



SHAFTESBURY
CAPITAL

2023 Annual Report

Shaftesbury Capital PLC is a Real Estate Investment Trust which invests in London's West End including Covent Garden, Carnaby, Soho, Chinatown and Fitzrovia. Our portfolio extends to 2.9 million square feet of lettable space spanning the most vibrant areas of the London's West End.

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Presentation of information

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

Pro forma information has been included for certain metrics primarily on the balance sheet to provide relevant comparative information. More information on pro forma data, and reconciliation to reported numbers, is included on page 215. Where pro forma information has been included within the results this is noted as pro forma.

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www.shaftesburycapital.com

At a glance

Our purpose

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

Financial returns

Total property return	Total accounting return	Total shareholder return
+2.2%	+5.8%	+33.1%

Financial performance

L-f-L annualised gross income ¹	Underlying earnings per share	Dividend per share
+10.4%	3.7p	3.15p

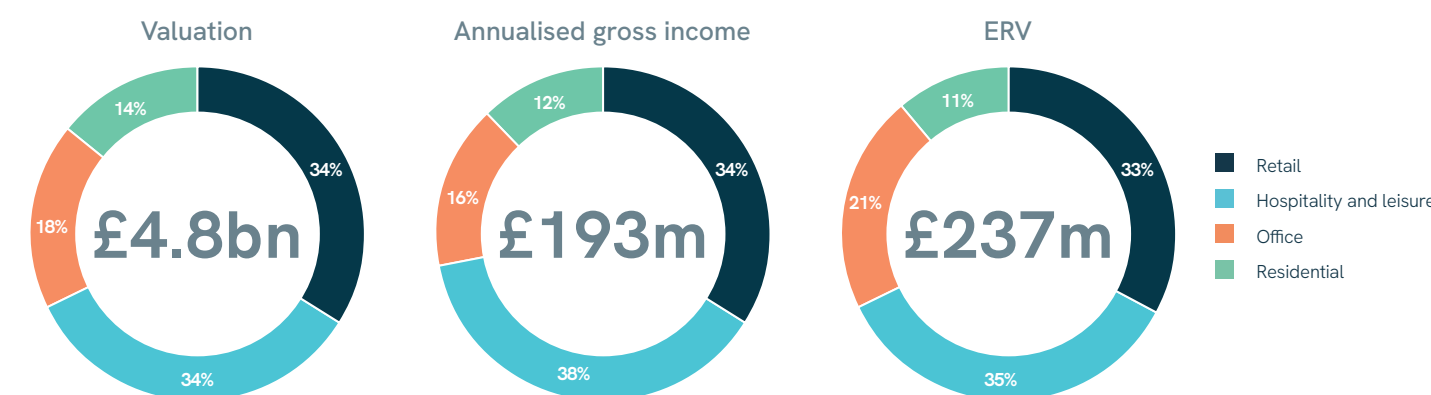
1. Growth versus pro forma 2022

Financial strength

Property valuation	EPRA NTA	EPRA NTA per share
£4.8bn	£3.5bn	190p
Net debt	EPRA LTV	Liquidity
£1.5bn	31%	£486m

► See page 16 to 17 and 214 where we discuss our alternative performance measures.

Diverse mixed-use portfolio



A responsible forward-looking approach

- Future proofing our heritage buildings
- Committed to Net Zero Carbon by 2030
- Committed to minimising the impact of our operations on the environment
- Strong record of supporting community-led initiatives and charities in the West End

The leading central London mixed-use REIT

A landmark year

In March 2023, the merger of Capco and Shaftesbury PLC completed, creating Shaftesbury Capital PLC, the leading central London mixed-use REIT with an irreplaceable portfolio of approximately 660 buildings in the heart of the West End.

Our property portfolio extends to 2.9 million square feet of lettable space across the most vibrant areas of London’s West End. With a diverse mix of shops, restaurants, cafés, bars, offices and residential homes, our destinations include the high footfall, thriving neighbourhoods of Covent Garden, Carnaby, Soho and Chinatown, together with holdings in Fitzrovia.

Delivering on strategy

- Excellent momentum with positive operating metrics across the business
- Customer sales are tracking 10 per cent L-f-L ahead of 2022 levels
- Annualised gross income increased 10.4 per cent L-f-L to £193 million
- Cost savings well above our initial ambitions
- Valuation movement –0.8 per cent L-f-L in 2023
- ERV increased by 6.9 per cent L-f-L to £237 million
- 526 leasing transactions completed with a total value of £37.0 million, 10.0 per cent ahead of Dec 2022 ERV
- High occupancy, 2.1 per cent available to let
- Active asset rotation; sale of eight properties for £145 million completed to date, 8 per cent ahead of valuation
- Successful completion of refinancing of £550 million of debt
- Combined 2030 Net Zero Carbon pathway published

Medium-term priorities

- 1 Deliver growth in rents, earnings and dividends
- 2 Realise the long-term potential of our assets
- 3 Accelerate cost savings and operating efficiencies
- 4 Accretive investment into our portfolio
- 5 Active asset rotation through capital recycling
- 6 Maintain a strong balance sheet with access to liquidity
- 7 Deliver on our environmental commitments and support our local communities and stakeholders
- 8 Be a good partner for our people, customers and stakeholders

Medium-term targets¹:

5-7% ERV growth	7-9% Total property return	8-10% Total accounting return
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1. Assuming stable cap rates

Our values are fundamental to our behaviour, decision-making and delivery on purpose and strategy



Take a responsible, long-term view



Act with integrity



Take a creative approach



Listen and collaborate



Make a difference

Underpinned by our talented team and dynamic culture



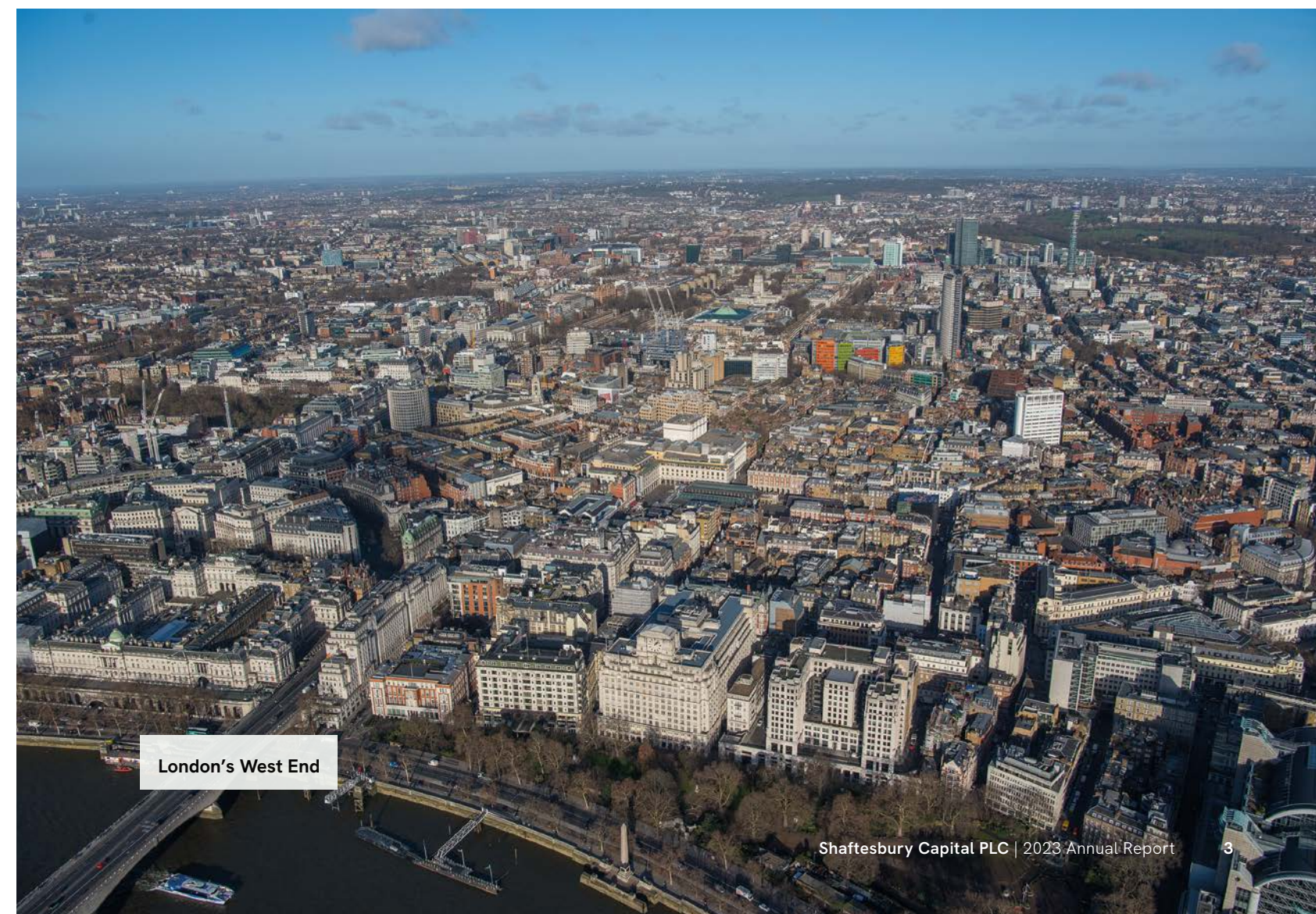
“Our purpose, values, good governance and the strength of our team underpin our approach to promote the long-term success of the Group.”

Jonathan Nicholls
Chairman



“With our ambitious and talented team, Shaftesbury Capital is positioned to deliver long-term total returns as the leading central London mixed-use REIT.”

Ian Hawksworth
Chief Executive



Impossible to replicate portfolio in the heart of London's West End



£4.8bn
Portfolio valuation



2.9m sq ft
Lettable space



c. 660
Buildings



c. 2,000
Lettable units¹



34%
Retail



34%
Hospitality & leisure

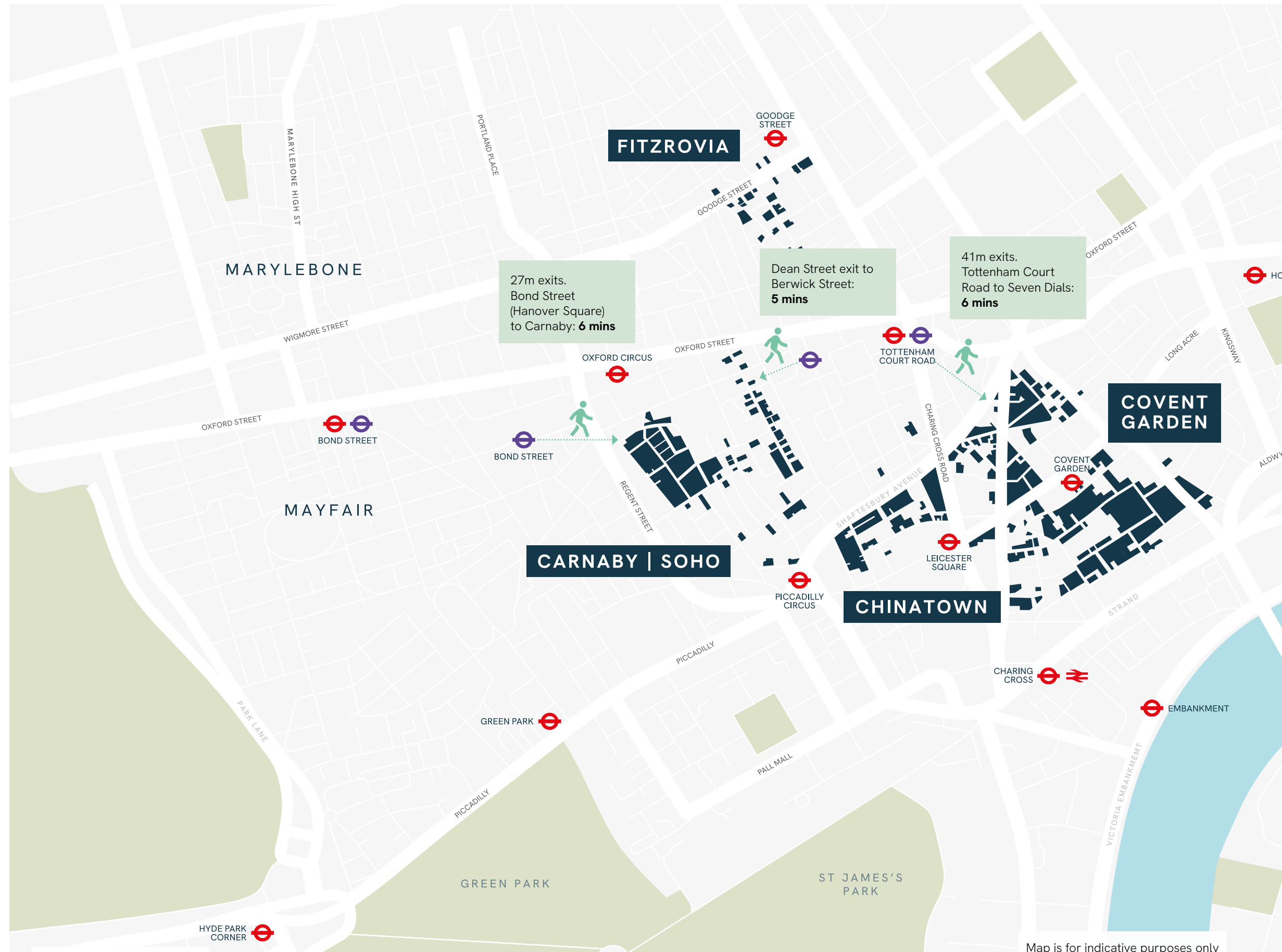


18%
Office



14%
Residential

Represents percentage of portfolio valuation



Source: Transport for London

Map is for indicative purposes only
As at 31 December 2023

1. Excludes long-leasehold residential interests

Why we invest in London's West End

Our property portfolio, valued at £4.8 billion, extends to 2.9 million square feet of lettable space across the most vibrant areas of London's West End

London is a leading global city and has long demonstrated its enduring appeal as one of the world's greatest cities; it has the largest economy of any Western European city. Additionally, there is a substantial population in south east England within easy commuting or visiting distance.

The breadth of its economy encompasses:

- a leading global commercial centre
- a major hub for creative industries, from technology to media
- a globally-recognised location for education and research
- home to world-class visual and performing arts facilities
- diverse and vibrant residential communities
- an unrivalled variety of heritage and cultural attractions which draw large numbers of domestic and international visitors

At the heart of the city, the West End is a world-class destination for innovative and accessible dining, shopping, leisure, entertainment and culture with approximately 43 theatres and over 10,000 hotel keys across the district, attracting approximately 200 million domestic and international visitors per annum. Its huge working and residential population provides a regular, daily customer base for its hospitality, retail and leisure businesses.

We are invested in the heart of London's West End, establishing and extending our ownership in high footfall areas, close to major employment locations, transport hubs and visitor attractions. We adopt a disciplined approach to investment to deliver long-term income and value growth through investment, curation and responsible stewardship, benefitting all stakeholders and contributing to the success of the West End.

The West End, and our portfolio in particular, provides the prospect of high occupancy, low capital requirements and reliable, growing long-term cash flows. Whilst the buildings we buy tend to contain a mix of uses, we prefer those which either have, or have the potential for, hospitality, retail or leisure-led uses on the lower floors.

At the heart of London's transport network, our properties are close to the main West End Underground stations, within ten minutes' walk of the two West End transport hubs for the Elizabeth Line at Tottenham Court Road and Bond Street, where passenger traffic has increased significantly, as well as major main line transport including Charing Cross Station and Waterloo Station.

Our iconic destinations provide a seven-days-a-week trading environment and exposure to an extensive and diverse local, domestic and international customer base which has proven to be resilient throughout economic cycles. There is a broad pool of domestic and international investors attracted to prime West End real estate.



London's West End

Our competitive strengths



Our people

- High-performance, professional, inclusive and entrepreneurial culture, reflective of our business strategy where creativity and innovation are promoted across the business
- Collaborative environment where people are motivated to give their best

[Read more on pg 46](#)



Our portfolio

- Concentrated in iconic, high footfall destinations in the West End
- Balance of uses with diversified income streams
- Long history of occupier demand exceeding availability
- Long-term resilience of exceptional destinations

[Read more on pg 18](#)



Strong capital structure

- Resilience, flexibility and efficiency
- Access to significant liquidity
- Disciplined approach to capital allocation
- Prudent approach to financial leverage and risk

[Read more on pg 48](#)

West End mixed-use expertise

- Strong track record of delivering long-term value across the West End
- Extensive knowledge of the West End property market
- Creative and active approach to asset management to meet consumers' and our customers' evolving needs

[Read more on pg 6](#)



Customer focus & insights

- Placing our customers at the heart of our business through providing best in class service
- Leveraging our deep understanding of our customers and consumers together with data-led insights to inform our business strategy

[Read more on pg 28](#)



Stakeholder relationships

- Delivering positive environmental and social outcomes to enhance value for all stakeholders
- Collaborative approach maintaining good relationships with our customers and local communities
- Commitment to becoming Net Zero Carbon by 2030

[Read more on pg 40](#)



Chief Executive's statement

"Shaftesbury Capital has made an excellent start as the leading central London mixed-use REIT. We are delighted with the pace and performance in our first year with rental growth, leasing transactions well ahead of ERVs and cost savings above our initial ambitions."



Ian Hawsworth
Chief Executive

Overview

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

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

People, purpose, culture and values

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

Our purpose is investing to create thriving destinations in London's West End where people enjoy visiting, working and living. Engaging with our senior leadership team, we have reviewed our purpose and values and rolled these out across the business. These important commitments form the basis of how we operate. Our people conduct their day-to-day activities

guided by these values which are to: Act with integrity; Take a creative approach; Listen and collaborate; Take a responsible, long-term view; and Make a difference.

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

Strategy and priorities

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

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

Our priorities are to grow rents, earnings and dividends and realise the long-term potential of our real estate. As we move beyond the initial stage of integration we are seeking to accelerate operating efficiencies whilst providing excellent service to our customers. As announced in November 2023, we are targeting a significant reduction in the EPRA cost ratio towards 30 per cent over the medium-term. Shaftesbury Capital is financially strong and we have access to £486 million of liquidity. We are well-progressed in our plan to rotate

five per cent of the portfolio value initially, allocating capital towards accretive investments. We will seek to manage the absolute level of finance costs to ensure efficient conversion of income to earnings. We are committed to reducing the impact of our operations on the environment, whilst engaging and collaborating with our wide range of stakeholders which is integral to our strategy and values.

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

Growth in rents, earnings and dividends

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

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

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

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



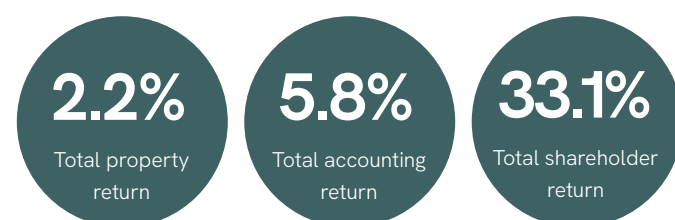
Covent Garden, Market Building

Strong leasing demand delivering rental growth

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

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

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



Portfolio valuation

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

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

Investment activity

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

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

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

Sustainable approach

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

We continue to improve the energy efficiency of our buildings to meet energy performance standards and customers' expectations through our ongoing refurbishment programme. Approximately 80 per cent of our portfolio by ERV has EPC ratings of A-C and we target at a minimum a B rating with new

refurbishments. Key sustainability activities include investment in our buildings, prioritising pedestrians where possible through initiatives to enhance the public realm, improving air quality and our extensive greening programme. As we look ahead, we will utilise our data, technology and innovation to enhance our activities and continue to collaborate closely with our customers and other stakeholders to help deliver our shared sustainability goals.

