITEMS £M	30.9.2017 £M
Group				
Mortgage bonds	-	(493.2)	(81.8)	(575.0)
8.5% First Mortgage Debenture Stock 2024	(92.2)	10.4	81.8	-
Secured bank facilities	(290.7)	290.7	-	-
Secured term loans	(384.8)	-	-	(384.8)
Issue costs	6.4	6.1	(1.5)	11.0
	(761.3)	(186.0)	(1.5)	(948.8)
Year ended 30 September 2016	(640.3)	(91.0)	(30.0)	(761.3)
Company				
8.5% First Mortgage Debenture Stock 2024	(92.2)	10.4	81.8	-
Secured bank facilities	(290.7)	290.7	-	-
Issue costs	1.7	-	(0.9)	0.8
	(381.2)	301.1	80.9	0.8
Year ended 30 September 2016	(267.9)	(83.7)	(29.6)	(381.2)

24 Performance measures

Earnings per share

	2017			2016		
	PROFIT AFTER TAX £M	NUMBER OF SHARES MILLION	EARNINGS PER SHARE PENCE	PROFIT AFTER TAX £M	NUMBER OF SHARES MILLION	EARNINGS PER SHARE PENCE
Basic	301.6	278.9	108.1	99.1	278.4	35.6
Dilutive effect of share options	-	0.7	(0.2)	-	1.0	(0.1)
Diluted	301.6	279.6	107.9	99.1	279.4	35.5

EPRA earnings per share

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

	2017			2016		
	PROFIT AFTER TAX £M	NUMBER OF SHARES MILLION	EARNINGS PER SHARE PENCE	PROFIT AFTER TAX £M	NUMBER OF SHARES MILLION	EARNINGS PER SHARE PENCE
Basic	301.6	278.9	108.1	99.1	278.4	35.6
EPRA adjustments:						
Investment property valuation surplus (note 9)	(230.6)		(82.7)	(108.3)		(38.9)
Profit on disposal of investment properties (note 6)	(1.1)		(0.4)	-		-
Movement in fair value of derivatives (note 17)	(22.0)		(7.9)	34.9		12.5
Recognition of fair value of Debenture Stock	-		-	29.2		10.5
Adjustments in respect of the joint venture:						
Investment property valuation surplus	(2.6)		(0.9)	(11.3)		(4.1)
Deferred tax	(0.1)		-	(4.6)		(1.6)
EPRA earnings	45.2	278.9	16.2	39.0	278.4	14.0

Net asset value per share

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

	2017			2016		
	NET ASSETS £M	NUMBER OF ORDINARY SHARES MILLION	NET ASSET VALUE PER SHARE £	NET ASSETS £M	NUMBER OF ORDINARY SHARES MILLION	NET ASSET VALUE PER SHARE £
Basic	2,646.9	279.0	9.49	2,387.1	278.6	8.57
Dilutive effect of share options	0.5	0.8		0.5	1.0	
Diluted	2,647.4	279.8	9.46	2,387.6	279.6	8.54
Fair value of derivatives	-		-	76.1		0.27
Deferred tax*	17.9		0.06	18.0		0.07
EPRA NAV	2,665.3	279.8	9.52	2,481.7	279.6	8.88
Fair value of derivatives	-		-	(76.1)		(0.27)
Deferred tax*	(17.9)		(0.06)	(18.0)		(0.07)
Excess of fair value over carrying value of debt:						
Secured term loans*	(40.0)		(0.14)	(64.9)		(0.23)
Mortgage bonds	15.5		0.05	-		-
EPRA NNAV	2,622.9	279.8	9.37	2,322.7	279.6	8.31

* Includes our 50% share of deferred tax and fair value of secured term loans in the Longmartin joint venture.

24 Performance measures continued

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.

In accordance with EPRA recommendations, the adjustment for the fair value of derivatives at 30 September 2016 excludes those interest rate swaps which were cancelled in October 2016.