Ongoing community engagement

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

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

Outlook

Excellent future prospects; well-positioned to drive total returns

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

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

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

Ian Hawkworth
Chief Executive



Our purpose-led strategy and business model

Our purpose

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

Our strategy

To deliver long-term income and value growth from our unique portfolio of properties through investment, curation and responsible stewardship, benefitting all stakeholders and contributing to the success of the West End

Our values

-  Take a responsible, long-term view
-  Act with integrity
-  Take a creative approach
-  Listen and collaborate
-  Make a difference

Underpinned by our talented team and dynamic culture

Our resources

Impossible to replicate portfolio

A diverse mixed-use portfolio in the heart of London's West End

Experienced, creative team

An experienced, creative team with strong leadership and a deep understanding of our markets and a long track record of delivering value creation

Strong capital structure

Resilient and flexible capital structure with a prudent approach to financial leverage and risk

Effective governance and risk management

A strong governance structure that supports the business and helps achieve its strategic objectives with transparency

How we deliver

Place our customers at the heart of the business

- Deliver best in class service to all customers
- Leverage deep understanding of consumers and commercial data

Creative and active approach

- Invest in and nurture remarkable destinations in London's West End
- Dynamic leasing strategy
- Re-use, re-purpose and improve our buildings
- Enhance public realm

Disciplined financial management

- Prudent, conservative approach to financial leverage and risk
- Maintain cost and capital discipline

Sustainable and community minded

- Broad community and stakeholder engagement
- Responsible stewardship
- Commitment to the environment and clear sustainability goals

How we measure

Value creation

- Create, grow and deliver long-term sustainable economic and social value

People

- Attract, develop and retain talented people










Sustained long-term growth

- Deliver long-term growth in portfolio value, earnings, cash flow and dividends

Impact

- Minimise the environmental impact of our operations

Creating value for our stakeholders

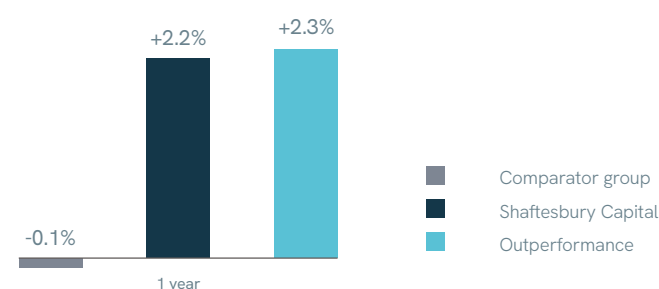
- | | | |
|---|---|---|
|  Customers |  Shareholders |  Employees |
|  Partners |  Local community |  Finance providers |
|  Suppliers |  Visitors |  Joint ventures and associates |

Measuring performance

We measure performance against key performance indicators which are selected to reflect Group strategy. Many of these metrics are performance measures under Group remuneration arrangements, ensuring alignment with shareholder interests.

R Total property return

+2.2%

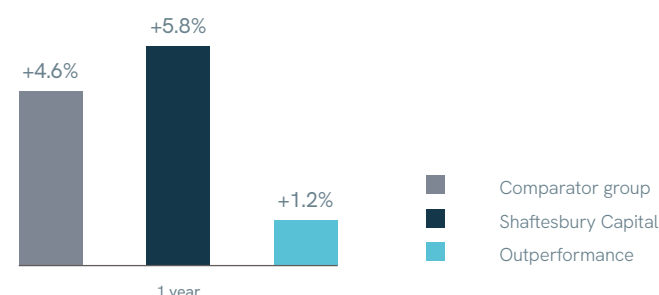


Measures gains and losses on portfolio valuation including disposals, and rents received less associated costs. Benchmarked against the MSCI Total Return All Property Index (Comparator Group).

During 2023, the Group generated TPR of 2.2 per cent, outperforming its benchmark of -0.1 per cent by 2.3 percentage points. (Target: 1.5 per cent per annum outperformance).

R Total accounting return

+5.8%

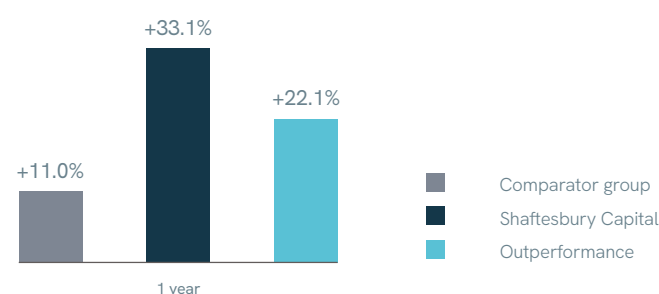


Measures growth in EPRA NTA per share plus dividends per share paid during the year. Benchmarked against the FTSE 350 Real Estate companies (comparator group).

The Group generated total return of 5.8 per cent in the year outperforming the median of the comparator group by 1.2 percentage points.

R Total shareholder return

+33.1%



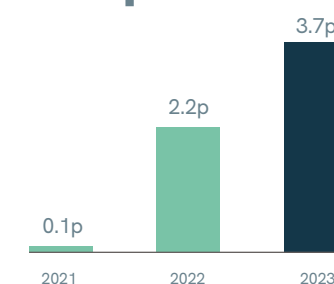
Measures shareholder value creation (share price movement plus dividend per share paid during the year). Benchmarked against the FTSE 350 Real Estate companies (comparator group).

The Group generated total shareholder return of 33.1 per cent in the year, outperforming the comparator group by 22.1 percentage points.

R ▶ A performance measure under Executive Directors' short-term or long-term incentive arrangements. Read more in the Directors' Remuneration Report from page 127.

R Underlying earnings per share¹

3.7p

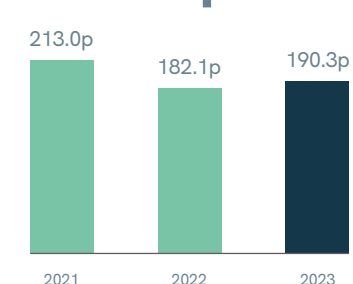


Measures income generation and cost control.

During 2023, the Group generated underlying EPS of 3.7 pence per share.

R EPRA net tangible assets per share¹

190.3p



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

EPRA NTA per share as at 31 December 2023 was 190.3 pence, an increase of 4.5 percentage points from 31 December 2022.

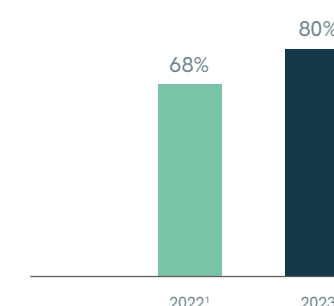
1. Underlying earnings per share for 2023 reflects the standalone performance of Capco for the period 1 January to 5 March 2023 and the performance of the merged business, Shaftesbury Capital, from the completion date to 31 December 2023. The 2021 and 2022 comparative information for underlying earnings per share and EPRA NTA per share relates to Capco pre-merger.

Other measures

We also measure performance against a range of other financial and non-financial measures including health and safety performance, HR statistics and environmental targets. This includes measuring the EPC ratings of our properties.

▶ Read more within our Sustainability reporting from page 78.

Properties with an EPC rating of A to C



Measures the number of our properties with an A to C EPC rating. 80 per cent of our properties by ERV have an EPC rating of A to C, an increase of 12 percentage points from 31 December 2022.

1. 2022 measure reflects the combined portfolio based on ERV.

We are proud to have received the following environmental accreditations¹:



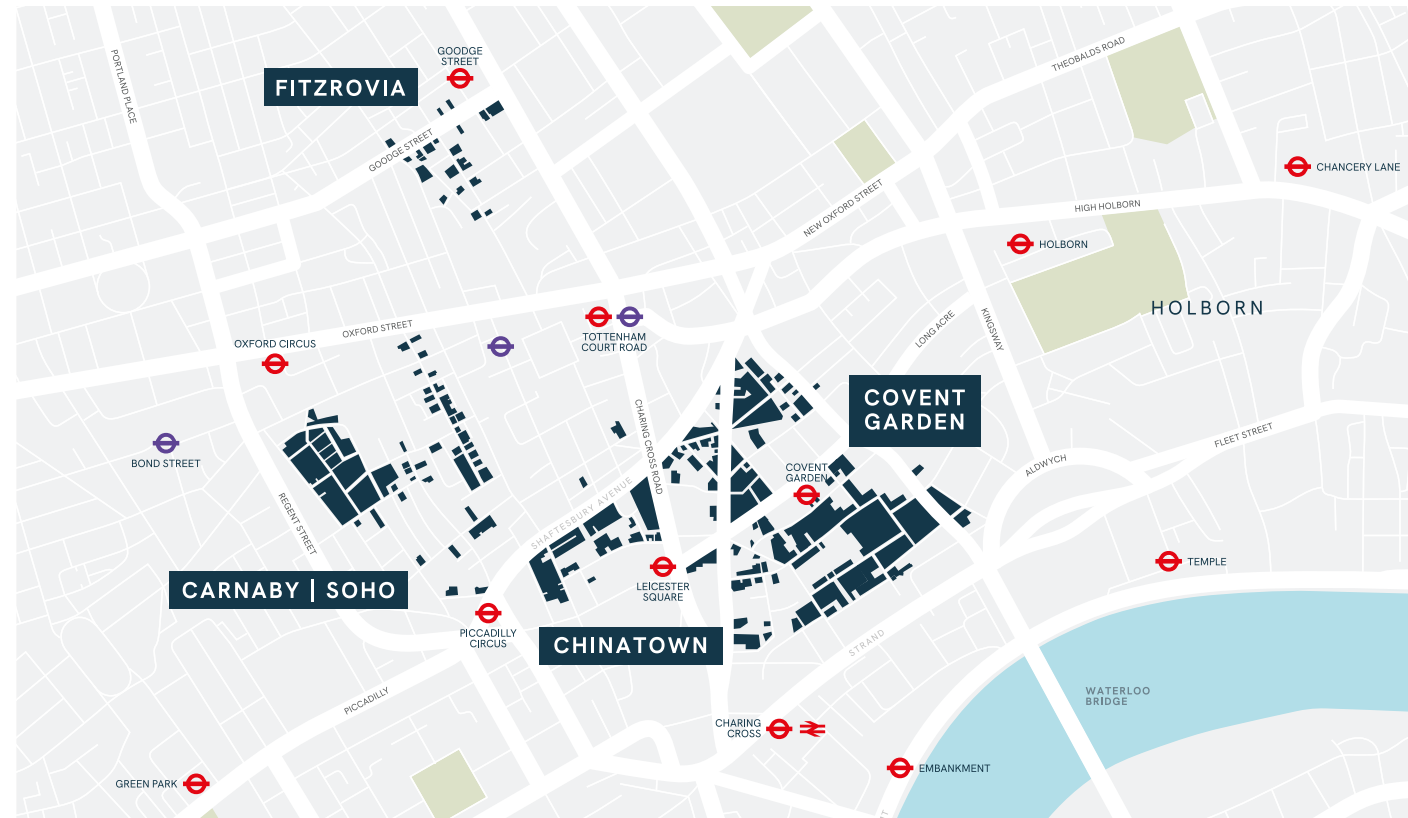
1. Benchmark scores primarily based on legacy Capco data. This will be updated for Shaftesbury Capital as part of forthcoming index reporting cycle.

Portfolio and operating review

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- 39 Residential

Well-positioned for growth

Delivering income and value growth



Map is for indicative purposes only
As at 31 December 2023

COVENT GARDEN

World-class mixed-use destination

Most immediate opportunity of growth; taking a holistic approach to marketing the district

53%

CARNABY

THIS IS SOHO

Vibrant mixed-use district, with iconic shopping and dining offering

Opportunity to evolve and enhance the district over the medium-term

31%

CHINATOWN LONDON

Europe's premier Chinatown

High occupancy providing resilient income stream and growing cashflows

14%

Metrics reflect percentage of wholly-owned portfolio value.
Fitzrovia portfolio represents a further 2% of total portfolio value.



Carnaby Street

Portfolio and operating review

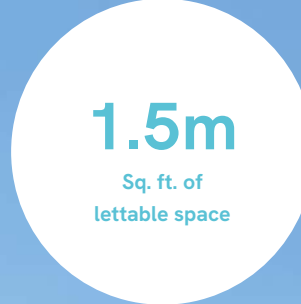
Summary:

- Total property valuation movement -0.8 per cent L-f-L to £4.8 billion (pro forma Dec 2022: £4.9 billion)
- 10.4 per cent growth in annualised gross income to £192.8 million (pro forma Dec 2022: £174.7 million)
- 6.9 per cent ERV growth to £236.9 million (pro forma Dec 2022: £221.4 million)
- 526 leasing transactions, £37.0 million, 10.0 per cent ahead of Dec 2022 ERV
- High occupancy, 2.1 per cent of ERV available to let
- £145 million asset disposals to date, on average 8 per cent ahead of valuation

Strategy:

- Deliver long-term sustainable rental income and value growth
- Creative and active approach to asset management across the portfolio
- Place our customer at the heart of the business to deliver best in class service to all customers
- Leverage deep understanding of consumers and commercial data
- Attract the best brands and concepts to meet evolving consumer demand
- Invest in and nurture our remarkable destinations in London's West End
- Dynamic leasing strategy
- Re-use, re-purpose and improve our buildings
- Enhance public realm
- Responsible stewardship - minimising our environmental impact
- Broad community and stakeholder engagement

COVENT GARDEN



A world-class mixed-use destination

Covent Garden

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

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

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



% of Covent Garden portfolio ERV



THIS IS SOHO

CARNABY

A globally recognised, vibrant district

Carnaby | Soho

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

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

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

57%

Hospitality and retail

35%

Offices

8%

Residential

% of Carnaby | Soho portfolio ERV

£1.5bn

Value

£76m

ERV

£59m

Annualised gross income

0.9m

Sq. ft. of lettable space



CHINATOWN
LONDON

Europe's premier Chinatown

Chinatown

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

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

78%

Hospitality
and retail

18%

Residential

4%

Offices

% of Chinatown portfolio ERV

£0.7bn

Value

£33m

ERV

£31m

Annualised gross
income

0.4m

Sq. ft. of
lettable space

Enhancing the attractiveness of our destinations

We offer unique consumer experiences across our vibrant, predominantly pedestrianised, thriving destinations

We work closely with our customers to enhance operating metrics such as footfall, conversion and spend which in turn support our rental growth prospects.

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

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

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

Key initiatives included:

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

1.2m total social audience
170k email subscribers
147k new followers in 2023

Active digital channels



Immersive Market Building light installation in partnership with Paul Smith



Carnaby Street, Christmas



Covent Garden, Christmas



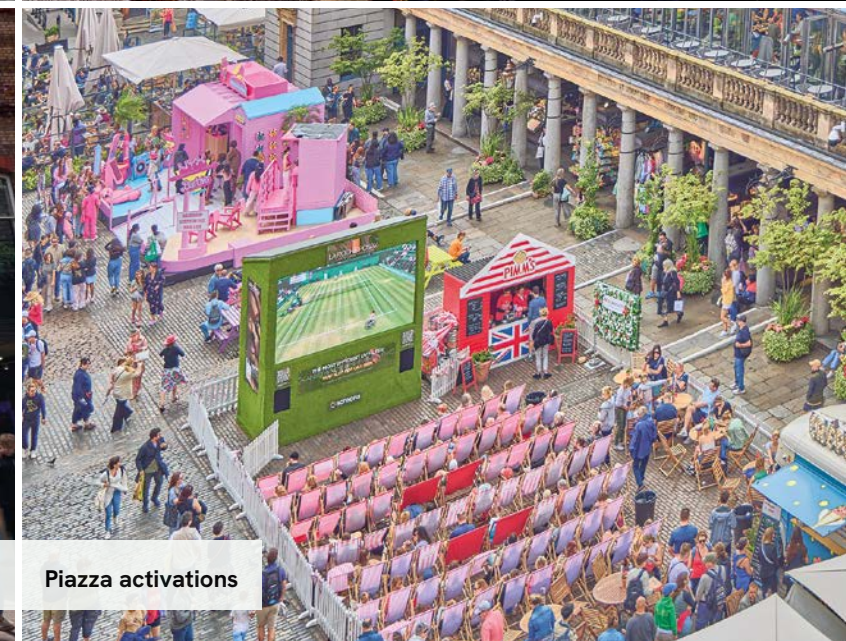
The Tusk Gorilla Trail at Covent Garden



Chinese New Year celebrations



Formula E, Carnaby Street



Piazza activations

Portfolio and operating review



Portfolio valuation

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

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

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

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

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

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



“Our active investment approach is creating value through income and ERV growth in our portfolio. The West End’s vibrancy and our unique destinations continue to attract strong demand across every use.”

Michelle McGrath
Executive Director

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

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

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

Excellent leasing momentum across all uses

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

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

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

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

Leasing transactions concluded during 2023

Use	Transactions	New contracted rent (£m)	% above Dec-22 ERV
Retail	84	11.6	9.3
Hospitality & leisure	37	4.7	14.1
Offices	67	7.9	12.4
Residential	338	12.8	7.9
Total	526	37.0	10.0

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

Annualised gross income and ERV

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

A key priority is to deliver growth in cash rents, capturing the reversion between annualised gross income and the valuers' ERV as well as generating sustained rental growth in line with our medium-term target of 5-7 per cent. Our active approach is informed by a broad base of experience and deep knowledge of the West End. This enables the business to deliver rental growth through converting the portfolio's reversionary potential into contracted income and cash flow, whilst establishing new rental tones, the benefit of which is often compounded across nearby buildings.

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

Components of the reversion

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

High occupancy

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

Under offer

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



"We are already seeing the benefits of the combined operating platform through revenue opportunities and efficiencies."

Andrew Price
Executive Director

Available to let space

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

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

Refurbishment activity

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

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

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

Under refurbishment

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

Active capital recycling

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

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

Joint ventures and associates

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

Longmartin

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

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

Lillie Square

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

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



Retail

Our retail portfolio of 0.7m square feet is primarily located in Covent Garden, Carnaby and Soho with a broad range of unit sizes and rental tones on offer

415

Shops

Retailers are increasingly focusing on fewer stores, placing greater emphasis on global location, consumer experience, service and flagship retailing with better digital engagement.

£1.6bn

Valuation

We offer a broad range of unit sizes and rental tones. The average ERV is £108 per square foot.

£64.8m

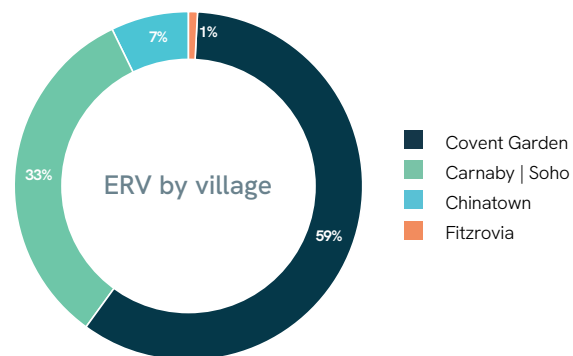
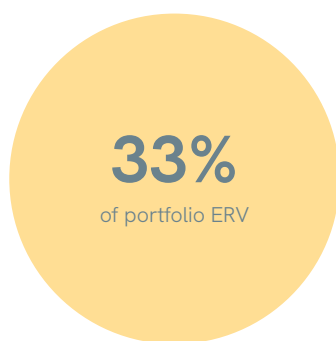
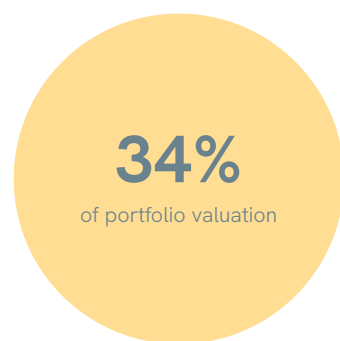
Annualised gross income

Reflecting strong demand during the year, we completed 84 new lettings and renewals with a rental value of £11.6 million, 9 per cent ahead of December 22 ERV.

£78.4m

ERV

Rent reviews with rental value of £2.7 million were concluded during the year, 8 per cent ahead of previous passing rents.



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

Following its success on Long Acre, performance outdoor brand Arc'teryx has upsized with a new flagship store on King Street, joining footwear and apparel brand Hoka which opened its first European retail location on James Street.

We continue to strengthen the luxury and jewellery offering with the introduction of Messika, Hublot, Girard Perregaux and Omega in the Royal Opera House Arcade and as well as Tissot which opened its debut flagship boutique on James Street.

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

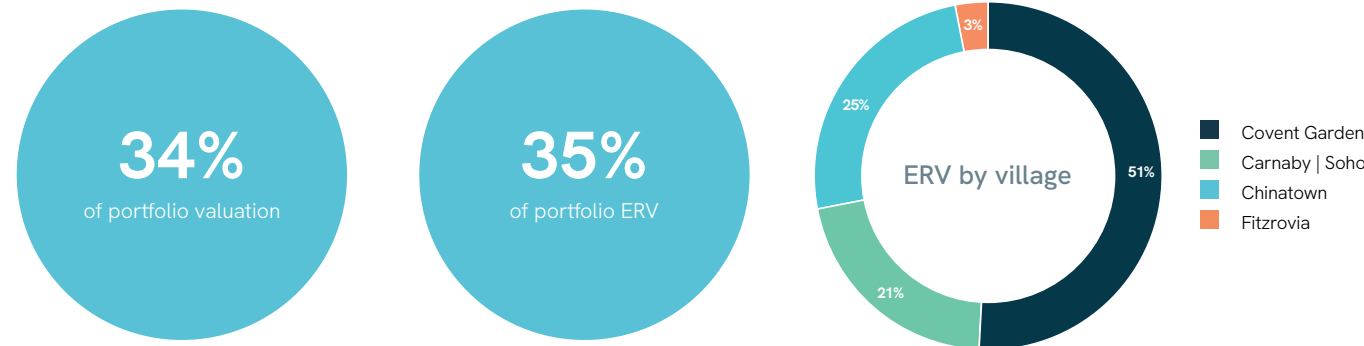


Floral Street

Hospitality and leisure

We are the largest single provider (1.0m square feet) of hospitality space in the West End, with high-profile destinations such as Covent Garden, Chinatown, Kingly Court and Soho

423	£1.6bn	£72.7m	£82.0m
Restaurants, cafés, bars and pubs	Valuation	Annualised gross income	ERV
Diverse range of food concepts, from accessible casual to premium with breakfast to late night dining offering	Hospitality provides a halo effect on footfall, increases dwell time, and drives improved trading	37 hospitality and leisure leasing transactions completed with a rental value of £4.7 million, 14 per cent ahead of December 2022 ERV	Rent reviews totalled £11.6 million, 10 per cent above previous passing rents



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

2023 marked a decade of dining at Kingly Court and it continues to be one of our best trading hospitality locations with strong sales and low rent to sales ratios on all levels. Following the success of its 2021 opening, Imad's Syrian Kitchen has upsized into larger space on the upper floor, alongside Darjeeling Express and newly opened critically

acclaimed Filipino concept Donia. The opening of Bébé Bob in Soho, located opposite the flagship Bob Bob Ricard, marked a new concept for restaurateur Leonid Shutov.