Net asset value return

	2017 PENCE	2016 PENCE
EPRA NAV at 1 October (A)	888.00	869.00
EPRA NAV at 30 September	952.00	888.00
Increase during the year	64.00	19.00
Dividends paid during the year	15.45	14.08
NAV return (B)	79.45	33.08
NAV return % (B/A)	8.9%	3.8%

Financing ratios

	2017			2016		
	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	767.7	60.0	827.7
Cash and cash equivalents	(45.6)	(0.6)	(46.2)	(15.6)	(2.0)	(17.6)
Net debt (A)	914.2	59.4	973.6	752.1	58.0	810.1
Fair value of investment properties (B)	3,418.9	227.8	3,646.7	3,123.6	224.4	3,348.0
Loan-to-value (A/B)	26.7%	26.1%	26.7%	24.1%	25.8%	24.2%
EPRA net assets (C)			2,665.3			2,481.7
Gearing (A/C)			36.5%			32.6%
Interest cover						
Operating profit before investment property disposals and valuation movements (A)	74.2	7.9	82.1	70.0	6.6	76.6
Finance costs	32.8	2.7	35.5	33.7	2.7	36.4
Finance income	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Net finance costs (B)	32.7	2.7	35.4	33.6	2.7	36.3
Interest cover (A/B)	2.3x	2.9x	2.3x	2.1x	2.4x	2.1x

For the wholly-owned group, the blended cost of debt is 3.19% (2016: 4.47%). This is calculated using the drawn cost of borrowings of 2.99% (2016: 4.45%) plus the cost of commitment fees on undrawn bank facilities of 0.69% (2016: 0.70%). At 30 September 2017, the undrawn bank facilities totalled £275.0 million (2016: £59.3 million). For total debt, the blended cost of debt is 3.26% (2016: 4.52%) and includes the impact of our share of debt in our joint venture of £60 million (2016: £60 million), upon which interest is charged at 4.43% (2016: 4.43%).

See also pages 50 to 54 in the Strategic Report for explanations of why we use these performance measures.

25 Operating leases

The Group as lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases based on contracted rental income at the year end:

	2017 £M	2016 £M
Not later than one year	96.1	84.2
Later than one year but not later than five years	241.5	234.2
Later than five years but not later than ten years	144.5	143.8
Later than ten years	107.8	98.7
	589.9	560.9

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 43 to 47.

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:

	2017 £M	2016 £M
Not later than one year	0.4	0.4
Later than one year but not later than five years	1.6	1.6
Later than five years but not later than ten years	2.0	2.0
Later than ten years	0.6	1.0
	4.6	5.0

The Company leases its head office accommodation from a wholly-owned subsidiary.

26 Related party transactions

During the year, the Company received administrative fees, dividends and interest from its subsidiaries. The Company leases its office accommodation from a subsidiary and paid interest on amounts due to subsidiaries. The Company also received interest on a loan and administrative fees from the joint venture. These transactions are summarised below:

	2017 £M	AS RESTATED 2016 £M
Transactions with subsidiaries:		
Administrative fees receivable	11.4	11.7
Dividends receivable	177.3	592.5
Interest receivable	12.8	18.9
Interest payable	1.4	-
Rents payable	0.4	0.4
Amounts due from subsidiaries	482.7	769.1
Amounts due to subsidiaries	(100.6)	(13.5)
Transactions with joint venture:		
Administrative fees receivable	0.1	0.2
Dividends receivable	4.8	1.7
Interest receivable	-	0.1
Amount due from joint venture	0.9	0.9

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 92 to 100, there were no other transactions with directors.

See notes 13 and 15 for information on the restatement of amounts due from/to subsidiaries.



Other information

Alternative Performance Measures (APMs)

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

Set out below is a summary of APMs used in this Annual Report – some of which are EPRA performance measures, which are a set of standard disclosures for the property industry, as defined by EPRA in its Best Practice Recommendations.