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

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



Offices

We are a provider of boutique, flexible office space (0.7m square feet) in the West End. Office occupiers provide a regular source of consumers to our destinations.

418 Suites **£0.9bn** Valuation **£31.5m** Annualised gross income **£50.2m** ERV

Suites

Valuation

Annualised gross income

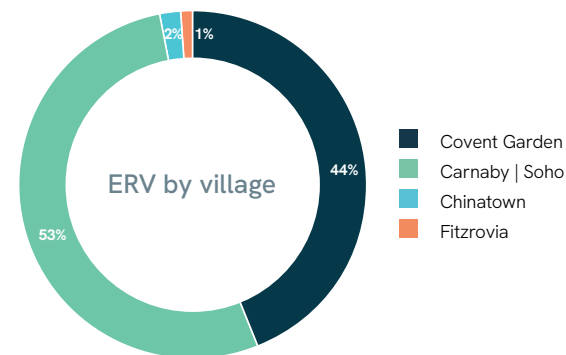
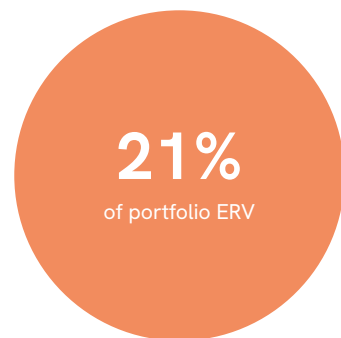
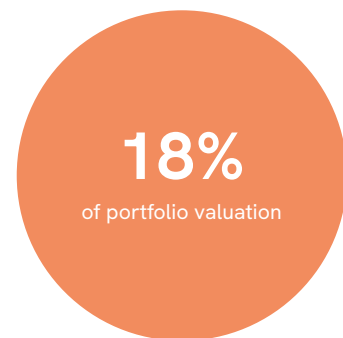
ERV

Our diverse office portfolio offers a range of floor plates providing the opportunity for occupier expansion

Typically, office accommodation is occupied by media, creative, technology and professional services businesses

We are continuing to increase the range of fitted-out space to maximise rental income

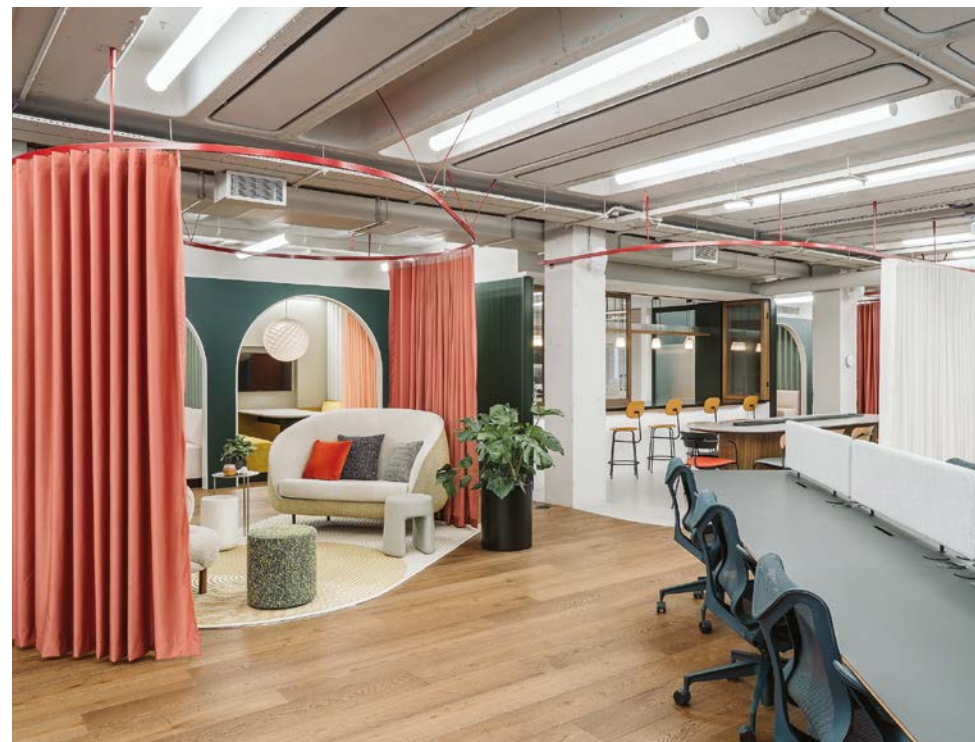
Long history of high occupancy and good retention rates



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

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

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



Residential

Residential homes, across 0.5m square feet, are an important part of our destinations' eco-systems, bringing people to shop, dine, socialise and enjoy the places we curate.

709 Apartments **£0.7bn** Valuation **£23.8m** Annualised gross income **£26.3m** ERV

Apartments

Valuation

Annualised gross income

ERV

Mostly heritage buildings with a unique character offering:

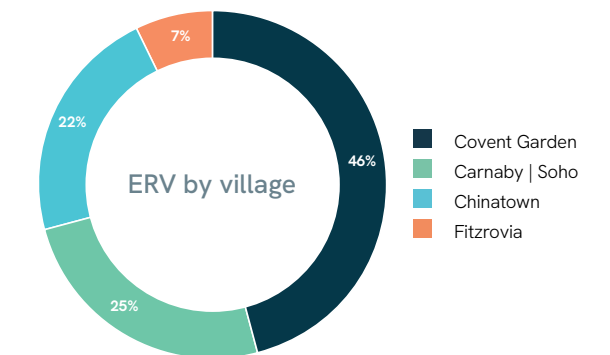
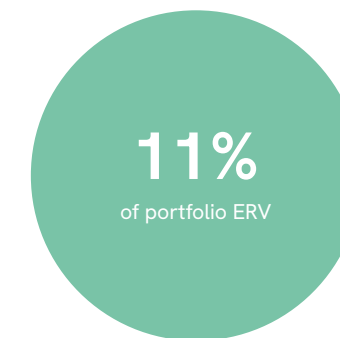
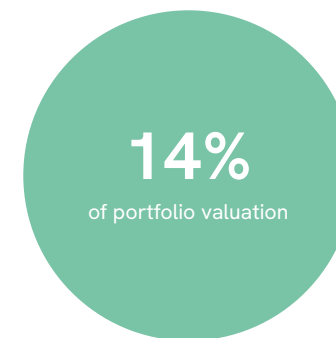
- studios, one or two-bedroom apartments
- largely unfurnished

Rolling upgrade programme continues – improving energy performance and upgrading specifications

Occupancy traditionally high (> 98 per cent); reliable cash flow

WAULT: Approximately 1 year

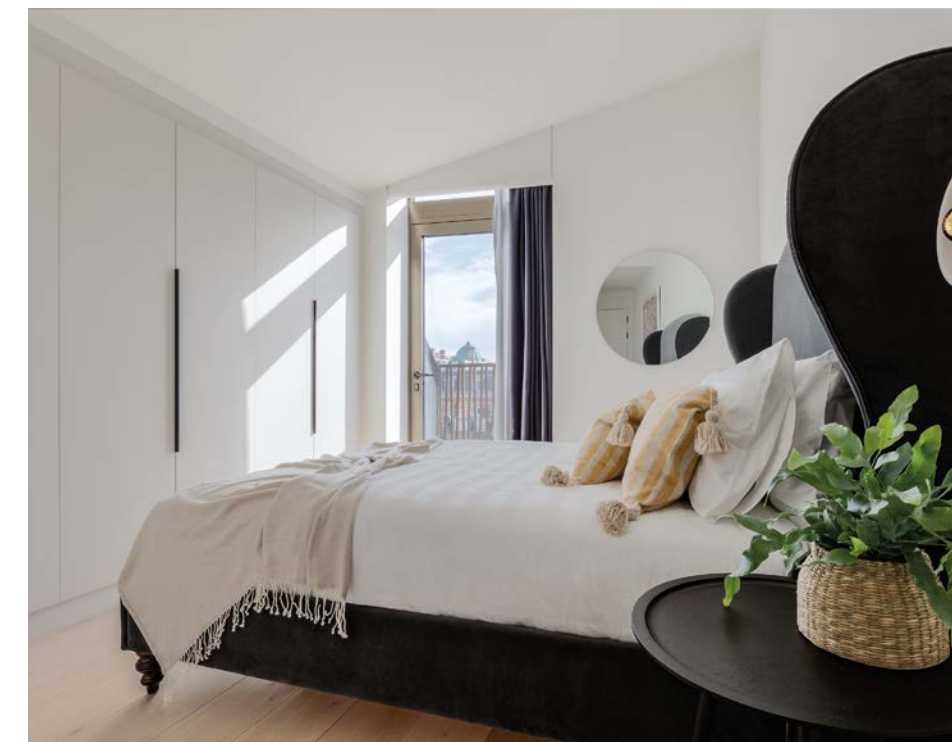
Available space typically let within a matter of days, often with competitive bidding



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

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

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










Stakeholders

Stakeholder engagement

Stakeholder engagement

Engaging with our stakeholders is an inherent part of our values. We are committed to building long-term relationships founded on respect, integrity and transparency.

Our Section 172(1) Statement, which explains how the Board considered stakeholder interests and the other matters set out in section 172(1) of the Companies Act 2006 can be found in our Governance reporting on pages 108 and 109.

Stakeholders	Material Issues	Why we engage	How we engage	Outcomes of our engagement	Further information
 Customers Our customers are the wide range of retailers, hospitality and leisure operators, office occupiers and residents throughout our portfolio of c.660 buildings.	<ul style="list-style-type: none"> - Providing and promoting high quality, vibrant, safe and well-maintained destinations to allow our customers to prosper and flourish. - Sustainability credentials. - Economic, political and social issues impacting cost of living, footfall, recruitment and retention of staff, statutory consents and potential social unrest and strikes. 	<ul style="list-style-type: none"> - Placing customers at the heart of our business is key to delivery of our strategy. The success of which is based on our ability to understand, support and respond to our customers' and potential customers' needs. - To understand consumer trends, to ensure our offer evolves to meet demand. - To ensure our customers are kept well informed of activities affecting them across our destinations. 	<ul style="list-style-type: none"> - Our teams liaise directly with our customers, and potential customers, with the aim of creating supportive, collaborative relationships, for example through communication of our marketing campaigns. - Where applicable, our online portals enable us to provide destination and occupier-specific information, together with regular information updates and for our customers to engage with us. 	<ul style="list-style-type: none"> - Continued careful curation of our destinations. - Strong working relationships with our customers, which helps support their commercial success. - £52.8 million new lettings, lease renewals and rent reviews, including UK-first stores, and relocation or expansion of a number of customers to suit their needs. - We undertook over 50 marketing campaigns across the portfolio, with participation of 310 brands. 	<p><i>Competitive strengths: page 9</i></p> <p><i>Chief Executive's Statement: page 10</i></p> <p><i>Portfolio and operating review: pages 18 to 39</i></p> <p><i>Sustainability report: pages 80 to 91</i></p> <p><i>Chairman's introduction: page 100</i></p>
 Visitors Our visitors are those who come to our destinations or engage with us through our 24 social media channels.	<ul style="list-style-type: none"> - The vibrancy of our mix of retail, hospitality and leisure, innovative street installations, greening and wayfinding across our destinations. - Informative and engaging social media and communications, promoting our destinations and our customers. - Engaging international and domestic tourist markets to encourage visits. - Providing a clean and secure environment across our destinations. 	<ul style="list-style-type: none"> - Visitors contribute to the vibrancy of our portfolio, and are vital to the success of our customers. - Our ability to communicate directly with our visitors allows us to promote the benefits of our destinations and our customer mix. 	<ul style="list-style-type: none"> - We provide a comprehensive calendar of press campaigns, events and marketing initiatives. - Regular interaction via our 24 social channels, across all destinations. - We undertook a consumer engagement survey for Covent Garden email and reward card subscribers to better understand what they would like to see from our destination. 	<ul style="list-style-type: none"> - This year we undertook over 50 campaigns across our destinations. - We grew our digital audience by 147,000 new social media followers. - We received over 1,000 responses to the consumer engagement survey for Covent Garden, with over 90 per cent of those responding likely to recommend Covent Garden to a friend. 	<p><i>Why we invest in the West End: page 6</i></p> <p><i>Chief Executive's Statement: page 10</i></p> <p><i>Portfolio and operating review: pages 18 to 39</i></p> <p><i>Enhancing the attractiveness of the West End: page 28</i></p>
 Employees Our employees include those employed directly by us on a permanent or fixed-term contract.	<ul style="list-style-type: none"> - Ensuring effective integration post-merger. - Continuing to develop, retain and attract talented people who share our values. - Internal communications and ways of working. - Well-being. - Opportunities for development and progression. 	<ul style="list-style-type: none"> - Our employees' individual and collective knowledge, experience and commitment is critical to the delivery of our corporate objectives. In addition, they are the ambassadors for our business. - To keep employees informed about business changes affecting them. - To continuously improve our processes and ways of working. 	<ul style="list-style-type: none"> - This year, in addition to regular Company-wide meetings and email updates, we held informal breakfast meetings with the Chief Executive and the Chairman met with the senior employees. - We also created the Employee Engagement Forum attended by Charlotte Boyle. 	<ul style="list-style-type: none"> - Six Company-wide meetings held including presentations on our updated purpose and values, our new remuneration arrangements and learning and development framework. - A number of informal breakfast meetings held with the Chief Executive. - 20 meetings held by the Chairman with senior employees. - Representatives from senior management attend the newly formed Senior Leadership Team meetings on a monthly basis. - Feedback from the Employee Engagement Forum provided to the February 2024 Board meeting. 	<p><i>Chief Executive's Statement: page 10</i></p> <p><i>Our purpose-led strategy and business model: pages 14 and 15</i></p> <p><i>People and culture: pages 46 and 47</i></p> <p><i>Chairman's introduction: page 100</i></p> <p><i>How the Board monitors culture and employee engagement: page 103</i></p> <p><i>How we behave: page 110</i></p>
 Suppliers Our suppliers are those who have a direct contractual relationship with us, including our managing agents, outsourced service providers, contractors and project managers, consultants and a range of property and corporate advisers across professional disciplines.	<ul style="list-style-type: none"> - Developing and maintaining constructive relationships and working collaboratively. - Appropriate, responsible, resourcing and quality of service, including achievement of agreed service levels. - Fair payment terms. 	<ul style="list-style-type: none"> - Long-term constructive and open relationships based on mutual trust with suppliers, who are aligned with our values, including throughout their own supply chain, are essential for the delivery of an appropriate high-quality level of service to our customers, visitors to our destinations, and our ongoing success. 	<ul style="list-style-type: none"> - We hold frequent informal and formal meetings to ensure collaboration, communication, and to monitor progress and performance. 	<ul style="list-style-type: none"> - During the year, we met with suppliers across the business to establish new relationships, strengthen existing relationships and communicate our expectations, resulting in enhanced performance. - We have commenced a process of reviewing our supply chain to maximise efficiencies in line with business expectations. 	<p><i>Our purpose-led strategy and business model: pages 14 and 15</i></p> <p><i>Sustainability report: pages 80 to 91</i></p> <p><i>Health, safety, security and well-being: page 92</i></p> <p><i>How we behave: page 110</i></p>
 Partners Our partners include our local authorities, government bodies, regulators, Business Improvement Districts, neighbouring landowners, tourism partners, local amenities societies and business associations, a variety of cultural partners and industry bodies.	<ul style="list-style-type: none"> - Proactive engagement and support of local statutory and economic plans, and public realm initiatives to ensure the continued attractiveness of the West End. 	<ul style="list-style-type: none"> - As a good neighbour and responsible long-term investor, we are committed to working collaboratively with a wide range of local partners to achieve shared goals, and engaging constructively with local government to ensure that the West End remains a lively, safe and preferred destination for those who live, work and visit. - As a responsible business we work cooperatively with a range of government organisations and regulators. - During 2023, we engaged with our partners to ensure they understood any changes that may arise as a result of the merger. 	<ul style="list-style-type: none"> - Our engagement is undertaken in a wide variety of ways, and includes meetings, consultations, working groups and submission of responses to policy consultations and surveys. - We take an active role in the groups where we have membership or representation. - We participate in neighbourhood co-ordination groups, which help respond to social challenges in our destinations. 	<ul style="list-style-type: none"> - Engaged throughout the year with the political leadership and officers of Westminster City Council and the London Borough of Camden Council to understand how we can support our shared goals, contributing our practical knowledge and experience. - Maintained our low risk tax rating. - We are active members of trade associations including the Westminster Property Association and Better Buildings Partnership. - We have participated in or supported initiatives including the Sustainable City Charter; a trial of e-scooter and e-bike parking bays; a review of public conveniences in the Soho district conducted by the Soho Neighbourhood Forum; and LCCA's application for a new Chinese pagoda in Chinatown. - Supported London Fashion Week and British Beauty Week with the British Beauty Council. 	<p><i>Chief Executive's Statement: page 10</i></p> <p><i>Sustainability report: pages 80 to 91</i></p>

Stakeholders	Material Issues	Why we engage	How we engage	Outcomes of our engagement	Further information
<p>Local communities</p> <p>Our communities are those people who work, live and study, in or around our destinations, as well as local organisations, including business and social enterprises, schools, and charities.</p>	<ul style="list-style-type: none"> - Understanding the wide variety of needs across our local communities and how we can support them. - Keeping our communities regularly informed of our activities and initiatives. 	<ul style="list-style-type: none"> - Community projects and initiatives enhance the vibrancy of our destinations. - We strive to keep our community regularly informed of our activities and initiatives, and respond to the views and needs of local people and organisations. - We engaged with a variety of local community organisations to ensure they understood changes that may arise as a result of the merger, helping to build new relationships and strengthen existing relationships. 	<ul style="list-style-type: none"> - On completion of the merger, we wrote to a variety of stakeholders within the local community to explain that the merger was taking place, and held a series of in-person engagements. - We liaised with our community partners, local enterprises and others to help support projects and initiatives for the benefit of our local communities and the areas in or near our destinations. - Our destination reward cards offer discounts across local businesses for those that live, work and study within our destinations. 	<ul style="list-style-type: none"> - We supported over 50 organisations or charities within our local community. - We donated £476,000 in financial contributions and provided £807,000 of in-kind support. - Our employees spent 335 hours volunteering on local community projects - Following feedback from local occupiers/residents, we: <ul style="list-style-type: none"> - Reduced the noise impact of the rigging and de-rigging of our Christmas lights. - Refreshed greening, shop fronts and street furniture in Seven Dials and enhanced our security in Carnaby Soho. - Installed CCTV in Chinatown to enhance security and address waste management issues. 	<p><i>Chief Executive's statement: page 13</i></p> <p><i>Our purpose-led strategy and business model: pages 14 and 15</i></p> <p><i>Sustainability report: pages 89 to 91</i></p>
<p>Joint Ventures and associates</p> <p>Our joint ventures and associates are our 50:50 Longmartin associate with The Mercers' Company and our 50:50 Lillie Square joint venture with the The Kwok Family Interests.</p>	<ul style="list-style-type: none"> - Implications of the merger on operations. - Agreement of strategies to enhance our portfolios. - Well-managed estates. 	<ul style="list-style-type: none"> - We work closely with our partners to deliver projects that benefit both parties, ensure success and add long-term value to our respective holdings. 	<ul style="list-style-type: none"> - For Longmartin, Board meetings are held at regular intervals throughout the year, with property visits as appropriate. Between Board meetings, management meetings are held to oversee day-to-day operations, which are reported back to the Board. - For Lillie Square, our engagement includes regular dialogue between operational and management teams, outside of Board meetings. 	<ul style="list-style-type: none"> - The annual Business Plans covering priorities and actions for the year ahead. 	<p><i>Portfolio and operating review: page 33</i></p>
<p>Finance Providers</p> <p>Our finance providers include our lending banks, secured-debt providers, exchangeable bondholders and private placement loan note holders.</p>	<ul style="list-style-type: none"> - Refinancing of the £576 million loan facility. - Compliance with our financial covenants. 	<ul style="list-style-type: none"> - We value our strong and transparent relationships with our range of finance providers, which are based on mutual understanding, and engage regularly to maintain these relationships. - To ensure that our finance providers are kept updated about our business performance and activities, covenant compliance and actions proposed in relation to underlying secured assets. 	<ul style="list-style-type: none"> - We engage through meetings and providing tours across our portfolio, where appropriate. - In November 2023, we hosted an in-depth Investor Event. 	<ul style="list-style-type: none"> - Refinanced the £576 million loan facility by: <ul style="list-style-type: none"> - Signing a new secured loan of £200 million with Aviva Investors; and - Signing a new £350 million senior unsecured loan agreement. 	<p><i>Our purpose-led strategy and business model: pages 14 and 15</i></p> <p><i>Debt and gearing: pages 56 and 57</i></p>
<p>Shareholders</p> <p>Our shareholders are the owners of our business.</p>	<ul style="list-style-type: none"> - Completion of the all-share merger. - Delivering on our purpose and strategy. - Our financial and business performance. - Making a long-term, positive impact. 	<ul style="list-style-type: none"> - We value our relationships with our shareholders and engage regularly with existing shareholders, potential investors and sell-side analysts, to provide updates on our activities, communicate our investment case and governance framework, and understand their priorities. 	<ul style="list-style-type: none"> - Our investor relations programme includes regular results and reporting, press releases, investor events, one-to-one meetings, roadshows, property tours and our AGM. - In November 2023, we hosted our inaugural Investor Event. - Our 2023 AGM was held in a hybrid format, providing shareholders the opportunity to attend in person or virtually to ask questions and vote. - Market and shareholder perspectives study conducted by external advisers. 	<ul style="list-style-type: none"> - 33.1 per cent Total Shareholder Return for 2023. - Successful completion of the all-share merger, following shareholder approval at the General Meetings. - Positive market feedback following our inaugural Investor Event in November 2023. - Investor feedback following shareholder meetings and tours is shared with the Executive Committee and Board. - All resolutions at our 2023 AGM passed with a majority in excess of 89 per cent. - Feedback from the market and shareholder perspectives study considered by the Board. 	<p><i>Chief Executive's statement: page 10</i></p> <p><i>Our purpose-led strategy and business model: pages 14 and 15</i></p> <p><i>Chairman's introduction: page 100</i></p> <p><i>Corporate governance report: pages 110 and 111</i></p> <p><i>Directors' remuneration report: page 127</i></p>



Smart Works

Charity Smart Works gives women the confidence they need to reach their full potential and secure employment through their tailored support. The charity offers a range of employment support, including CV advice, interview preparation and a bespoke service providing women with quality professional clothing for interviews and the workplace.

In 2023, we provided Smart Works with two retail spaces in our portfolio to create two pop-up Summer and Winter seasonal boutiques. The boutiques provided an opportunity for consumers to shop sustainably and purchase premium fashion and beauty brands, with all proceeds from sales re-invested enabling Smart Works to fund their valuable work and support services.



Investor Event

We held our inaugural Investor Event on 27 November 2023 at The Royal Opera House, Covent Garden.

Our management team provided investors and analysts an insight into our unique, irreplaceable portfolio and set out medium-term priorities and targets for the Company.

► [Read more about delivering on strategy and our medium-term targets on page 2.](#)

People and culture

Our people are key to our success and achieving our purpose.

Culture and values

We have a high-performing, professional, inclusive and entrepreneurial culture where creativity and innovation is encouraged and promoted. We provide a collaborative environment where people are inspired to give their best and contribute to the Company's success. During the year, we revisited our corporate values, which underpin our culture, and relaunched these to the business (read more on pages 10 and 100).

Employee engagement & Integration

In making decisions impacting our employees, we seek the views and opinions of our colleagues across the business. To ensure that our employees were kept updated pre- and post-merger, our Executive Directors led Company-wide meetings throughout the year. A programme of portfolio tours was arranged to help employees to get to know the enlarged portfolio and their new colleagues, and our Chief Executive led a series of informal breakfast meetings. We also established an Employee Feedback Forum, attended by our Non-executive Director Charlotte Boyle.

Talent, training & development

We regularly undertake succession planning to review our talent pipeline and to ensure individuals are appropriately developed. Our learning and development programmes are designed to strengthen our teams and challenge aspiring leaders. Following completion of the merger, a new learning and development framework was launched, focusing on the pillars of core skills, professional learning, mandatory learning, internal learning programmes and talent development programmes.

We make training available to all employees and encourage continued professional development with 2,500 hours of training undertaken during 2023. Bespoke coaching programmes are provided to employees, and we sponsor individuals undertaking further professional qualifications, encouraging continuous learning.

New opportunities that arise in the business are advertised internally, and we aim to promote internal candidates in order to enhance career development and encourage mobility across the Company.

Values

Take a responsible, long-term view

We have a responsibility to our multiple stakeholders, our people and our planet. Our decisions are rooted in the lasting impact of our actions to deliver long-term economic and social value

Act with integrity

We are a high-performance business and are committed to the highest professional standards, acting with honesty and transparency, and not compromising our integrity

Take a creative approach

We strive to be the best at what we do, with a creative and entrepreneurial approach, imagining the art of the possible, to seek opportunities to improve and deliver positive outcomes for our multiple stakeholders

Listen and collaborate

We work collaboratively in an environment where everyone has a voice and a part to play and where relationships are based on respect, empathy and trust. We build and develop diverse teams of extraordinary professionals, advocating inclusive and supportive behaviours

Make a difference

We engage with stakeholders and aim to make a positive impact through our people, local communities, partnerships and in the great places we curate, invest in and manage



We aim to hire talented individuals who aspire to grow and develop in their careers. We ensure our talent have the skillset and expertise to advance, and we actively support and encourage professional development through sponsorship of the Chartered Surveyors Assessment of Professional Competence ("APC"), accounting qualifications and various other qualifications. Recently three of our employees successfully qualified in Chartered Surveying and Chartered Accountancy.



Performance management

Annual performance objectives for each employee are agreed at the beginning of the calendar year and ongoing performance check-in meetings take place regularly throughout the year.

Remuneration

We regularly benchmark our approach to remuneration, to ensure that we are appropriately competitive in the market. Following the completion of the merger we launched a new remuneration strategy to reward and incentivise our people, aligned to our values and the Executive Director remuneration structure.

All permanent employees are eligible to receive share awards so that everyone can participate in the success of the Company. These awards have a three-year performance period and are subject to corporate performance conditions.

Our core compensation package comprises base salary, performance bonus linked to Company and personal performance and discretionary share awards.

Benefits

We also offer an attractive package of additional benefits to our employees. The Company offers a pension contribution of 17.5 per cent of salary. We provide 30 days annual leave and offer a flexible leave policy under which employees have the ability to buy and sell up to 10 days holiday each year.

Well-being

The well-being of our people is of the utmost importance. We deliver a lifestyle programme throughout the year focusing on financial well-being, and both physical and mental health. Sessions provided in 2023 covered topics including mortgages, tax returns, financial health, resilience and anxiety.

Our head office fit-out has a strong focus on employee well-being, with greenery, standing desks and amenity space for our employees to collaborate and interact.

The Company offers Gymflex and Cycle to Work schemes, and provided free yoga classes for employees during the year, to support physical and mental well-being.

Diversity, Equality & Inclusion

We believe that every person in the Company has a part to play in generating value, and we understand fully the benefits of a diverse workforce. Diversity is considered when making appointments at all levels, and an inclusive and diverse culture forms part of our values.

Our maternity and shared parental leave benefits each pay six months' full salary. In addition, we regularly review our policies to ensure that we continue to be an inclusive and supportive employer. We hosted sessions to engage and educate our employees on topics such as attitudes towards LGBTQIA+ in the UK, neurodiversity and race-related challenges in the workplace.

We support a number of initiatives which aim to increase diversity within the property industry, including being a member of the Employers Network for Equality & Inclusion ("ENEI"), a member of Real Estate Balance, a sponsor of the Reading Real Estate Foundation and a supporter of the Pathways to Property work experience programme. We are a corporate member of the British Property Federation ("BPF"), support the BPF's Futures programme and are a member of the BPF's Diversity & Inclusion Champions network. We are a corporate sponsor of Freehold, a London-based forum for LGBTQIA+ real estate professionals, and a corporate member of AbilityRE and the Business Disability Forum.

We work with initiatives including the 10,000 Black Interns and 10,000 Able Interns initiatives, and the social mobility charity UpReach to provide work experience placements to students. We are also an active supporter of the Reading Real Estate Foundation's Access programme, which aims to provide work experience to students from underprivileged backgrounds, and supported a second scholar from the University of Westminster, committing to continuing to fund fees and a bursary, together with work-experience for an undergraduate student studying Real Estate.

► A summary of the Company's gender diversity is set out on page 117.





Financial review

Delivering financial performance

Financial review

“Having made good progress in 2023, Shaftesbury Capital is well-positioned to deliver long-term value creation and growth in earnings and dividends, driven by favourable prospects for rental growth, further operating efficiencies, investment activity and capital management.”



Situl Jobanputra
Chief Financial Officer

Financial results

£141.9m	Gross profit
£750.4m	Profit for the year
£60.4m	Underlying earnings
3.7p	Underlying earnings per share
3.15p	Dividend per share
£4,795m	Total portfolio market value
£3,480m	Net assets
190.3p	EPRA NTA per share
30.9%	EPRA loan-to-value
£485.7m	Cash and undrawn facilities
2.2%	Total property return
5.8%	Total accounting return
33.1%	Total shareholder return

Presentation of information

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

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

► *Further details on pro forma information, and reconciliation to reported numbers, is included on page 215.*

Financial highlights

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

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

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

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

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

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

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

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

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

Accounting implications of the merger

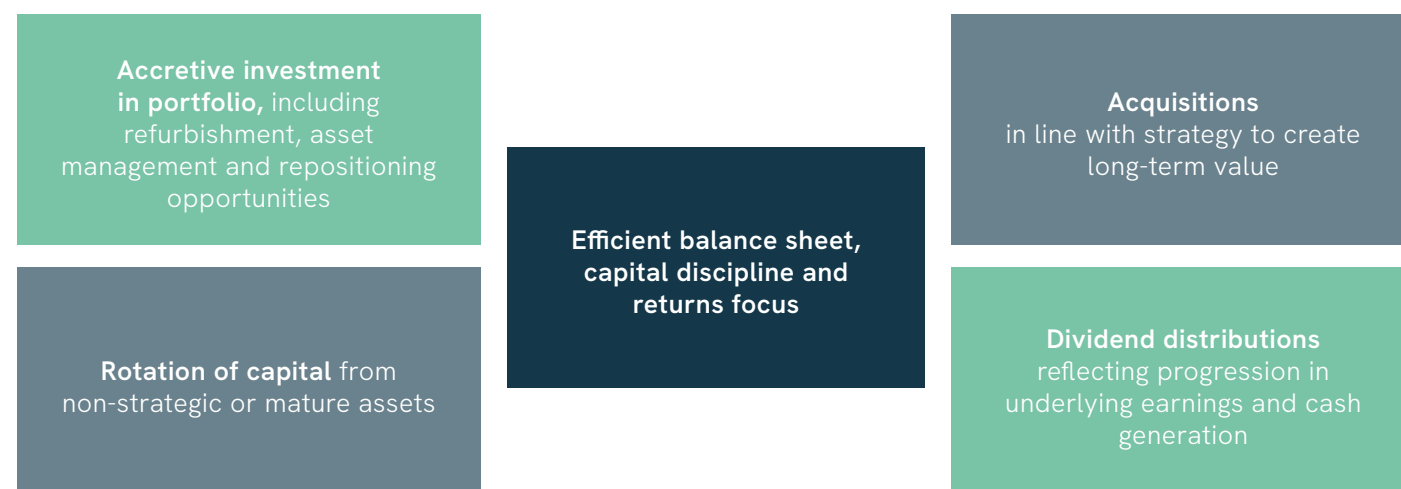
As detailed in note 1 ‘Principal accounting policies’ under ‘Critical accounting judgements and key sources of estimation uncertainty’, from an accounting perspective, Capco was the deemed acquirer of Shaftesbury. The book value of Shaftesbury’s net assets has been adjusted to reflect their fair value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

The major adjustments required by IFRS 3 included:

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

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

Disciplined capital allocation



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

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

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

Alternative performance measures

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

One of the key performance measures which the Group uses is underlying earnings. The underlying earnings measure reflects the underlying financial performance of the Group’s core West End property rental business and is a relevant metric in determining dividends. The measure aligns with the main principles of EPRA earnings which excludes valuation movements on the wholly-owned, joint venture and associate properties, fair value changes

of financial instruments and listed investments, cost of early close out of debt, gain on bargain purchase and IFRS 3 merger-related transaction costs. In calculating underlying earnings, additional adjustments are made to exclude items considered to be non-recurring or significant by virtue of size and nature. Consistent in the calculation for both years is the removal of the financial performance of the Lillie Square joint venture, associated tax adjustments and the interest receivable on the loan issued to the joint venture by the Group. Lillie Square is not considered to be a core part of the operations of the Group and therefore its results are not included in underlying earnings. The fair value movement of the option component of the exchangeable bond is also adjusted from underlying earnings as such movements do not reflect the true nature of the performance of the Group.

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

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

► Further details on APMs used, including details on pro forma information, and how they reconcile to IFRS, are set out on page 214.

Financial Performance

Summary income statement

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

	2023 £m	2022 £m
Gross profit	141.9	57.3
Loss on revaluation and profit on sale of investment property	(65.0)	(0.8)
Change in fair value of listed equity investment	52.0	(239.5)
Other income	2.7	13.5
Administration expenses ¹	(83.8)	(40.6)
Net finance costs ²	(51.9)	(24.6)
Profit from joint ventures and associates	0.2	-
Taxation	(0.2)	(6.0)
Other ³	(51.0)	28.9
	(55.1)	(211.8)
Gain on bargain purchase	805.5	-
Profit/(loss) for the year	750.4	(211.8)

Basic earnings/(loss) per share	45.5p	(24.9)p
EPRA earnings ⁴	45.0	57.3
EPRA earnings per share ⁴	2.7p	6.7p
Underlying earnings ⁴	60.4	18.6
Underlying earnings per share ⁴	3.7p	2.2
Weighted average number of shares ⁵	1,648.9m	851.3m

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

Gross profit

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

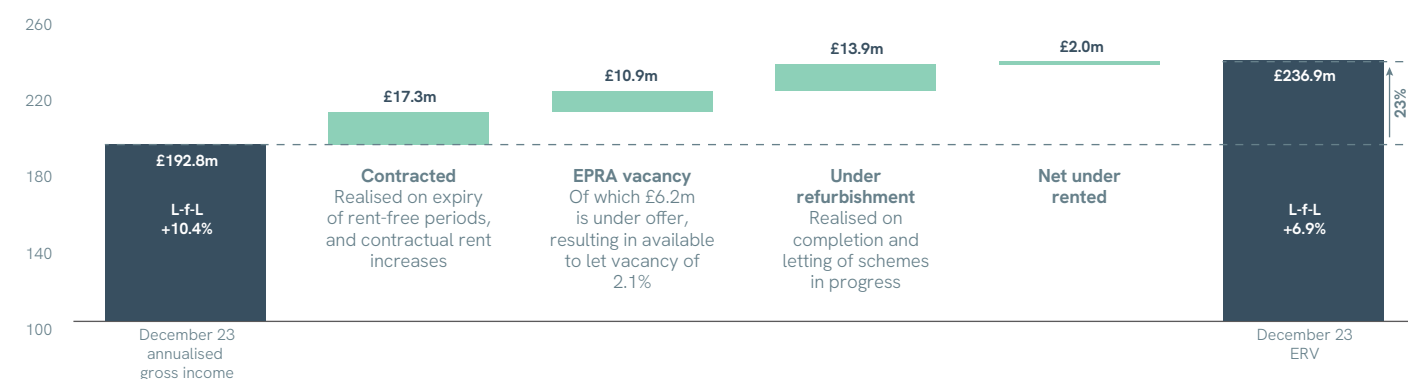
1. 2023 includes £5.1 million reduction for the change in accounting policy to adjust the amortisation period for tenant lease incentives and deferred letting fees. £4.1 million adjustment is recorded through straight lining of tenant lease incentives and £1.0 million in property expenses.

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

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

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

December 2023 Annualised Gross Income to ERV Bridge; reversion £44.1m (23%)



Loss on revaluation and profit on sale of investment property

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

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

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

Other income

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

Administration expenses

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

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

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

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

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

Net finance costs

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

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

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

Profit from joint ventures and associates

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

Taxation

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

Dividends

The Board has declared a final dividend of 1.65 pence per share, bringing the total dividend to 3.15 pence per share, reflecting progression in underlying earnings and cash generation. The total gross dividend payable is £32.2 million of which £2.1 million relates to the Group entity which holds 128.4 million shares as security under the terms of the exchangeable bonds.

The entity has provided an undertaking not to exercise its voting rights in respect of such ordinary shares but will receive the declared dividend, the majority of which should subsequently be retained by the Group following the dividend threshold test as set out in the exchangeable bond conditions. In addition, the dividend will not be paid in relation to the 3.1 million shares held by the Group's approved Employee Benefit Trust.

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

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

Summary balance sheet

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

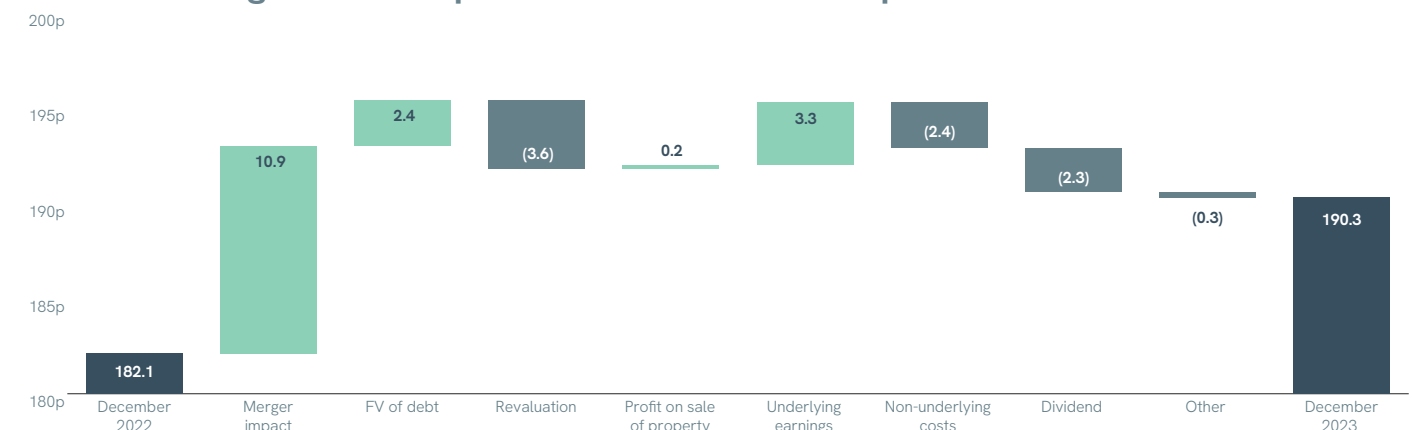
	31 December 2023 £m	30 June 2023 £m	Pro forma ¹ 31 December 2022 £m	31 December 2022 £m
Property portfolio ²	4,760.4	4,865.2	4,829.2	1,715.1
Investment in joint ventures and associates	83.4	84.4	86.8	0.2
Financial assets at fair value	-	-	-	356.9
Net debt ³	(1,499.1)	(1,553.5)	(1,488.2)	(633.5)
Other assets and liabilities	135.5	157.6	98.6	122.9
Net assets	3,480.2	3,553.7	3,526.4	1,561.6
EPRA net tangible assets	3,479.4	3,541.3	3,526.4	1,552.2
EPRA net tangible assets per share (pence)	190.3p	193.8p	192.8p	182.1p
Adjusted, diluted number of shares⁴	1,828.8m	1,827.2m	1,828.8m	852.3m

- Pro forma information is explained in further detail on page 215.
- 31 December 2023 includes £20.2 million accounted for as owner-occupied property.
- Net debt based on nominal value of debt drawn less cash, excluding tenant deposits of £14.5 million (30 June 2023: £14.4 million; 31 December 2022 and pro forma: £13.4 million).
- Number of shares as at pro forma 31 December 2022, 30 June 2023 and 31 December 2023 excludes 128.4 million shares held as collateral for the exchangeable bond and 3.1 million within an approved Employee Benefit Trust. Total share capital in issuance, including these components, was 1,953.2 million shares as at 30 June and 31 December 2023.

EPRA NTA

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

EPRA net tangible assets per share +4.5% to 190.3 pence



Property portfolio

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

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

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

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

Investment in joint ventures and associates

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

Longmartin

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

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

Lillie Square

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

Debt and gearing

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

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

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

1. Pro forma information is explained in further detail on page 219.
2. Excludes tenant deposits of £14.5 million (30 June 2023: £14.4 million; Pro forma and 31 December 2022: £13.4 million).