APM	NEAREST IFRS MEASURE	EXPLANATION AND RECONCILIATION
EPRA earnings and earnings per share	Profit and total comprehensive income for the year Basic earnings per share	Note 24 and Strategic Report (page 51)
Adjusted earnings per share	Basic earnings per share	Strategic Report (page 53)
Net asset value per share	Net assets attributable to shareholders	Note 24 and Strategic Report (page 54)
Diluted net asset value per share	Net assets attributable to shareholders	Note 24
EPRA net assets and NAV	Net assets	Note 24 and Strategic Report (page 54)
Net asset value return	N/A	Note 24 and Strategic Report (page 54)
Total portfolio	Investment properties	Strategic Report (pages 37 and 50)
Valuation growth	Net surplus on revaluation of investment properties	Strategic Report (pages 37 and 50) and Glossary
Portfolio net investment	N/A	Glossary
Total debt	Borrowings	Note 24 and Strategic Report (pages 50 and 57)
Net debt	Borrowings less cash and cash equivalents	Note 24 and Strategic Report (pages 50 and 57)
Group LTV	N/A	Note 24 and Strategic Report (pages 50 and 57)
Gearing	N/A	Note 24 and Strategic Report (pages 50 and 57)
Blended cost of debt	N/A	Note 24 and Strategic Report (pages 50 and 57)
Interest cover	N/A	Note 24 and Strategic Report (pages 50 and 57)

Where this report uses like-for-like comparisons, these are defined within the Glossary.

EPRA Measures

The following is a summary of the EPRA performance measures included in this Annual Report. The measures are defined in the Glossary.

MEASURE	DEFINITION	PAGE	2017	2016
Earnings	Earnings from operational activities, excluding fair value movements in respect of properties and interest rate swaps and deferred tax arising in our joint venture	51	£45.2m	£39.0m
Earnings per share	EPRA earnings per weighted number of ordinary shares	51	16.2p	14.0p
Net assets	Net assets adjusted to remove fair value movements on interest rate swaps and deferred tax arising in our joint venture	54	£2,665.3m	£2,481.7m
NAV per share	Diluted EPRA net assets per share	54	£9.52	£8.88
Triple net assets	EPRA net assets adjusted to include the fair value of financial instruments and debt	136	£2,622.9m	£2,322.7m
Triple NAV (NNNAV)	Diluted triple net assets per share	136	£9.37	£8.31
Net Initial Yield (NIY)	Current annualised rental income less non-recoverable property costs as a % of property valuation plus assumed purchasers' costs	143	2.77%	3.00%
Topped-up NIY	NIY adjusted to reflect expiry of rent-free periods and stepped rents	143	2.89%	3.08%
Vacancy	ERV of vacant space as a % of ERV of all properties	41	6.0%	1.6%
Cost ratio	Total costs (including direct vacancy costs) as a % of gross rental income	141	26.9%	27.8%

As disclosed in note 1 to the financial statements, all of the Group's properties are in one geographic location and are managed as a single portfolio. As such, we do not report on a segmental basis. Like-for-like calculations of growth in values and rents are therefore stated on an aggregated basis.

EPRA COST RATIO

	NOTE	2017 £M	2016 £M
Gross rental income			
Revenue	2	111.5	106.2
Less: recoverable property expenses	2	(8.1)	(7.8)
Share of joint venture rents receivable	11	8.9	7.5
		112.3	105.9
Cost			
Property charges	3	23.2	22.1
Less: recoverable property expenses	3	(8.1)	(7.8)
Share of joint venture property expenses	11	0.9	0.8
Administrative expenses		14.1	14.1
Share of joint venture administrative expenses	11	0.1	0.2
Total costs		30.2	29.4
Less: charge for share-based remuneration	5	(1.4)	(1.9)
Total costs excluding share-based payments		28.8	27.5
EPRA cost ratio		26.9%	27.8%
Cost ratio excluding share-based payments		25.6%	26.0%

Note: We do not capitalise property nor administrative expenses. The figures above include vacancy costs. Given the nature of our portfolio, it is impractical to separate these out.

Investment properties

Whilst our portfolio is geographically concentrated in London's West End, it is granular in nature, with almost 600, generally small, buildings, often clustered in contiguous blocks. It is not practical to provide detailed property-by-property information recommended by EPRA's BPR. However, an analysis of our portfolio, split by destination and occupier use, is set out on pages 142 to 143.

We own 100% of our properties, except for property held by our Longmartin joint venture, in which we have a 50% interest. The breakdown of our wholly-owned portfolio between freehold and long leasehold ownership is set out on page 123.

At 30 September 2017, we had 772 commercial and 516 residential tenants, with no individual tenant representing a material amount of our current annualised income. The ten largest commercial tenants represented just 10.5% of current annualised income. As our tenant base is so granular, we do not believe listing the top ten tenants, nor a detailed analysis of tenant business sector is useful. However, the analysis on pages 142 to 143 sets out details of income and rental values by destination and occupier use.

EPRA vacancy by occupier use is set out on pages 40 to 41.

Development disclosures

Our wholly-owned portfolio is all within Conservation Areas and around 20% of our buildings are listed. We do not carry out material speculative developments. Our capital expenditure commitments are low, representing an average of 1.1% of portfolio value over the past five years. Included in this are numerous small schemes, and no one scheme is material.

At 30 September 2017, we had one larger scheme underway, details of which are set out on page 49. An overview of assets held for, or undergoing, refurbishment is set out on pages 48 to 49.

Portfolio analysis

AT 30 SEPTEMBER 2017		NOTE	CARNABY	COVENT GARDEN	CHINATOWN	SOHO
Portfolio	Fair value (£m)	1,14	1,265.5	947.2	791.5	272.1
	% of total fair value		35%	26%	22%	7%
	Current income (£m)	2,14	39.7	28.2	23.8	8.9
	ERV (£m)	3,14	51.2	36.4	30.3	10.7
Restaurants, cafés and leisure	Number		58	90	79	31
	Area – sq. ft.		109,000	176,000	211,000	59,000
	% of current income	4	16%	39%	62%	41%
	% of ERV	4	17%	34%	59%	39%
	Average unexpired lease length – years	5	10	9	11	9
Shops	Number		99	95	60	39
	Area – sq. ft.		182,000	143,000	92,000	43,000
	% of current income	4	49%	28%	21%	25%
	% of ERV	4	46%	32%	25%	28%
	Average unexpired lease length – years	5	4	4	5	4
Offices	Area – sq. ft.		244,000	85,000	28,000	36,000
	% of current income	4	28%	12%	4%	15%
	% of ERV	4	31%	15%	4%	17%
	Average unexpired lease length – years	5	5	4	4	3
Residential	Number		97	216	130	68
	Area – sq. ft.		56,000	133,000	86,000	36,000
	% of current passing rent	4	7%	21%	13%	19%
	% of ERV	4	6%	19%	12%	16%

1 Shaftesbury Group's 50% share

Basis of valuation

AT 30 SEPTEMBER 2017		NOTE	CARNABY	COVENT GARDEN	CHINATOWN	SOHO
Overall initial yield	7	2.90%	2.64%	2.65%	2.92%	
Topped-up initial yield	8	3.04%	2.76%	2.75%	2.96%	
Overall equivalent yield	9	3.56%	3.36%	3.42%	3.49%	
Tone of restaurant equivalent yields	10	3.40% – 3.90%	3.35% – 3.90%	3.50% – 3.75%	3.50% – 3.85%	
Tone of restaurant ERVs – £ per sq. ft.	10	£110 – £145	£55 – £178	£270 – £405 (ITZA)	£110 – £135	
Tone of retail equivalent yields	10	3.35% – 3.95%	3.35% – 4.00%	3.50% – 4.25%	3.50% – 4.25%	
Tone of retail ERVs – ITZA £ per sq. ft.	10	£125 – £525	£100 – £480	£140 – £355	£165 – £280	
Tone of office equivalent yields	10	4.00% – 4.50%	4.00% – 4.25%	4.25%	4.25% – 4.60%	
Tone of office ERVs – £ per sq. ft.	10	£58 – £83	£50 – £75	£43 – £60	£50 – £73	
Average residential ERVs – £ per sq. ft. per annum	10	£52	£49	£41	£48	