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

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

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

1. Pro forma information is explained in further detail on page 215.
2. As at 31 December 2023 the weighted average cost of debt reduces to an effective running cash cost of 3.4 per cent taking account of interest on cash deposits and interest rate caps.
3. Taking account of interest on cash deposits and interest rate caps and collars.

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

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

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

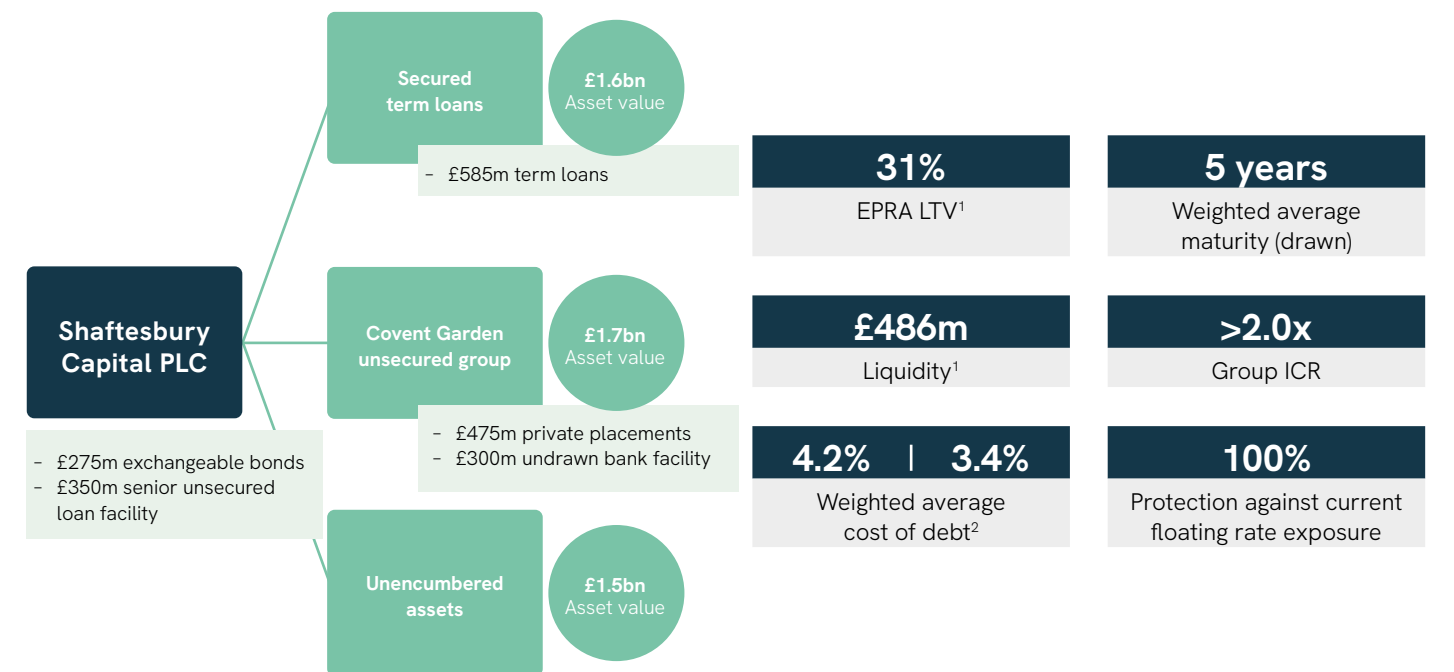
In December 2023, a £350 million unsecured loan agreement comprising a term loan of £200 million and revolving credit facility of £150 million was signed. The agreement has an initial maturity of three years, with the option to extend the term by a further two periods of one year each, subject to lender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

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

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

Cash Flows

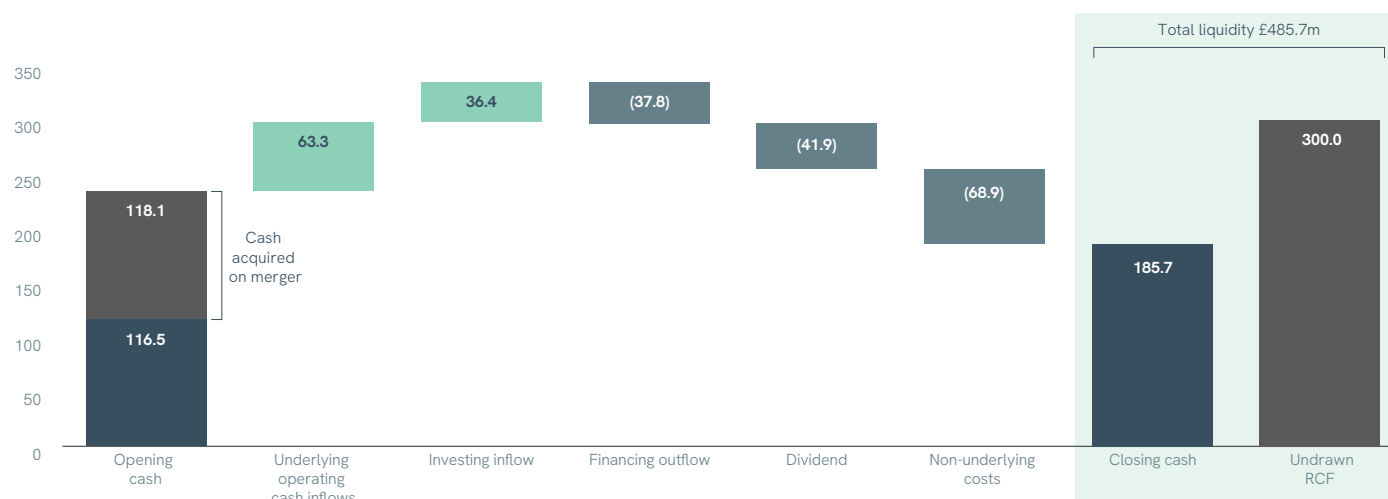
Movement in cash flows	£m
Cash, excluding tenant deposits, at 31 December 2022	116.5
Cash acquired on merger	118.1
	234.6
Operating inflow	63.3
Investing inflow	36.4
Financing outflow	(37.8)
Dividends paid	(41.9)
Non-underlying	(68.9)
Cash, excluding tenant deposits, at 31 December 2023	185.7



Note: Excludes Longmartin (which has £60 million of term debt, our share) and Lillie Square JV (£7.9 million net cash).

1. Including year-end cash of £185.7 million

2. Current weighted average cash cost of debt is 4.2 per cent and 3.4 per cent after taking account of interest income or cash deposits and the benefit of interest rate caps and collars.



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

Operating cash inflows of £63.3 million reflecting growing net rental income and continuing positive cash collections, partly offset by administrative and finance costs.

Investing cash inflows of £36.4 million, included £88.1 million gross proceeds from the sale of seven properties offset by £33.8 million capital expenditure and £17.4 million for the Royal Opera House Arcade lease regear and long leasehold residential unit. £4.2 million has been received from the Longmartin investment in the year comprising a dividend of £1.5 million and £2.7 million loan repayment.

Of the £37.8 million financing outflow, £25 million relates to the net movement in facilities drawn and repaid following the £550 million raised in the year to fund the redemption of the £575 million Carnaby and Chinatown bonds. £7.8 million of costs have been incurred on facility arrangement fees, following the refinancing activities during the year. The remaining £5.0 million movement reflects payments in relation to the additional interest rate hedging (£3.4 million in April 2023 and £1.6 million in December 2023).

Total dividends paid in the year excludes the £1.9 million paid to the Group entity which holds 128.4 million shares as security under the terms of the exchangeable bonds. Following the dividend threshold test, as set out in the exchangeable bond conditions, the full dividend was subsequently retained by the Group.

Non-underlying movements represent payment of merger-related transaction and integration costs. Certain merger-related transaction costs were included in the Shaftesbury acquisition balance sheet but have been paid after the merger date and, therefore, reflect the difference between the costs included in the income statement of £44.5 million and the statement of cash flows.

Going concern

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

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

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

Situl Jobanputra
Chief Financial Officer

28 February 2024

Effective risk management

Risk management

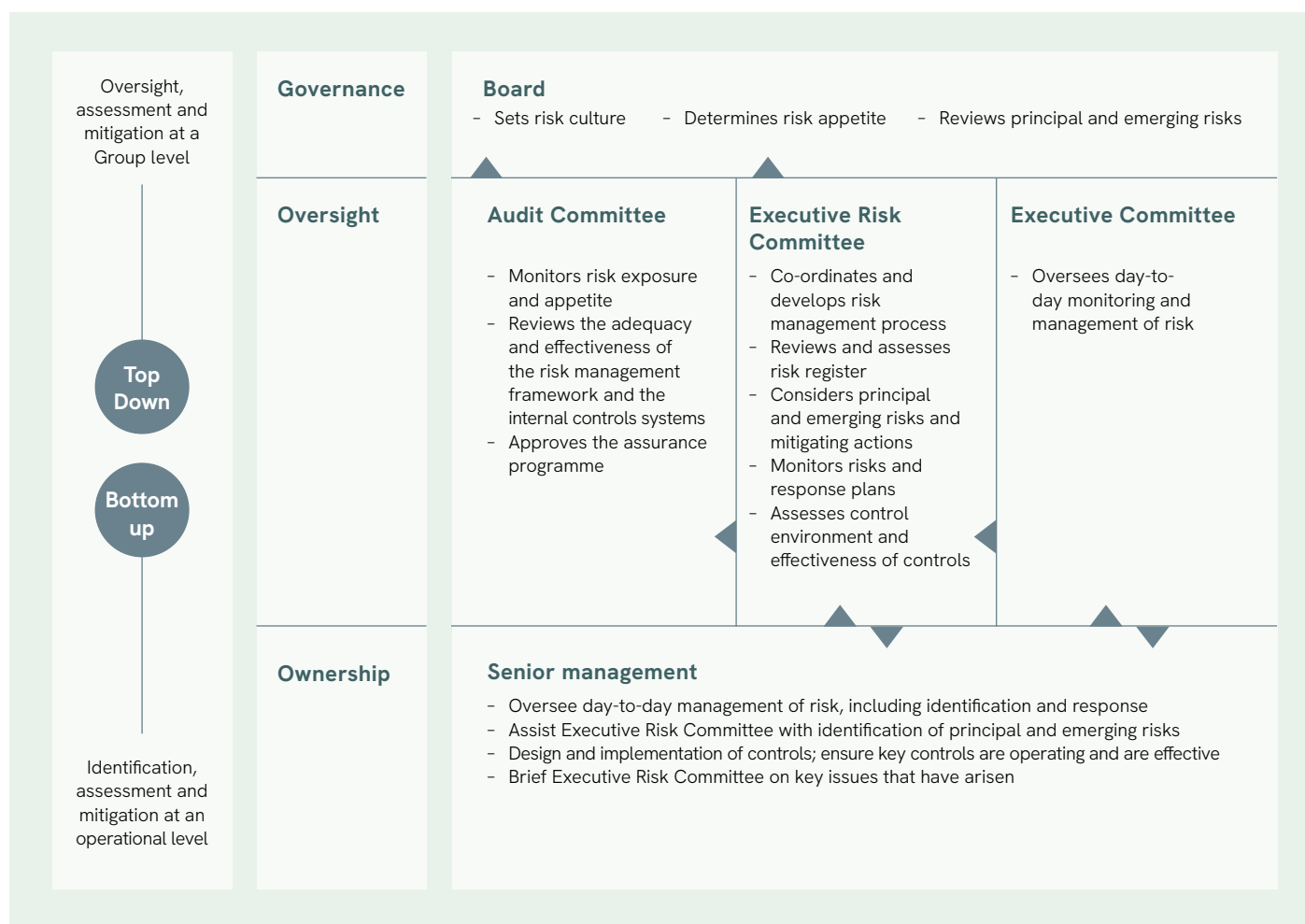
The Board has overall responsibility for Group risk management. It determines its risk appetite and reviews principal risks and uncertainties regularly, together with the actions taken to mitigate them. The Board has delegated responsibility for the review of the adequacy and effectiveness of the Group's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

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

The Executive Committee is responsible for the day-to-day commercial and operational activity across the Group and is, therefore, responsible for the management of business risk. The Executive Risk Committee, comprising the Chief Executive, Chief Financial Officer, members of the Executive Committee, General Counsel, Joint Group Financial Controllers, Director

of Sustainability and Technology and Head of Sustainability, is the executive level management forum for the review and discussion of risks, controls and mitigation measures. The corporate and business division risks are reviewed on a regular basis by the Executive Risk Committee, so that trends and emerging risks can be identified and reported to the Board.

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



Risk appetite statement

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

“We invest to create thriving destinations in London’s West End where people enjoy visiting, working and living. We use our expertise in property investment and our commitment to a strong balance sheet to take commercial risks in a measured way, so that we are able to deliver sustainable growth and long-term returns for our shareholders.

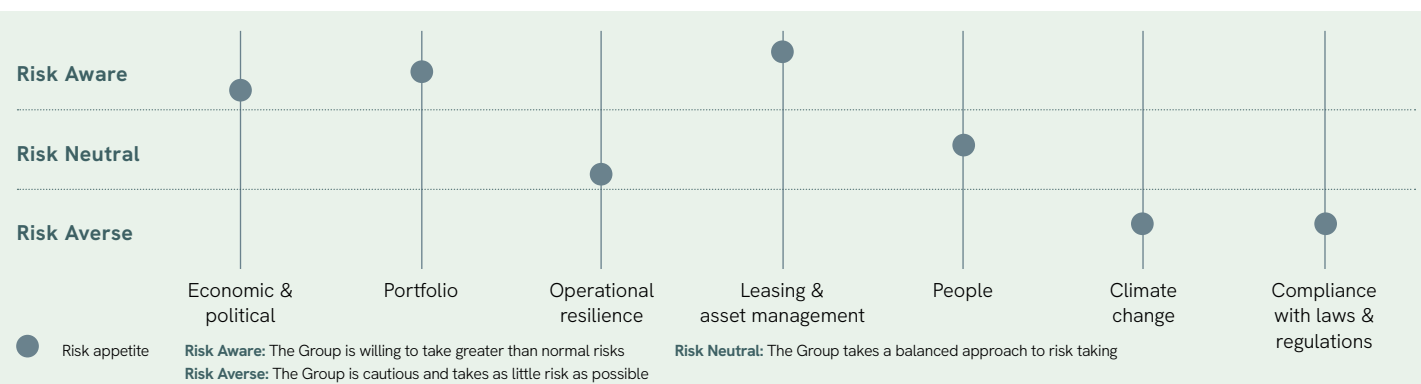
We are risk averse in relation to the impact of our business on the environment and on the health and safety of our people and the public, and it is a key priority for us that our business operates in compliance with laws, regulations and our contractual commitments.”

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

Assessing risk

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

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



The Group’s processes and procedures to identify, assess, and manage its principal risks and uncertainties were in place throughout the year and remained in place up to the date of the approval of the 2023 Annual Report.

Internal controls

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

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

Specific controls relating to financial reporting and consolidation process include:

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

Risk outlook

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

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

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

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

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

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

Emerging risks

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

The Group conducts a horizon scanning exercise to identify potential risks and emerging trends which may be impactful in the future. Based on this exercise, the most relevant emerging risks and opportunities are assessed to establish

relevance and identify any additional remediation required. The prioritised emerging risks are further reviewed and validated by senior management to gain a better understanding of their impact and to develop strategies to address them. A non-exhaustive list of emerging risks is outlined below.

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

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

Emerging risks with a longer-term horizon include:

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

Principal risks and uncertainties

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

Principal risks overview

2023 risk	Change in the year
Economic and political ¹	↑
Portfolio ¹	–
Operational resilience ¹	–
Leasing and asset management	–
People	–
Climate change	–
Compliance with law and regulations	–

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

Key ↑ Increase – Stable ↓ Decrease

Strategic priorities

- 1 Customer at the heart of the business
- 2 Creative and active approach
- 3 Disciplined financial management
- 4 Sustainable and community-minded

Principal risks and uncertainties continued

<p>▲ Economic and political</p> <p>2 – Impact of ‘higher for longer’ interest rates and lack of availability or increased cost of debt or equity funding</p> <p>3 – Inflationary pressures on operating costs, including energy and the cost-of-living crisis</p> <p>4 – Adverse impact on business and consumer confidence, increased material costs, prolonged supply chains and reduced labour supply</p> <p>– Decline in real estate valuations due to macroeconomic conditions</p> <p>– Persistent significant discount in the share price relative to EPRA NTA</p> <p>– Uncertain political climate and/or changes to legislation and policies</p> <p>Impact on strategy</p> <p>– Reduced property return</p> <p>– Reduced rental income and/or capital values as customers could suffer staff shortages, increased costs, longer lead times and lower availability of inventory</p> <p>– Higher operating and finance costs</p> <p>– Reduced financial and operational flexibility</p> <p>Mitigation</p> <p>– Maintain appropriate liquidity to cover commitments</p> <p>– Target longer and staggered debt maturities, and diversified sources of funding</p> <p>– Early refinancing of debt maturities</p> <p>– Covenant headroom monitored and stress tested</p> <p>– Fixed rate financing and derivative contracts to provide interest rate protection</p> <p>– Monitoring proposals and emerging policy and legislation, with industry lobbying where appropriate</p> <p>– Engagement with key stakeholders and local authorities</p>	<p>Context and actions taken:</p> <p>The Group focuses on prime assets in the West End of London which historically have proved to be economically resilient.</p> <p>The Group has had a long-term focus on maintaining a strong balance sheet, with sufficient liquidity, to ensure it is able to withstand market volatility and take advantage of opportunities. During the year, the Group raised £550 million of debt, with proceeds being used to repay the £576 million loan facility drawn post completion of the merger.</p> <p>Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the current macroeconomic environment, to help plan for future impacts on the business.</p> <p>Funding, debt and treasury metrics are monitored on a continual basis with a focus on preserving liquidity and capital.</p> <p>A downside scenario has been analysed in connection with the going concern assessment, details of which are set out in note 1 ‘Principal Accounting Policies’ within ‘Going concern’. The financial statements have been prepared on a going concern basis.</p> <p>We remain in close dialogue with local authorities to understand future plans and work constructively to position the estate in the best possible manner.</p> <p>► See Chief Executive’s statement on page 10 for further information.</p>
<p>⊖ Portfolio</p> <p>1 – Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour (including, but not limited to, structural changes in the office and retail sectors)</p> <p>2 – Portfolio concentration</p> <p>3 – Volatility in the investment market</p> <p>Impact on strategy</p> <p>– Inability to deliver business plan or a structural change to the business plan impacting returns or capital values</p> <p>Mitigation</p> <p>– Focus on prime assets, locations and uses where, in normal conditions, there is a structural imbalance between availability of space and demand</p> <p>– Establish asset clusters to provide the opportunity to drive long-term growth and returns</p> <p>– Regular assessment of investment market conditions including bi-annual external valuations</p> <p>– Regular strategic analysis with focus on creating mixed-use destinations and residential districts with unique attributes</p> <p>– Reconfigure and repurpose space to respond to, and anticipate, changing customer demand</p>	<p>Context and actions taken:</p> <p>The Group focuses on prime assets in the West End of London primarily in the retail and hospitality sector. The value of control over areas brings the ability to curate and drive growth over the long term. We actively promote our areas to drive footfall and curate areas to maintain places that are popular.</p> <p>Sustained customer demand has led to low vacancy levels. Strong footfall and spend improving, with customer sales on average in excess of 2019 levels.</p> <p>Through regular dialogue with potential and current customers and regular assessments of the market, we are able to better understand market demand and reconfigure space as appropriate.</p> <p>► See Portfolio and operating review on page 18 for further information.</p>

<p>⊖ Operational resilience</p> <p>1 – Misconduct or poor operational or sustainability standards</p> <p>2 – Poor performance from one of the Group’s third-party advisers</p> <p>3 – Inability to effectively integrate people, systems and processes</p> <p>4 – Catastrophic event such as a terrorist attack, natural disaster, health pandemic or cyber security crime</p> <p>Impact on strategy</p> <p>– Reduced rental income, higher operating costs, and/or reduced capital values</p> <p>– Reduced financial and operational flexibility</p> <p>– Diminishing London’s status</p> <p>– Business disruption or damage to property</p> <p>– Reputational damage</p> <p>Mitigation</p> <p>– Supplier procurement policy and regular monitoring of external advisers</p> <p>– Engagement with key stakeholders and local authorities</p> <p>– Building reinstatement, loss of rent and terrorist insurance</p> <p>– Detailed business continuity and crisis communication plans in place</p> <p>– On-site security and cyber security in place</p> <p>– Health and safety policies and procedures</p> <p>– Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities</p>	<p>Context and actions taken</p> <p>Whilst being invested in one area is a risk, the Group’s ownership in prime West End real estate is also a strength and an opportunity, providing control and allowing curation of the area to maintain places that are popular.</p> <p>Given the high-profile nature of the Group’s assets, the risk of an external event is inevitably heightened. It is therefore important that the Group maintains recommended levels of insurance and implements effective security and health and safety policies.</p> <p>Business continuity plans for both employees and service providers, including introduction of external resources, if required, and other policies have been reviewed together with HR policies, technology and communication where appropriate. IT security systems that support data security and disaster recovery are in place.</p> <p>Cyber security and its impact on data and IT infrastructure, including both widespread risks such as state-sponsored cyber-attacks and those targeted directly at our systems and data continues to be a key focus, especially during this year as we integrated systems and processes. This was led by the Integration Committee, with support from external advisers, including specialist consultants, to ensure appropriate controls and security protocols are in place. Employees are provided with regular cyber security and phishing training.</p> <p>► See Our strategy and business model on page 14 for further information.</p>
<p>⊖ Leasing and asset management</p> <p>1 – Inability to achieve target rents or to attract target customers due to market conditions</p> <p>2 – Competition from other locations/formats</p> <p>3 – Unfavourable planning/licensing policy, legislation or action impacting on the ability to secure approvals or consents</p> <p>Impact on strategy</p> <p>– Decline in customer demand for the Group’s properties</p> <p>– Reduced income and increased vacancy</p> <p>– Reduced return on investment and development property</p> <p>Mitigation</p> <p>– High quality customer mix</p> <p>– Strategic focus on creating mixed-use destinations with unique attributes</p> <p>– Engagement with local and national authorities</p> <p>– Pre-application and consultation with key stakeholders and landowners</p> <p>– Regular assessment of market conditions and development strategy</p> <p>– Business strategy based on long-term returns</p>	<p>The Group takes measured risks by using its expertise in place-making and creative and active asset management to deliver long-term value through rental growth and attracting new customers. During 2023, leasing activity remained strong, with high occupancy levels reflecting the strength of demand for prime central London real estate.</p> <p>The impact on customer demand and supply chains as well as inflationary pressures is kept under review.</p> <p>The Group looks for opportunities to create or enhance value in the portfolio through the planning process, cognisant of the risks but using our experience and skill to deliver our objectives.</p> <p>The Group has a focused leasing and marketing strategy, ensuring the business is well-positioned. The Group regularly engages with suppliers to understand their ability to meet our requirements and standards.</p> <p>► See Portfolio and operating review on page 18 for further information.</p>

Key ▲ Increase ⊖ Stable ▼ Decrease

Strategic priorities

- 1 Customer at the heart of the business 2 Creative asset management 3 Strategic investment and capital allocation 4 Strategic partnerships

Principal risks and uncertainties continued

People

- 1 – Inability to retain, integrate and recruit the right people and develop leadership skills within the business
- 2 – Key person risk as the Group has a relatively limited headcount
- 4

Impact on strategy

- Inability to execute strategy and business plan
- Constrained growth, lost opportunities
- Pressure on corporate costs

Mitigation

- Succession planning, performance evaluations, training and development
- Long-term and competitive incentive rewards
- Flexible and modern working practices

Context and actions taken

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

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

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

We continue to monitor closely employees' mental and physical well-being and the health and safety of our employees and service providers remains a top priority with regular seminars and webinars from external experts.

► See *People and culture* on page 46 for further information.

Climate change

- 1 – Physical impact on our assets from rising temperatures or other extreme climate-related event such as flooding
- 2
- 4 – Transitional challenge of increasing and more onerous compliance and reporting requirements, as well as retrofitting, insuring or leasing our assets in a heritage environment on an appropriate whole life carbon basis
- Inability to keep pace with customer and consumer demand for proactive action to manage and mitigate climate-related risk

Impact on strategy

- Reduced income, capital values or business disruption
- Increased operating costs to meet reporting and target metrics and compliance
- Increased capital costs of retrofitting, or inability to resolve listed building or planning challenges, leads to buildings becoming carbon stranded
- Reduced income through lower rents and longer void periods due to reduced customer demand

Mitigation

- Company manages climate-related risks and opportunities and sustainability team in place
- Net Zero Carbon commitment by 2030 backed by Net Zero Carbon Pathway, re-committed post-merger. For more detail on the mitigation measures in place for climate risk, please refer to the Group's TCFD disclosures in the 2023 Annual Report as well as the Group's Net Zero Carbon Pathway
- Active management plan with external reporting via recognised indices and benchmarks, including EPRA, CDP, MSCI and GRESB
- Continued engagement with stakeholders in order to preserve heritage buildings, while enhancing environmental performance
- Pro-active customer and consumer engagement programme and setting of appropriate climate-related targets on both development and operations

Context and actions taken

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

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

► See *TCFD report* on page 66 and the *Net Zero Carbon Pathway* on our website: <https://www.shaftesburycapital.com/en/responsibility/environment/net-zero-carbon-pathway.html>.

Compliance with law and regulations

- 1 – Breach of legislation, regulation or contract
- 2 – Inability to monitor or anticipate legal or regulatory changes, including potential changes to the Landlord and Tenant Act or other associated reforms
- 3
- 4 – Accidents causing loss of life or very serious injury to employees, contractors, customers and visitors to the Group's properties; or near misses of the same
- Exit from REIT regime due to non-compliance with REIT requirements

Impact on strategy

- Prosecution for non-compliance with legislation
- Litigation or fines, reputational damage
- Distraction of management

Mitigation

- Appointment of external advisers to monitor changes in law or regulation
- Members of staff attend external briefings to remain cognisant of legislative and regulatory changes
- Health and safety procedures, training and governance across the Group
- Appointment of reputable contractors
- Adequate insurance held to cover the risks inherent in property ownership and construction projects

Context and actions taken

Compliance with law and regulations, including health and safety, remains a key priority for the Board.

Protocols are in place and communicated across the various stakeholder groups to ensure everyone is aware of new legislation and requirements. The health and safety of our people and the public is a key priority. The Group works closely with its stakeholders to mitigate health and safety risks.

We remain in communication with HMRC regarding our REIT status, the Group's ability to comply with the requirements and the approach which HMRC will take in relation to any breach of the REIT conditions.

► See *Corporate Governance* on page 94 for further information.

Key Increase Stable Decrease

- Strategic priorities
- 1 Customer at the heart of the business
 - 2 Creative asset management
 - 3 Strategic investment and capital allocation
 - 4 Strategic partnerships



Task Force on Climate-related Financial Disclosures (“TCFD”)

This is the first TCFD response for Shaftesbury Capital as a combined company. This disclosure is consistent with all eleven recommendations of TCFD and includes a summary of risks and opportunities with all information required by the listing rules, and the TCFD Annex all sector guidance and the supplemental guidance for material and buildings. A separate TCFD report on our website at <https://www.shaftesburycapital.com/en/responsibility/policies-and-reports.html> presents supplementary detail and a fuller explanation of the process, risks and opportunities.

The merger has not changed the geographical concentration of our portfolio in the West End, and the combined business remains subject solely to the UK regulatory framework. Therefore, following due consideration, the physical and transitional climate risks and opportunities remain materially consistent with those identified previously by Shaftesbury and Capco.

The quantitative assessment of physical risk continues to rely on the scenario analysis undertaken using the GRESB Munich RE tool and aligns with CRREM scenarios. Shaftesbury Capital also has embedded processes designed to understand how changes in the regulatory environment may affect transition risk, using the pre-existing Shaftesbury qualitative analysis, which have continued to monitor relevant UK regulatory changes which could adjust our qualitative view of transition risk. There have been no material changes in either physical or transition risk.

Governance

Describe the Board’s oversight of climate-related risks and opportunities

The Board has ultimate oversight and responsibility for the management of climate-related risks and opportunities, overseeing the Group’s ESC Strategy and performance against its 2030 Net Zero Carbon target. Recognising the strategic importance of these matters to the business, the Board supports the Group’s climate-related initiatives and their reflection in our values.

During the year, following recommendation from the Board ESC Committee (which comprises Executive and Non-executive Directors), the Board approved our combined Net Zero Carbon target and selection of the ESG related risks and opportunities, including those related to climate change. Both the Chief Executive and the Chair of the Board ESC Committee have relevant climate change and ESG experience. Further climate change and real estate expertise is provided to the Committee by our sustainability team.

Consideration of climate-related risk is integrated into the Group’s risk management process overseen by the Executive Risk Committee. In line with the process set out on page 59, consideration of climate-related risks and opportunities are integrated into the Group’s risk management process, overseen by the Executive Risk Committee and these are monitored quarterly, and reported to the Board.

In 2023, the Audit Committee considered the reporting of climate-related risk and opportunities including the financial year-end Greenhouse Gas reporting and environmental data disclosures as well as this TCFD report.

Each of the Executive Directors has ESG objectives under the annual bonus plan.

Following the publication of our updated combined Net Zero Carbon pathway and the embedding of the sustainability team into the real estate investment management team, at our February 2024 Board meeting, the Board have agreed that, from the date of this report, ongoing oversight of ESC matters (including consideration of climate related risks and opportunities and implementation of the Group’s sustainability strategy and net zero pathway) should be a matter for consideration by the whole Board with Ian Hawksworth as Chief Executive having overall responsibility.

► *More information on the Board ESC Committee, the Audit Committee, the Executive Risk Committee and ESC Management Committee, including the frequency of their meetings, can be found on pages 104 to 126.*

We are committed to strengthening our approach to addressing climate-related risks and opportunities. Under the oversight of the Group’s Board level Environment, Sustainability, Community (“ESC”) Committee during 2023, we have continued to embed the TCFD recommendations into all our relevant practices. Going forward, climate risk and opportunity will be considered by the Audit Committee on behalf of the Board with day-to-day management through the Executive Committee. We outline our approach to identifying and managing climate change related issues, addressing both risks and opportunities relating to climate change.

During 2023, we re-confirmed our commitment to a comprehensive, 1.5°C aligned Net Zero Carbon 2030 target (Scope 1, 2 and Scope 3 relevant to the Real Estate industry) and published our first combined pathway which sets out the detail of the scope and boundaries of our commitment. This shows that the actions taken to mitigate our climate risk up to the date of publication had reduced GHG emissions by c. 15 per cent, exceeding the rate required to keep within a 1.5°C pathway. In 2023, we report a 45 per cent reduction on our published baseline driven primarily by embodied carbon movements. As set out in our Net Zero Carbon Pathway, we will update our published baseline during 2024. The Scope 1 and 2 carbon reduction targets set out by the pre-merger companies had been validated by the Science Based Targets initiative (“SBTi”) and during 2024 we will seek to re-validate these targets for Shaftesbury Capital. For more information on our 2024 priorities, please see the sustainability report on pages 78 to 91.

Describe management’s role in assessing and managing climate-related risks and opportunities

During the year, the ESC Board Committee was supported by the ESC Management Committee, chaired by either the Chief Executive or Chief Operating Officer. The ESC Management Committee met at regular intervals and included representatives from across the organisation. The ESC Management Committee was responsible for monitoring the delivery of the Company’s ESC Strategy, review of climate related risks and associated mitigating actions and ensuring progress towards becoming a Net Zero Carbon business by 2030.

Following the embedding of sustainability within the Real estate investment management team, from January 2024, the Executive Committee has responsibility for reporting of ESC matters to the Board.

Climate-related risks are considered by the Executive Risk Committee, as part of the Group’s risk management process as further set out on pages 59 to 61, based on assessments submitted by the business units and the corporate sustainability leads.

All employees have ESG targets as part of their annual bonus objectives, which include climate-related targets where appropriate.

► *Further details on the matters considered by the Board ESC Committee and the frequency of its meetings can be found on pages 125 and 126.*

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term

In identifying and assessing the potential climate-related risks and opportunities that may impact the business, the following time horizons are considered, as these allow for appropriate financial planning to execute strategies to address climate-related risks and action for opportunities.

Short-term: 0 – 3 years
Medium-term: 3 – 10 years
Long-term: 10 – 30 years

The time horizons defined are influenced by the rolling timing of lease events across the estate and support our financial planning and budgeting cycle.

► *Further details surrounding risk and the Group’s risk appetite can be found on pages 59 to 65.*

Our assets are wholly located in a relatively small geographical area from the perspective of climate risk, and under a single regulatory jurisdiction. This limits the scope of physical and transition risks that we face, however it may increase our exposure to a single event.

Physical risk

Our appraisal of risk has been informed by a high-level qualitative scenario analysis, undertaken in 2021, by Shaftesbury PLC and a quantitative climate risk scenario analysis using the GRESB tool undertaken by Capco in 2022 as described below and more fully in the TCFD report on our website at <https://www.shaftesburycapital.com/en/responsibility/policies-and-reports.html>:

- a qualitative approach used by Shaftesbury PLC. This considered a “low” (better than 2°C) and “high” (4°C) UK emissions pathway and considered three scenarios namely “balanced”, “tailwinds” and “headwinds” and short (0-1 year), medium (1-5 years) and long-term (5-10 years) time horizons
- a quantitative physical risk assessment on 10 individual assets using the geospatial modelling, the Munich RE GRESB data model and three different pathways (less than 2°C, 2.4°C and 4.3°C)

The Group has determined that there has been no year-on-year material change in physical risk exposure, UK legislation or customer behaviour. The similarities in the pre-merger portfolios in respect of location, mixed-use, and heritage nature also mean that previous scenario analysis continues to sufficiently inform our identification and understanding of relevant material risks and opportunities.

To deepen our understanding of the impact of this physical risk, during 2023, we have undertaken additional detailed CRREM analysis covering c. 14 per cent of the portfolio by area. This work confirms our reported climate-related risks and opportunities and enhances our confidence in our approach. It also supports the estimates included in our financial planning, in particular in relation to the estimated sums required to implement mitigating actions, and the definition of appropriate KPIs and metrics as shown in the table on pages 71 to 74, and set out more fully on our website at <https://www.shaftesburycapital.com/en/responsibility/policies-and-reports.html>.

The most significant physical risks arising in the medium and long-term remain: flood risk and extreme weather, including the impact of severe heat events in central London. We also recognise the risks of indirect physical impacts, such as damage to the London transport network that would inhibit the operations of our customers and visitors.

<p>Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term <i>Continued</i></p>	<p>Transition risk There are no year-on-year changes to the most significant transition risks which arise from:</p> <ul style="list-style-type: none"> i. short-term risks relating to existing and emerging regulation including EPC and enhanced disclosures; ii. medium-term transition risk through customer demand for more sustainable assets faster than these can be delivered; and iii. medium and long-term transition risk from inability to upgrade heritage buildings due to policy or building configuration. <p>We currently estimate a capital expenditure of approximately £30-35m to 2030 (10 per cent of current annual capital expenditure) to achieve energy efficiency improvement required for expected changes to Minimum Energy Efficiency Standards (“MEES”) regulation and which also contribute to meeting our decarbonisation targets. Our refurbishment scope already mandates a minimum Energy Performance Certificate (“EPC”) rating in line with proposed MEES regulations, therefore these sums are already included in our capital expenditure budgets for business planning. While this figure remains an estimate, it is informed by the detailed CRREM aligned audits and takes into account our progress to date with c. 56 per cent of the commercial portfolio ERV now holding an EPC rating of A-B.</p> <p>Beyond the regulatory MEES (EPC) requirements, our CRREM aligned energy efficiency analysis to date demonstrates that our portfolio can be upgraded to meet our net zero commitments and we continue to expand the use of CRREM to refine the estimate of these costs. However, the analysis to date gives confidence that there is no requirement to change our long-term investment strategy, in terms of either building stock or location. In addition to the ranged estimates in this report, we will continue to publish anticipated costs identified through the CRREM exercise in future TCFD reporting.</p> <p>Climate-related opportunities Climate-related opportunities principally arise in the short-term from:</p> <ul style="list-style-type: none"> i. improved ability to attract and retain customers in energy efficient buildings; and ii. consequent reduced energy costs and associated emissions <p>Medium-term opportunity arises through demonstrating whole life carbon benefit of heritage stock and the ability to leverage our expertise in the de-carbonisation of heritage buildings.</p> <p>The summarised risks and opportunities are set out in the table on pages 71 to 74 along with associated timelines, mitigations, business impact and metrics.</p> <p>► Further detail on our climate-related transitional and physical risks and opportunities can be found in the tables on pages 71 to 74 and in our TCFD report on our website at https://www.shaftesburycapital.com/en/responsibility/policies-and-reports.html.</p>
<p>Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning</p>	<p>The impact of climate change on the whole business is considered by the Board both through our approach to risk management and wider organisational strategic planning. The financial effects of the risks and opportunities identified were not specifically quantified at the time of our scenario analysis. However, our internally developed sustainable development tool ensures that climate-risk specific improvements and mitigations are scoped into our existing capital expenditure refurbishment budget. The detailed energy audits completed to date using the CRREM tool on c. 14 per cent of the portfolio by area support this analysis. We intend to extend this exercise during the first half of 2024 as part of meeting our statutory Energy Savings Opportunity Scheme (“ESOS”) regulatory requirement.</p> <p>Our understanding of current climate-related risks and opportunities does not indicate a material impact on our financial performance or financial position in the short to medium-term, either through an inability to generate income or through a negative impact on the underlying value of the portfolio. In this context, material impact is defined by reference to both individual asset value and by reference to overall portfolio value, for example the cost of MEES compliance is noted at c. £30-35m over 7 years, approximately 10 per cent of our annual refurbishment capital expenditure of 1 per cent of portfolio value.</p> <p>We are committed to long-term low-carbon investment in our assets, focusing on repurposing and refurbishment, rather than demolition and rebuilding. This maintains the heritage nature of our destinations, improves energy efficiency and minimises embodied carbon emissions associated with new development. It will also reduce the potential future liability associated with carbon offsetting and provides ancillary benefits in improved air quality.</p>

<p>Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning <i>Continued</i></p>	<p>Our investment strategy aims to continuously improve the overall energy efficiency and climate resilience of our portfolio through our refurbishment programme. We currently spend approximately 0.1 per cent of portfolio value per year on energy efficiency upgrades. This enables us to adequately manage risks relating to proposed legislative changes such as MEES, which are material to the evolving needs of our customers and stakeholders. On this basis we currently expect to incur approximately £30-35m by 2030 to achieve energy efficiency improvements required for expected changes to MEES regulation and which also contribute to meeting our decarbonisation targets. These sums are not incremental as they are already included in our capital expenditure budgets. We continue to refine our estimate of the incremental costs of delivering changes required to ensure assets are within a CRREM aligned 1.5°C Net Zero Carbon pathway. As we increase our CRREM coverage and confidence, we will include these in our targets and metrics.</p> <p>This year we have published a combined Net Zero Carbon Pathway, which sets out how we will deliver on our Net Zero Carbon commitment by 2030. Our 2023 Net Zero Carbon Pathway combines the baselines published by both businesses pre-merger. To date, we have reported a reduction of in-scope carbon emissions by 15 per cent against the combined baseline, which aligns with a 1.5°C trajectory. In 2023, we report a 45 per cent reduction on our published baseline driven primarily by embodied carbon movements. A re-baselining exercise will be undertaken in 2024, based on the first combined year of data for the year ended 31 December 2023. We define Net Zero Carbon as being when there is a balance between the amount of GHG emissions produced and the amount removed from the atmosphere.</p> <p>The Group sets a minimum EPC rating of B in its commercial refurbishment programmes. The initial CRREM analysis also shows that our investment in asset refurbishment presents opportunities as lower operational costs may result in improved commercial terms, reduced void periods and improved investment yields as assets meet customer and investor requirements.</p> <p>In our supply chain, we continue to prioritise partners and products which demonstrate high ethical and environmental standards. Our design scope prioritises climate resilience and adaptation for example in creating flash flooding capacity using water attenuation tanks. We continue to work with industry bodies and technology partners to invest in research and development to trial technologies which support our goals.</p> <p>As part of our Net Zero Carbon update in 2024, we will consider targets beyond 2030 to respond to longer-term risks and opportunities.</p>
<p>Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<p>We are committed to investing for the long term in the West End of London, continually improving our portfolio to deliver efficient and resilient buildings. We do not expect that the climate related issues identified will necessitate a significant change to our strategy, either asset classes or geographical location, in the short or medium term.</p> <p>We consider our mitigation actions to be effective and that the business should be resilient to the impacts of climate change that have been identified.</p> <p>Our climate change strategy is informed by a broad range of potential climate scenarios which improves the resilience of our decision making. The careful consideration of investments, ongoing improvement of our assets and the Net Zero Carbon target will protect our long-term strategy from significant climate risk. Setting an ambitious Net Zero Carbon target aligned with a 1.5°C pathway puts our strategy in line with the latest climate science, and reduces the risk that we will need to recalibrate our targets. We have clearly set out the level of decarbonisation required by 2030, so that the business can make resilient long-term decisions and individuals across the business and supply chain are aware of our commitments.</p> <p>Our combined qualitative and quantitative scenario analysis allows us to identify the core areas for focused action to reduce emissions and enhance the long-term resilience of the portfolio. We will continue to review and update the scenario analysis as appropriate.</p> <p>In addition to the scenario analysis described above, Shaftesbury Capital has completed CRREM aligned detailed Net Zero energy audits during 2023, and is expanding their use during 2024. The findings identified both interventions and estimated related costs. Some of these interventions can be implemented with our customers in situ. Others would need to be undertaken when properties are vacant. Our CRREM aligned analysis undertaken to date has helped refine our estimate of costs and related operational and carbon savings associated with our refurbishment programmes. We are committed to transparency around this as we develop this data further.</p>