FITZROVIA	WHOLLY-OWNED PORTFOLIO	LONGMARTIN ¹	TOTAL PORTFOLIO
140.2	3,416.5	227.8	3,644.3
4%	94%	6%	100%
4.7	105.3	8.8	114.1
5.5	134.1	10.4	144.5
24	282	9	
50,000	605,000	39,000	
54%	37%	15%	
54%	34%	13%	
8	10	14	
9	302	22	
14,000	474,000	73,000	
13%	33%	36%	
13%	35%	41%	
6	4	3	
10,000	403,000	102,000	
8%	17%	34%	
8%	19%	34%	
3	4	6	
51	562	75	
25,000	336,000	55,000	
25%	13%	15%	
25%	12%	12%	

FITZROVIA	WHOLLY-OWNED PORTFOLIO	LONGMARTIN
2.86%	2.77%	3.31%
2.93%	2.89%	3.25%
3.36%	3.46%	3.80%
3.35% – 4.00%		3.75% – 4.00%
£93 – £120		£90 – £138
3.40% – 4.50%		3.40% – 4.15%
£100 – £215		£94 – £710
4.00% – 4.50%		4.00% – 4.50%
£48 – £60		£63 – £78
£54		£49

Notes

- The fair values at 30 September 2017 (the "valuation date") shown in respect of the individual villages are, in each case, the aggregate of the fair values of several different property interests located within close proximity which, for the purpose of this analysis, are combined to create each village. The different interests within each village were not valued as a single lot.
- Current income includes total annualised actual and 'estimated income' reserved by leases. No rent is attributed to leases which were subject to rent-free periods at the valuation date. Current income does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings at the valuation date. 'Estimated income' refers to gross estimated rental values in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.
- ERV is the respective valuers' opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, reflecting the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Where appropriate, ERV assumes completion of developments which are reflected in the valuations. ERV does not reflect any ground rents, head rents nor rent charges and estimated irrecoverable outgoings.
- The percentage of current income and the percentage of ERV in each of the use sectors are expressed as a percentage of total income and total ERV for each village.
- Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases and, where relevant, by reference to tenants' options to determine leases in advance of expiry through effluxion of time.
- Where mixed uses occur within single leases, for the purpose of this analysis, the majority use by rental value has been adopted.
- The initial yield is the net initial income at the valuation date expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at the valuation date.
- The topped-up initial yield, ignoring contractual rent-free periods, has been calculated as if the contracted rent is payable from the valuation date and as if any future stepped rental uplifts under leases had occurred.
- Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the expected flow of income so that the total amount of income so discounted at this rate equals the capital outlay at values current as of the valuation date. The equivalent yield shown for each village has been calculated by merging together the cash flows and fair values of each of the different interests within each village and represents the average equivalent yield attributable to each village from this approach.
- The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.
- All commercial floor areas are net lettable. All residential floor areas are gross internal.
- For presentation purposes some percentages have been rounded to the nearest integer.
- The analysis includes accommodation which is awaiting, or undergoing, refurbishment or development and is not available for occupation at the date of valuation.
- The analysis excludes a non-core asset, acquired as part of a portfolio during the year.

Summary report by the valuers

To the directors of Shaftesbury PLC

In accordance with your instructions, we have undertaken a valuation of the various commercial and residential freehold and long leasehold property interests as at 30th September 2017 (the "Valuation Date") held by Shaftesbury Carnaby PLC, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown PLC, Shaftesbury Soho Limited, Shaftesbury AV Limited, Shaftesbury CL Limited, Shaftesbury West End Limited and Helcon Limited, which are subsidiary companies (collectively referred to as the "Subsidiary Companies") of Shaftesbury PLC (the "Company"), as referred to in our Valuation Reports dated 24 November 2017 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between January and October 2017 and a number were subject to internal inspections.

We confirm that the valuations and Reports have been prepared in accordance with the RICS Valuation – Global Standards which incorporate the International Valuation Standards ("IVS") and the RICS UK Valuation Standards (the "RICS Red Book") edition current at the Valuation Date. It follows that the valuations are compliant with IVS. We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS 1 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. We confirm that Charles Smith has overall responsibility for the valuations and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuations. Finally, we confirm that we have undertaken the valuations acting as an External Valuer as defined in the RICS Red Book.

In accordance with PS 2.5 and UKVS 4, we are required to make certain disclosures in connection with this valuation instruction and our relationship with the Company and the Subsidiary Companies. Charles Smith has been the signatory of valuation reports addressed to the Company and the Subsidiary Companies since 2013. Cushman & Wakefield Debenham Tie Leung Limited ("C&W") has been carrying out this valuation instruction for the Company, and now the Subsidiary Companies, for a continuous period since 1996. As well as preparing our Reports, we also undertake valuations of certain of the properties referred to in our Reports for other purposes, such as secured lending and for inclusion in shareholders' circulars.

On 1st September 2015, DTZ acquired Cushman & Wakefield and the combined group now trades under the Cushman & Wakefield brand. Cushman & Wakefield's financial year end is 31st December. The proportion of fees payable by the Company to the Cushman & Wakefield group in the financial year to 31st December 2016 was less than 5%. We anticipate that the proportion of fees payable by the Company to the Cushman & Wakefield group in the financial year to 31st December 2017 will remain at less than 5%.

Prior to 1st September 2015, there had been no fee-earning instructions between DTZ and the Company or the Subsidiary Companies, other than valuation instructions, for in excess of four years. Prior to 1st September 2015, Cushman & Wakefield were appointed, until recently, as retail agents by Shaftesbury Soho Limited and Shaftesbury Carnaby PLC. C&W are currently appointed as retail agents on behalf of Shaftesbury Chinatown PLC in respect of the property known as Central Cross.

In accordance with the provisions of VPS3 of the RICS Red Book edition current at the Valuation Date, 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.

A high proportion of the total value of the Subsidiary Companies' properties and Properties is accounted for by properties and 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 and Properties which make up those parts.

As required by the provisions of the RICS Red Book, in undertaking our valuations, we have valued each property or Property separately, rather than valuing the portfolio as a whole or in combinations of parts. The "total" valuation figure below is the aggregated value of the separate properties or Properties within the various categories of tenure referred to below.

All valuations were on the basis of Fair Value. We have assessed Fair Value in accordance with VPS4 item 7 of the RICS Red Book. Under these provisions, the term "Fair Value" means the definition adopted by the International Accounting Standards Board ("IASB") in IFRS 13, namely "The price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Under IFRS 13, The Fair Value Hierarchy, the property we have valued is designated as Level 3 inputs. Level 3 inputs have been designated as unobservable inputs. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available (IFRS 13:87-89).

Our opinion of the Fair Value of each of the properties has been primarily derived using comparable recent market transactions on arm's length terms.

We have not made any allowance for vendor's sale costs nor for any tax liabilities which may arise upon the disposal of any of the properties or Properties. We have made deductions to reflect purchasers' normal acquisition costs.

A full explanation of the Assumptions made in our valuations and details of the sources of information are contained within our Reports.

We have measured certain of the properties, or parts of properties, either on site or by scaling from floor plans. The Company, its managing agents or professional advisors have provided us with the floor areas of the remaining properties or parts of properties.

We have read some of the leases and related documents provided to us in respect of the commercial properties. Where we have not read leases, we have relied on tenancy information provided by the Company, its managing agents or professional advisors.

Certain properties were subject to works of repair or refurbishment at 30th September 2017, or were subject to outstanding retentions and fees in respect of projects already completed at that date. In these instances, the Company advised us of the amount of the outstanding costs. The costs will be borne by the Company as they are not recoverable from tenants. We have reflected these costs in our valuations. The total amount of such costs is £11,494,050 and details of the individual sums are included in our Reports.

As referred to above, we have lotted together certain individual properties to form a number of separate Properties. In the case of five Properties which comprise a number of individual properties, the majority of such properties are held freehold but certain of them are held on long leases. In order to divide our valuation of these Properties between the categories of freehold and long leasehold, we have undertaken notional apportionments of value between the freehold elements and the long leasehold elements which together comprise the relevant Properties. The amounts arising from these notional apportionments of value have been included in the figures representing the freehold and long leasehold categories below. The amounts arising from the notional apportionments do not themselves represent the Fair Value of the two elements.

The Subsidiary Companies own a number of properties on a freehold basis where they also hold long leasehold interests within the freehold and have not merged the interests. For the purposes of the freehold/long leasehold split below, we have included such properties within the freehold category.