<p>Describe the organisation's processes for identifying and assessing climate-related risk</p>	<p>Our process of identifying and assessing climate-related risks uses the same methodology as all business risks and these risks are incorporated into the Group's principal risks.</p> <p>Climate-related risk has been identified as a principal risk. To assess the relative significance of the principal risks (which are detailed on pages 61 to 65), each has been assigned a likelihood and impact score from which a risk ranking is allocated. More information about the process for assessing the size and scope of risks can be found on page 60.</p> <p>Detail can also be found on the whether the risk is increasing, decreasing or stable, which is a useful mechanism for risk prioritisation.</p> <p>► Please see page 61 in the Effective Risk Management section for risk definitions.</p>
<p>Describe the organisation's processes for managing climate-related risk</p>	<p>We have an Executive Risk Committee, comprising the Executive Directors, members of the Executive Committee, General Counsel, Joint Group Financial Controllers, Director of Sustainability and Technology and Head of Sustainability, which is the executive level management forum for the review and discussion of risks, controls and mitigation measures. Senior management from each business function identify and manage risks for their division and complete and maintain a risk register. Climate-related risks and opportunities are presented to the Board.</p> <p>Physical risks are managed and mitigated through our ongoing programme to improve the energy efficiency of our buildings and our investment in increasing green space across our portfolio.</p> <p>We have carbon reduction targets for Scope 1 and 2 emissions and a comprehensive Net Zero Carbon 2030 target, which will be the foundation of our carbon emissions reduction strategy over the next seven years. We will seek science-based target revalidation of these targets during 2024 based on the first year of combined data for the Group.</p> <p>► Principal risks have been mapped to the most relevant strategic priority which can be found on pages 61 to 65.</p>
<p>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management</p>	<p>The Board has overall responsibility for the Group's risk management, determining risk appetite and reviewing principal risks and uncertainties regularly, together with the actions taken to mitigate them. Awareness of climate-related risks is integrated into the organisation via staff engagement and training. For certain areas of responsibility, specific job-related individual training is delivered for example relating to matters such as EPCs, gathering of data and embodied carbon calculations.</p> <p>The Director and Head of Sustainability are members of the Executive Risk Committee and are responsible for highlighting climate risks in the context of wider business risk discussions.</p> <p>The Executive Risk Committee meets quarterly and reviews significant risks to the business, operational and financial, including sustainability-related risks. A risk report is produced by the Executive Risk Committee and is submitted to the Board, this is not publicly available. Principal risks are disclosed in the Interim Results and Annual Report.</p>

Metrics and targets

<p>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process</p>	<p>Key metrics used to assess climate-related risk and progress against our Net Zero Carbon targets are set out in the summary risks and opportunities table on pages 71 to 74 and more fully described on our website at https://www.shafesburycapital.com/en/responsibility/policies-and-reports.html.</p>
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<p>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p>	<p>Please refer to the summary table on pages 71 to 74 and to our TCFD report on our website at https://www.shafesburycapital.com/en/responsibility/policies-and-reports.html.</p>
<p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks</p>	<p>A detailed breakdown of Scope 1, Scope 2 and Scope 3 GHG emissions is disclosed on page 87, and the methodology for the calculations can be found on page 230. In line with Streamlined Energy and Carbon Reporting ("SECR") requirements, energy use and an intensity metric are disclosed on page 88.</p>

Risk summary

Risk type	Risk Description ¹	Timeline	Impact on business strategy & financial planning	Mitigation	Metrics & Targets ²
Physical	<p>Chronic long-term climate change, flood risk and extreme weather including:</p> <ul style="list-style-type: none"> – hotter summers → higher costs to maintain indoor temperatures – localised flooding and storms → cost and time associated with building design and retrofit for increased rainfall resilience – disruption to local energy and transport network from extreme weather, in particular combining a flood with a possible failure of the Thames Barrier 	Medium-term Long-term	<ul style="list-style-type: none"> – Inclusion of mitigations in our refurbishment scope. These are included at design stage and consequently do not result in material additional capital expenditure requirements. – CRREM aligned Net Zero energy audits being undertaken on a representative sample of buildings across the portfolio to inform mitigation design now and at next lease event. Costs are scoped into refurbishment budgets. – These requirements are supported by the planning framework in central London where we operate which generally requires that these risks are considered. Therefore, the incremental costs above planning considerations are modest. – We will formally update our asset exposure to physical climate risk at least every two years based on latest science-based scenarios and modelling. The costs of this exercise are modest and are incurred through administration costs. 	<ul style="list-style-type: none"> – scenario analysis indicates medium exposure to drought-related risk and low exposure to fire weather and heat stress and precipitation risks – assets not located in coastal or fluvial flood risk areas, risk limited to flash flooding – refurbishment scope considers the following to mitigate risk and enhance future asset resilience: <ul style="list-style-type: none"> – reduced water demand and efficiency measures – design measures to prevent overheating – incorporation of sustainable urban drainage features – inclusion of these actions into our adaptation activities in our combined Net Zero Carbon Pathway 	<ul style="list-style-type: none"> – continued reduction in GHG intensity from building energy use (2024, 2027 and 2030 operational intensity targets in our Net Zero Carbon pathway) – reduce absolute water use through efficiency and harvesting by 3 per cent per annum – biodiversity increase target being developed – operational carbon reduction (60 per cent by 2030 with interim intensity targets) – embodied carbon reduction target (50 per cent by 2030 with interim intensity targets) – removal of all gas boilers (under our control) by 2030 – 100 per cent renewable energy procurement

1. Supplementary detailed explanation of our risks and opportunities is on our website at <https://www.shafesburycapital.com/en/responsibility/policies-and-reports.html>
 2. Shaftesbury Capital has set metrics against all risks and opportunities. For some of these, targets are being refined and we will disclose these in due course.

Risk type	Risk Description ¹	Timeline	Impact on business strategy & financial planning	Mitigation	Metrics & Targets ²
Transition	Policy risk from emerging regulation: <ul style="list-style-type: none"> enhanced GHG emissions reporting evolving real estate specific regulations, such as Minimum Energy Efficiency Standards (“MEES”) potential conflict between heritage requirements and energy efficiency improvement required beyond MEES requirements potential impact of nature-related regulation including the Environment Act requirements on Biodiversity Net Gain and the Task Force on Nature-related Financial Disclosures 	Short-term Medium-term	<ul style="list-style-type: none"> new regulatory data requirements, which may not be available, result in increased cost or longer void periods unexpected new regulation results in longer planning or refurbishment period increased costs to analyse and meet new requirements inability to meet nature requirements results in financial or reputational loss 	<ul style="list-style-type: none"> proactive approach to EPC and MEES management detailed existing GHG reporting which goes beyond current statutory requirements, including all Scope 3 CRREM exercise completed to date on 14 per cent of assets and being expanded during H1 2024 committed programme to enhance data collection with timelines included in our Net Zero Carbon pathway regular review and internal reporting of upcoming climate regulation and updates from professional advisers 	<ul style="list-style-type: none"> continued reporting of asset EPC performance with detailed EPC targets by ERV in our Net Zero Carbon Pathway (2030 - commercial 100 per cent B or above and residential 100 per cent C or above) enhanced data coverage and accuracy targets and accelerated timeline as set out in the Net Zero Carbon pathway monitoring and reporting of biodiversity coverage and annual increase regular formal review of regulatory requirements and internal reporting at least twice a year
Transition	Market risk of changes in market trends: <ul style="list-style-type: none"> customers seeking assets with greater sustainability credentials may reduce revenues if requirements cannot be met less sustainable buildings may not meet debt or equity market requirements resulting in reduced access to capital 	Medium-term	<ul style="list-style-type: none"> failure to meet market expectations would result in loss of asset value, rental income, prolonged void period. Therefore, impact on financial planning is to include as standard in our refurbishment scopes appropriate sustainability, energy efficiency and other credentials including BREEAM³ no yield adjustments are currently included in our business planning, but our viability assessment includes the impact of potential yield movements howsoever caused 	<ul style="list-style-type: none"> regular monitoring of industry research (for example CBRE Sustainability Index) use of internally developed Sustainable Development tool to ensure that each refurbishment maximises its ability to achieve sustainability credentials continued budget allocation to research and innovation using proptech and behavioural innovation to ensure assets are best placed to meet market needs 	<ul style="list-style-type: none"> reporting of proportion of buildings by area with sustainability credentials aim to achieve BREEAM rating on all relevant refurbishments

1. Supplementary detailed explanation of our risks and opportunities is on our website at <https://www.shaftesburycapital.com/en/responsibility/policies-and-reports.html>
 2. Shaftesbury Capital has set metrics against all risks and opportunities. For some of these, targets are being refined and we will disclose these in due course
 3. Building Research Establishment Environmental Assessment Methodology

Risk type	Risk Description ¹	Timeline	Impact on business strategy & financial planning	Mitigation	Metrics & Targets ²
Transition	Asset Specific risk: <ul style="list-style-type: none"> evolving risk in relation to the potential conflict between heritage buildings and energy efficiency heritage restrictions impede energy efficiency measures resulting in market risks above adoption of fossil fuel removal and technologies is constrained by electrical supply capacity to our buildings 	Medium-term Long-term	<ul style="list-style-type: none"> consideration of technology appropriate to heritage buildings (for example PV tiles) drive behavioural change to use buildings as designed and maximise benefits working group to scope and implement commercial electric cooking and fossil fuel removal estate modelling to understand timing and quantum of electrical capacity constraints 	<ul style="list-style-type: none"> participation in appropriate industry research and lobbying on the balance between heritage and energy efficiency research and inclusion of scalable heritage appropriate energy efficiency measures in our internal refurbishment scoping tool inclusion of heritage and listed buildings in our detailed CRREM exercise to determine costs, returns and understand related planning risk 	<ul style="list-style-type: none"> tracking of EPC and asset performance includes listed status, listed units not scoped out of 2030 EPC targets proportion of gas (fossil fuel) boilers both in our and our customer demise is tracked and performance managed through the REIM and managing agent teams

Opportunities summary

Opportunity type	Opportunity Description ¹	Timeline	Impact on business strategy & financial planning	Actions to leverage opportunity	Metrics & Targets ²
Transition	Revenue: <ul style="list-style-type: none"> sustainably certified and energy efficiency enhanced buildings lead to better rents and capital values 	Short-term	<ul style="list-style-type: none"> potential to reduce budget void periods and improve investment yields for assets with higher energy efficiency and sustainability credentials. Note that this is not yet applied in forward business planning 	<ul style="list-style-type: none"> continue to increase EPC ratings and building certification coverage track and evidence rent, incentive package and void differences across central London to support any changes in pricing and incorporate into budget and forecasting as trends emerge provide evidence to valuers 	<ul style="list-style-type: none"> percentage of projects (major refurbishments) to achieve certification monitoring of rent per square foot pricing across different asset uses by sustainability rating

1. Supplementary detailed explanation of our risks and opportunities is on our website at <https://www.shaftesburycapital.com/en/responsibility/policies-and-reports.html>
 2. Shaftesbury Capital has set metrics against all risks and opportunities. For some of these, targets are being refined and we will disclose these in due course

Opportunity type	Opportunity Description ¹	Timeline	Impact on business strategy & financial planning	Actions to leverage opportunity	Metrics & Targets ²
Physical / Transition	Market/Technology: <ul style="list-style-type: none"> – lower energy costs and emissions from more energy-efficient buildings through existing and new technology – reduced emissions and low embodied and operation carbon increase portfolio attractiveness to customers – improved technology enables use of onsite energy generation, supporting our use and freeing up constrained electrical grid capacity 	Short-term	<ul style="list-style-type: none"> – increased exploration and apportionment of budgetary sums to research into low energy clean tech (up to £1 million per annum) – demonstration of lower embodied carbon and operational energy use and costs in the leasing market allows increased competitive tension in leasing process for prospective customers – self-generated renewable energy and increased energy efficiency help create headroom when modelling estate electricity requirements 	<ul style="list-style-type: none"> – regular market review of available low energy climate tech – systematic pilots of new technology and processes to ensure scalable and inclusion in standard refurbishment scopes where applicable – estate wide review of renewable energy generation capability to identify opportunities that free grid capacity 	<ul style="list-style-type: none"> – annual investment in new tech – proportion of pilots included in standard refurbishment scope – proportion of self-generated renewable power (to increase year-on-year by 5 per cent)
Transition	Reputational: <ul style="list-style-type: none"> – demonstrate whole life carbon benefit of heritage stock and lead in energy performance of heritage buildings – increased recognition of carbon benefit of retention and refurbishment increases value and attractiveness of our assets to customers, purchasers and investors 	Medium-term	<ul style="list-style-type: none"> – internal and external communication strategy to demonstrate the whole life carbon benefits of heritage buildings – whole-life carbon assessments on relevant refurbishment projects of sufficient scale – engage with heritage organisations, local authorities and industry bodies to champion the whole life carbon benefits of energy efficient heritage buildings 	<ul style="list-style-type: none"> – whole-life carbon assessments – internal and external communications including stakeholder engagement across customers, local authorities and investors – identification of acquisition opportunities which may offer enhanced returns based on our ability to complete low cost, low carbon refurbishments 	<ul style="list-style-type: none"> – proportion of whole life carbon assessments undertaken – ability to accurately benchmark and forecast whole life carbon for smaller projects – increase engagement with industry and heritage bodies year-on-year

1. Supplementary detailed explanation of our risks and opportunities is on our website at <https://www.shaftesburycapital.com/en/responsibility/policies-and-reports.html>
 2. Shaftesbury Capital has set metrics against all risks and opportunities. For some of these, targets are being refined and we will disclose these in due course

Viability statement

The Directors have assessed the viability of the Group over the three-year period to December 2026. In view of the primary focus within the business planning process on the first three years, the Directors have determined that this remains an appropriate period over which to provide the viability statement. The viability assessment takes into account the Group’s current position and business plan projections, group financial forecasts and the potential impact of the principal risks set out on pages 59 to 65.

Assessment

In making the assessment, the Directors have taken account of the Group’s resilient financial position, access to substantial liquidity, the Group’s ability to raise new finance, and the low level of capital commitments together with the flexibility of future expenditure. The Directors confirm that they have no reason to expect a material change in the Group’s viability immediately following the end of the three-year assessment period.

Footfall across the West End is strong, particularly in the Group’s portfolio which continues to attract target brands and concepts. Occupancy levels are high across the portfolio and trading activity is positive with customer sales up 10 per cent year on year.

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

As at 31 December 2023, the Group had net debt of £1.5 billion, an EPRA LTV ratio of 31 per cent and Group interest cover of 2 times. The Group is projected to have sufficient cash reserves and undrawn facilities to meet debt maturities during the viability period. Drawn debt is at fixed rates or currently has interest rate protection in place. Interest rate hedging is in place which caps SONIA exposure at an average of 2.3 per cent on £350 million of notional value to December 2024 and 3.0 per cent on £250 million for 2025. Further hedging arrangements will be put in place as appropriate.

The business plan considers the Group’s profits, cash flows, capital commitments, financial resources, funding requirements, debt covenants and other key financial risks. All of the Group’s risks could have an impact on viability. Climate change is considered by the Directors to be an urgent issue and investment will be required to enhance the environmental performance and to meet the commitment to achieve Net Zero Carbon by 2030, but the costs anticipated within the viability period are not expected to be significant. The impact of climate change risks within the viability assessment period is expected to be limited. Interruptions to trade from severe weather events are possible but would likely be consistent with the impact considered in the severe but plausible downside assumptions.

The Directors consider the key principal risks that could impact the viability of the Group to be:

- Portfolio
- Political and economic
- Operational resilience; and
- Leasing and asset management.

The Directors placed particular emphasis on those risks which could result in reduced income and valuations or a shortfall in liquidity. Sensitivity analysis was carried out which involved flexing a number of downside assumptions to consider alternative macroeconomic conditions and the impact of these principal risks both individually and in combination.

Downside scenario

The Directors have assessed the impact of a potential downside scenario which reflects an economic downturn and incorporates the following assumptions:

- A reduction in forecast net rental income of approximately 20 per cent over the three year period;
- Elevated SONIA rates in excess of current market expectations during the three year period; and
- A decline in property valuations of approximately 20 per cent compared to the 31 December 2023 valuation with outward yield movement of a further 100 basis points.

Liquidity

As at 31 December 2023, the group has cash reserves of £186 million and undrawn facilities of £300 million. The Group’s debt matures between August 2024 and 2037. Debt maturities during the viability assessment period are:

- £95 million private placement loan notes mature in the second half of 2024 and are expected to be funded through cash reserves and undrawn facilities.
- £162.5 million of private placement loan notes, £300 million revolving credit facility (currently undrawn) and £275 million exchangeable bond mature in 2026 and are assumed to be refinanced at terms reflecting current market conditions.
- The £350 million unsecured loan facility matures in 2026 and has two one-year extension options available subject to lender consent.

Whilst the Board considers that financing risk is an important factor in assessing the viability of the Group, it has assumed that, even in the Directors’ downside scenario, replacement financing could be put in place for debt maturities as demonstrated through the early refinancing in 2023 of the £576 million unsecured loan which was put in place at the time of the merger.

Covenant compliance

The downside analysis was carried out to evaluate the potential impact of certain principal risks materialising, in particular to stress test the Group's financing covenants. Under the downside scenario, the Group is expected to remain in compliance with the loan-to-value and interest cover covenants of its individual financing arrangements.

In addition to considering a downside scenario, reverse stress testing has also been undertaken by the Directors, which indicates that the Group could withstand a decrease of 38 per cent in income and valuations, before reaching the limit on its debt financial covenants.

Conclusion

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet their liabilities as they fall due over the viability period to December 2026.



Berwick Street

Non-financial and sustainability information statement

As Shaftesbury Capital has fewer than 500 employees, it is not required to comply with the Non-Financial Reporting requirements contained within the Companies Act 2006. However, due to our commitment to promoting transparency in reporting and business practices, further information is provided in the table below on a voluntary basis, to help stakeholders understand our position on key non-financial and sustainability matters.

You can find policies on our website: <https://www.shaftesburycapital.com>

Topics	Key policies and standards ^{1,2}	Additional information
Environmental matters	<ul style="list-style-type: none"> - Environmental Policy - Environment, Sustainability and Community ("ESC") Strategy - Net Zero Carbon Pathway - Sustainability Development and Refurbishment Requirements - Sustainable Timber Procurement Policy - Supply Chain Policy and Supplier Code of Conduct - EPRA Sustainability Best Practice Reporting Recommendations Report 	<ul style="list-style-type: none"> ▶ For more on sustainability and environmental matters: see pages 80 to 88 ▶ For more on greenhouse gas emissions: see pages 87 and 88 and page 230. ▶ Responsibility section of our website: https://www.shaftesburycapital.com/en/responsibility.html
Climate related financial disclosures	<ul style="list-style-type: none"> - Task Force on Climate-related Financial Disclosures ("TCFD") 	<ul style="list-style-type: none"> ▶ For more on action on climate change: see pages 80 to 88 ▶ Responsibility section of our website: https://www.shaftesburycapital.com/en/responsibility.html
Employees	<ul style="list-style-type: none"> - Our purpose-led strategy and business model - People Policy - Anti-Harassment and Bullying Policy - Directors' Remuneration Policy - Health and Safety Policy Statement - Business Code of Practice - Board Diversity and Inclusion Policy - Equal Opportunities and Diversity Policy - Transinclusion Policy 	<ul style="list-style-type: none"> ▶ For more on people and culture: see page 46 and 47 ▶ For more on diversity see page 116 and 117 ▶ For more on remuneration: see pages 127 to 129 ▶ People section of our website: https://www.shaftesburycapital.com/en/responsibility/people.html ▶ How we behave section of our website: https://www.shaftesburycapital.com/en/about-us/corporate-governance/how-we-behave.html
Human rights	<ul style="list-style-type: none"> - People Policy - ESC Strategy - Modern Slavery and Human Trafficking Statement - Business Code of Practice 	<ul style="list-style-type: none"> ▶ For more on modern slavery and how we behave: see pages 84, 100 and 111 ▶ Modern Slavery Statement on our website: https://www.shaftesburycapital.com/en/index.html
Social matters	<ul style="list-style-type: none"> - ESC Strategy - Community Policy 	<ul style="list-style-type: none"> ▶ For more on our stakeholder engagement: see pages 40 to 45 ▶ For more on our ESC Strategy: see pages 80 and 81 ▶ For more on the local community: see pages 89 to 91 ▶ Responsibility section of our website: https://www.shaftesburycapital.com/en/responsibility.html ▶ Community section of our website: https://www.shaftesburycapital.com/en/responsibility/community.html
Anti-bribery and corruption	<ul style="list-style-type: none"> - Financial Crime Policy - Whistleblowing Policy - Tax Strategy - Business Code of Practice - Conflicts of Interest Policy - Expenses Policy - Anti-money Laundering Policy - Gifts and Hospitality Policy - Supply Chain Policy and Supplier Code of Conduct - Share Dealing Policy 	<ul style="list-style-type: none"> ▶ For our Audit Committee report: see page 123 ▶ For more on how we behave: see page 110 ▶ For more on conflicts of interests: see page 110 ▶ How we behave section of our website: https://www.shaftesburycapital.com/en/about-us/corporate-governance/how-we-behave.html ▶ Modern Slavery Statement on our website: https://www.shaftesburycapital.com/en/index.html
Business model		<ul style="list-style-type: none"> ▶ For more on our purpose-led strategy and business model: see pages 14 and 15
Principal risks and uncertainties		<ul style="list-style-type: none"> ▶ For more on our principal risks and uncertainties: see pages 61 to 65 ▶ For our viability statement: see pages 75 and 76
Non-financial key performance indicators		<ul style="list-style-type: none"> ▶ For more on non-financial key performance indicators: see page 17

1. Policies and further information can be found on the website: <https://www.shaftesburycapital.com>.

2. Certain policies and internal guidelines are not published externally.



Sustainability

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Sustainability in our destinations

Our ESC Strategy approach and progress

Our Environment, Sustainability and Community (“ESC”) Strategy is fundamental to our business, delivering value for stakeholders through our long-term approach and responsible stewardship of our destinations.