Having regard to the foregoing, we are of the opinion that the aggregates of the Fair Values, as at 30th September 2017, of the freehold and long leasehold property interests owned by the Company and the Subsidiary Companies, subject to the Assumptions and comments in our Reports dated 24 November 2017, were as follows:

Freehold Properties	£3,133,015,000 (Three billion, one hundred and thirty-three million and fifteen thousand pounds)
Long leasehold Properties	£285,925,000 (Two hundred and eighty-five million, nine hundred and twenty-five thousand pounds)
Total	£3,418,940,000 (Three billion, four hundred and eighteen million, nine hundred and forty thousand pounds)

A long lease is one with an unexpired term in excess of 50 years.

The contents of our Reports are confidential to Shaftesbury PLC, Shaftesbury Covent Garden Limited, Shaftesbury Carnaby PLC, Shaftesbury Chinatown PLC, Shaftesbury Soho Limited, Shaftesbury AV Limited, Shaftesbury CL Limited, Shaftesbury West End Limited and Helcon Limited for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of the contents of our Reports or this summary report. Before our Reports or this summary report, or any part thereof, are reproduced or referred to, in any document, circular or statement, and before their contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt, such approval is required whether or not Cushman & Wakefield Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Reports or this summary report are combined with others.

Charles Smith MRICS

International Partner
RICS Registered Valuer

For and on behalf of
Cushman & Wakefield Debenham Tie Leung Limited

Shareholder information

Corporate Timetable

FINANCIAL CALENDAR

Annual General Meeting and AGM statement	9 February 2018
2018 half year results	May 2018

DIVIDENDS AND BOND INTEREST

Proposed 2017 final dividend:

Ex-dividend	18 January 2018
Record date	19 January 2018
Payment date	16 February 2018
2018 interim dividend to be paid	July 2018
Bond interest	31 March and 30 September 2018

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 the Group's website or from the registrar.

Where the Group pays an ordinary dividend this will be treated in the same way as dividends from non-REIT companies. The 2017 final dividend is being paid entirely as an ordinary dividend.

Registrar

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

Telephone 0371 384 2294 (International +44 121 415 7047). Lines open 8.30am to 5.30pm, Monday to Friday.

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 Group.

Glossary of terms

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.

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.

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.

Compound Annual Growth Rate (CAGR)

The year-on-year growth rate of an investment over a specified period of time.

Diluted net asset value per share

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

EPRA

European Public Real Estate Association.

EPRA adjustments

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

EPRA cost ratio

Total costs as a percentage of gross rental income.

EPRA earnings

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

EPRA EPS

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 the fair value of derivative financial instruments and deferred tax on property valuation surpluses. It includes additional equity if all vested share options were exercised.

EPRA NAV

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

EPRA triple net assets

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

EPRA NNAV

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

EPRA vacancy

The rental value of vacant property available 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.

European Public Real Estate Association (EPRA)

EPRA develops policies for standards of reporting disclosure, ethics and industry practices.

Estimated rental value (ERV)

ERV is the market rental value of properties owned by the Group, 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.

Gearing

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

Interest cover

Operating profit before investment property disposals and valuation movements, divided by finance costs net of finance income.

Like-for-like growth in rents receivable

The increase in rents receivable 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)

Nominal value of borrowings 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 NAV and TSR targets over a three-year vesting period.

Net asset value (NAV)

Equity shareholders' funds divided by the number of ordinary shares at the balance sheet date.

Net asset value return

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

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 investment

Acquisitions and capital expenditure less disposals in a period.

Portfolio reversionary potential

The amount by which the ERV exceeds current income, measured at a valuation date.

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.

Topped-up net initial yield

Net initial yield adjusted to assume rent-free periods or other unexpired lease incentives, such as discounted rent periods and stepped rents, have expired.

Total Shareholder Return (TSR)

The change in the market price of an ordinary share plus dividends reinvested expressed as a percentage of the share price at the beginning of the period.

Valuation growth

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.





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Paper from
responsible sources
FSC® C001785

SHAFTESBURY PLC
22 Ganton Street
Carnaby
London W1F 7FD
T: 020 7333 8118

shaftesbury.co.uk