Our ESC Strategy, developed in 2020 underpins our approach to sustainability, reflecting the issues that are most material to our business and our stakeholders. We have identified the UN Sustainable Development Goals (“SDGs”) that are most applicable to our business and mapped these against our strategy.

In 2023 our sustainability activity has become more focused on delivery of our strategic goals as set out below:

	Key themes	SDG alignment
	<p>Sustainably adding value and tackling climate change</p> <p>Future-proofing our heritage properties</p> <p>Creating sustainable and healthy places</p>	<p>Net Zero Carbon by 2030 ▶ See page 85 for more</p> <p>Heritage leadership ▶ See page 83 for more</p> <p>Air Quality ▶ See page 83 for more</p> <p>Biodiversity ▶ See page 83 for more</p>
	<p>Supporting local communities and our people</p> <p>Behaving as a good neighbour</p> <p>Promoting diversity, talent development and creativity across our team</p>	<p>Community investment ▶ See page 89 for more</p> <p>Stakeholder engagement ▶ See page 42 for more</p> <p>Supporting our people ▶ See page 46 for more</p> <p>Health & Safety ▶ See page 92 for more</p>
Underpinned by		
Our values	Innovation	Good governance
		 

Selection of projects to deliver our sustainability strategy



Seven Dials: Friday Lunch Club

On Fridays, Shaftesbury Capital employees have volunteered at the Covent Garden Community Centre Lunch Club for local people aged over 55.

Seven Dials: Smart Works

In 2023, we provided two retail spaces to Smart Works, a charity that offers a range of employment support including CV advice, interview preparation and a bespoke service providing women with quality professional clothing for interviews and the workplace.

▶ See page 44 for more

Covent Garden: Grid Edge

In collaboration with a building optimisation technology company called Grid Edge, our Building Management System (“BMS”) partners, and our customers, our successful pilot has optimised building performance and identified significant annualised energy and carbon reductions. The installation cost has already been covered by operational savings, and we are actively rolling this out to similar buildings.

▶ See page 83 for more

Covent Garden: Water

Working with our estate facilities manager, OCS, we have replaced chemical cleaning products on the Covent Garden estate with a pioneering product that uses Ozone injected into water. This saves 4,000 single use bottles a year and therefore no chemical cleaning products enter the watercourse through our cleaning activities.

Chinatown: Food waste recycling

In 2023, we extended the Chinatown food waste initiative which increased recycled food tonnage by 50 per cent. The food waste is collected daily and then through a process of anaerobic digestion is converted into bio-fertiliser, electricity and heat used as district/commercial and industrial heating.

Soho: Berwick Street Pop-ups

As part of the activation of Berwick Street we supported several pop-up stores, including space for tailors ‘A State of Nature’, plastics upcycling and creative agency, ‘Are you Mad’ and the ‘Museum of Youth Culture’.

Carnaby: 5-7 Carnaby Street Green Wall

As part of the refurbishment and redevelopment of 5-7 Carnaby Street we introduced a permanent 200m² living wall which comprises a variety of specially selected plants that change colour with the seasons.

▶ See page 87 for more

Covent Garden: Photovoltaic (“PV”) tiles

PV tiles were installed within the conservation area on King Street. The tiles differ from PV panels and are suitable for heritage buildings as they are visually indistinguishable from slates and require less maintenance than PV panels. The tiles have so far contributed to a 12 per cent reduction in energy use for the common parts of the building.

▶ See page 83 for more

Map is for indicative purposes only

Our aim is to be considered the destination of choice for sustainability-focused customers, suppliers and partners in the West End.

Building on the well-aligned approaches to sustainability taken by Capco and Shaftesbury, which reflected similar challenges and opportunities across the portfolios, this year we re-committed to a comprehensive 2030 Net Zero Carbon target and set an aim to be recognised as a leader in the sustainable development of heritage buildings. As a long-term investor in our destinations, we continue to partner with community organisations to tackle the issues that are most important to our local communities in particular the challenges faced by young and disadvantaged people. This is set out in more detail in the community investment report on page 89.

Our approach to the long-term sustainable management of our destinations is based on extending the useful life of our heritage buildings through refurbishment, rather than demolition and redevelopment. This reconfiguration and repurposing of our spaces enables us to protect the unique heritage of our portfolio whilst improving energy efficiency and continuing to meet the evolving needs of our customers. Future-proofing our buildings protects the West End's heritage, leading to increased demand, long-term value and improved operational efficiency.

One benefit of our heritage buildings is that they are a significant long-term store of carbon. To maximise this, we focus on reducing future operational carbon by improving energy efficiency and minimising embodied carbon emissions. Embodied carbon associated with repurposing and refurbishment of buildings is minimised through the retention and re-use of structure, façade and materials.

Following the merger, we have considered which areas of sustainability are most material to our business and these are set out on page 80. In 2024 we intend to undertake more detailed materiality analysis specific to the priorities on page 80 in order to make the most efficient progress.

2023 achievements

During the year we have made significant progress in the delivery of our ESC Strategy, achieving ongoing improvements to the energy efficiency of our portfolio, and continuing to support our local communities.

Following the merger, we have reconfirmed our sustainability aspirations, clarified our key targets and continued to embed process into our business operations.

- Publication of a combined 2030 Net Zero Carbon Pathway
- Reporting our Scope 3 data from across the portfolio.
- Improvement in EPC rating A-C to 80% of ERV
- Completed second phase of Carbon Risk Real Estate Monitor (CRREM) analysis, building on the analysis undertaken in previous years
- 6% reduction in Scope 1 and 2 emissions compared to previous reporting years
- 11% increase in biodiverse green space, primarily due to the addition of the green wall installed at 5-7 Carnaby Street
- 100% diversion of operational waste from landfill
- 37% recycling rate for operational waste

- Community investment of cash, time and in-kind of £1.3m
- 335 hours of employee volunteering undertaken in company time



Estate greening

Leadership in heritage places

We recognise the important role that the sustainable refurbishment of heritage buildings plays in achieving our sustainability aspirations. It is estimated that 80 per cent of buildings that will exist in 2050 are already built and the responsible retrofit of these buildings will be critical to meeting long-term national Net Zero Carbon goals.

Due to the heritage nature of our portfolio, which is located in conservation areas, and c.27 per cent of which is listed, we continue to improve the sustainability performance of our building stock whilst protecting the unique heritage and abiding by planning requirements. Through the careful application of low-cost and low-carbon interventions, we deliver energy efficiency improvements, as demonstrated by our success to date in improving energy efficiency and EPC ratings.

Our activities to tackle climate change also deliver a number of benefits for our stakeholders. These include the air quality benefits of electrifying heating and cooking, as well as reducing traffic through pedestrianisation, and fewer vehicles delivering lower material volumes due to material re-use in refurbishment.

In addition to implementing relevant initiatives set out on page 81 more widely across the portfolio, we actively seek further opportunities to pilot and implement new scalable technology or operating practices which deliver carbon reduction. We will also share lessons learned externally to support the low carbon



Raising awareness through collaboration

Working with recycling brand Are You Mad, a new summer installation made from recycled plastic was launched on Carnaby Street and Newburgh Street, as part of the wider summer campaign 'Carnaby in Colour'. The temporary art was formed of three hand and heart shaped arches made using waste plastic sourced from local shops and restaurants and the wider district. The installation took four weeks of collecting waste plastic, 16 days of sheet pressing and a team of 13 people to create the finished materials. A total of 684 kg recycled plastic waste was used in the process ranging from bakery crates and buckets to food palettes and unwanted shop decorations. This is part of a longer-term collaboration with Are You Mad to raise awareness about plastic waste. Are You Mad first opened a pop-up store on Carnaby Street in 2022, and moved to larger premises in Berwick Street, collecting plastic waste and turning it into a wide range of useful products for sale.

transition across the industry and demonstrate leadership in this space, for example our recent contribution to the UK Green Building Council ("UKGBC") commercial retrofit project.

Creating healthy and biodiverse destinations

As a responsible steward of our destinations, our impact extends beyond our buildings, and we continue to enhance the public realm within and around our portfolio. We strive to create healthy, welcoming and thriving locations in the West End where people enjoy visiting, working and living.

Shaftesbury Capital has supported London air quality monitoring for seven years through our partnership with Imperial College London. In 2022, we enhanced this work by installing smaller, more modern air quality monitors in Covent Garden. These have now been connected to the adjacent Seven Dials network. This monitoring has enhanced our understanding of factors affecting air quality which can be used to support our public realm and refurbishment scheme designs.

We remain active members of the Wild West End ("WWE") partnership, actively looking to increase biodiversity across our estate following the WWE principles and prioritising pollinators and native species. Aside from the benefit to nature, green spaces play an important part in adapting to climate change through the reduction in urban heat and supporting well-being. This year we have installed a major green wall on a scheme at 5-7 Carnaby Street, contributing towards an overall increase in green space of 11 per cent across the whole portfolio. We continue to look for opportunities to increase both the quantity and quality of biodiverse green space.

Driving innovation through collaboration

We are committed to the use of innovative solutions, including both new technologies and processes. In addition to CRREM asset analysis at scale, we collaborate with both suppliers and customers to maximise the benefit of using smart technology, such as Grid Edge, to identify improvements to the management of buildings that can lead to significant energy efficiency improvements with minimal expenditure.

We continue to install "smart" utility meters, and we now have c.19 per cent coverage of landlord areas by volume, and will instruct all landlord meters by the end of 2024. Improving the data that we collect from our buildings will increase our carbon data transparency and enable us to make faster and better informed decisions on building management and refurbishment.

We have successfully trialled photovoltaic roof tiles in King Street. These tiles can be used on heritage buildings where planning restrictions may not permit traditional photovoltaic panels. This has the potential to increase our renewable energy generation without a negative impact on heritage. The tiles have contributed to a 12 per cent drop in energy use in the common parts of the building to date. We will continue to monitor the outcome and will share lessons learnt to help promote the uptake of this technology and explore further opportunities on our portfolio.

Embedding sustainability in our business

We have robust governance processes to ensure that sustainability continues to be considered in major strategic and operational decisions. Sustainability is at the heart of our values, and we are committed to delivering the change that is required to achieve our sustainability aspirations. During 2023, this took the form of a Board ESC Committee which maintained oversight of our strategy, and a management level committee through which senior managers from multiple disciplines across the business were able to collaborate and contribute to a range of sustainability activities. Following the publication of our updated combined Net Zero Carbon pathway and responsibility for our sustainability processes being integrated into our Real Estate Investment Management (“REIM”) team, at our February 2024 Board meeting, it was agreed that, from the date of this report, ongoing oversight of ESC should be a matter for consideration by the whole Board with Ian Hawksworth as Chief Executive having overall responsibility. This includes consideration of climate related risks and opportunities and implementation of the Group’s sustainability strategy and Net Zero Carbon pathway. Day-to-day oversight will be undertaken by members of the Executive Committee and the senior management team, with regular reporting to the Board. Our sustainability team will continue to be responsible for recommending the strategic direction, focusing the business on key areas and our measuring and reporting processes.

We have a range of policies and procedures that underpin our ESC Strategy which can be found on our corporate website and are set out in our Non-Financial and Sustainability Statement on page 77.

During the year we established a Community Investment Forum (“CIF”), comprising employees from across the business. The CIF provides oversight of our community investment and considers applications to our Community Fund in line with our corporate aspirations and values. This ensures that we continue to partner with local charities and not-for-profit organisations that align with our social sustainability goals, using their skills and knowledge to maximise the positive impact that we can make.

Industry collaboration

We continue to actively participate in a range of industry groups, to share experiences and promote the adoption of best practice for sustainable real estate. Principal industry memberships include the UK Green Building Council (“UKGBC”), Better Buildings Partnership, British Property Federation and the Westminster Property Association. During 2023, we sponsored, contributed to, and actively promoted the recently published UKGBC study on commercial retrofit. The study found that building optimisation and light retrofit can reduce operational energy use by more than 35 per cent, which aligns with our own experience to date. We are signatories to Westminster City Council’s Sustainable City Charter and support their efforts to decarbonise the city.

We also work with stakeholders as part of the Westminster Zero Emissions Group, and actively collaborate with suppliers, including Veolia, on waste treatment and innovators such as Grid Edge on building optimisation.

Industry recognition and standards

We participate in a range of external benchmarks and indices to provide independent verification of our sustainability progress and help us to identify improvement opportunities. During 2023, we are proud to have increased our CDP rating to A – putting us in the leadership category and reflecting the additional work done to improve our climate risk management and reporting. We achieved our fifth consecutive Gold award for reporting in line with the EPRA sBPR, as well as an 9 per cent improvement in our GRESB rating to 74, and maintained two GRESB green stars.



Modern slavery and human rights

We have policies in place which address human rights, modern slavery, and the ethical conduct of our business. During the year we undertook a desk-top risk assessment for modern slavery and all employees were required to complete an online training programme. Our Modern Slavery Statement, updated in February 2024, is available on our website at <https://www.shafesburycapital.com/en/index.html>. All employees working on our estate are paid at least the London living wage, where appropriate.

Our 2024 actions

As we continue to focus on the delivery of our strategy in 2024, we will focus on:

- Improving communications with our customers to promote low-carbon behaviours and reduce energy consumption in our customers demises
- Updating our Net Zero Carbon pathway, see page 85, and seek revalidation from the Science Based Targets initiative (SBTi) for our decarbonisation targets
- Completing CRREM energy efficiency audits on a sample of our portfolio and use the results to build estate wide plans
- Promoting the continued electrification of buildings
- Integrating sustainability into the Real Estate Investment Management team, including targets for refurbishments and collection of embodied carbon data
- Undertaking further materiality analysis specific to our focus areas
- Continuing to improve our understanding of climate change risk to the business
- Investigating opportunities relating to sustainability-linked financing
- Increasing our EPC commercial A-B coverage by at least 10 per cent from the current 56 per cent, increasing our A-C coverage across commercial and residential from 80 per cent to 85 per cent and striving to go further.
- Reducing our like-for-like energy Scope 1 and 2 consumption by 5 per cent
- Reducing our water consumption by 3 per cent

Tackling climate change

We recognise our urgent responsibility as an owner of physical assets to reduce carbon emissions, whilst ensuring that we effectively manage climate change risks and opportunities by adapting buildings to mitigate its negative effects and delivering a fair transition to a low-carbon future.

A summary of our climate change risks and opportunities is set out in our TCFD aligned report on pages 66 to 74, supplementary detail and explanation is included in a longer version of the TCFD report which can be found on our corporate website at <https://www.shafesburycapital.com/en/responsibility/policies-and-reports.html>.

Our buildings represent long-term stores of embodied carbon, many of which pre-date mass industrialisation. We remain focused on protecting the heritage of our places, whilst making low carbon interventions to improve energy efficiency and increase resilience to the climate change impacts that we have identified.

Considering the whole life carbon emissions of a building demonstrates the importance of embodied carbon and the relative benefit of our approach, under which repurposing and refurbishment through low-carbon retrofit is used, instead of demolition and reconstruction.

In addition to investment in our buildings, we continue to add to the quantity and quality of our green spaces to help mitigate some of the impacts of climate change.

2030 Net Zero Carbon commitment

We have set a comprehensive 2030 Net Zero Carbon target for Scope 1, 2 and relevant 3 emissions. In doing so, we will reduce our emissions at a rate at least in line with a 1.5°C pathway. Our commitment is first to reduce greenhouse gas emissions from our buildings and operations as far as possible in a way that recognises the needs of our heritage portfolio and stakeholders, and only then to offset any residual emissions. Our commitment to achieve Net Zero Carbon by 2030 includes:

- 50% embodied carbon reduction¹
- 60% operational carbon reduction
- Prioritising innovation and renewables
- Enhancing climate adaptation
- Offsetting residual carbon emission

During 2024 we will seek re-validation of our carbon reduction targets from the SBTi and set an updated baseline for our pathway using a full year of emissions data for the combined business from 2023.

Full details are set out in our Net Zero Carbon pathway published on our website at <https://www.shafesburycapital.com/en/responsibility/environment/net-zero-carbon-pathway.html>. Going forward, we will publish annual updates on our progress against our pathway.

¹. Relates primarily to our refurbishment programme, see glossary for Embodied Carbon definition.

Carbon reduction performance

Our reported emissions reflect the combined business and are therefore significantly higher than emissions reported in Capco’s 2022 Annual Report. We report our Scope 1 and 2 emissions against a combined baseline and most recent published numbers, further like-for-like detail will be included in our Sustainability Data Report, which will be issued by the end of April 2024.

We continue to purchase electricity from renewable tariffs across our landlord-controlled portfolio. Excluding the benefit of purchasing zero carbon electricity, and instead using standard UK carbon factors, we have still seen our Scope 1 and 2 greenhouse gas (“GHG”) emissions decrease by 6 per cent from the previous financial year reporting. This is primarily due to continued improvement to the energy efficiency of our buildings. Our CRREM analysis completed to date, highlights the importance to achieving our Net Zero Carbon targets of phasing out the use of fossil fuels in our buildings. We continue to electrify heating and cooking across the estate to maximise the value of grid decarbonisation to our portfolio.

Our direct energy consumption (Scope 1 and 2) remains relatively small as it only encompasses the common areas of our buildings and refurbishment projects. Therefore, we are continuing to improve data collection relating to scope three emissions, especially with regards to customer energy consumption, and supplier purchased goods and services. We are still reliant on estimation for some of our Scope 3 emissions which are based on industry best practice estimation methods and verified as described in our GHG methodology on page 230.

We are reporting Scope 3 emissions for the legacy Shaftesbury destinations within the portfolio for the first time, and therefore cannot make like-for-like comparisons with previous reported emissions.

Our priority is always to deliver improvement in energy efficiency before relying on carbon offsetting or carbon removal to achieve our Net Zero Carbon target. More information on the actions that we are, and will be, taking to reduce carbon emissions across our business is set out in our Net Zero Carbon Pathway, including key milestones.

Embodied carbon

A significant proportion (18 per cent) of our carbon emission arises through the embodied carbon inherent in the services and materials used in our refurbishments. We continue to improve embodied carbon data collected for all refurbishment projects with a value in excess of £250,000 to enable better analysis of our impact and identify ways in which we can make further reductions. We use Department for Environment, Food & Rural Affairs ("DEFRA") multipliers below this level. Our analysis to date indicates that, where we have actual data, our carbon use per square metre (carbon intensity) is below the DEFRA industry benchmarks for embodied carbon and we will continue to both target further reductions and methodology improvements.

Our embodied carbon emissions are directly correlated with the volume of refurbishment and development operations undertaken in a year. In 2023 we continued to calculate this using a blend of actual data and applying DEFRA benchmarks to expenditure. During the year we have increased the volume of projects covered by actual embodied carbon reporting to 43 per cent of expenditure. This contributed just 18 per cent of our total calculated embodied carbon, demonstrating that a typical refurbishment project has materially lower embodied carbon than the DEFRA benchmark.

Energy efficiency ratings of our buildings

Our rolling programme of energy efficient refurbishments delivers incremental energy performance benefits. In addition to carbon reduction, this reduces customer utility costs and is reflected in our ongoing improvement in EPC ratings. The ERV of our buildings with an EPC rating A-C is now included in our non-financial KPIs on page 17.

80 per cent of properties are EPC grade A to C by ERV, representing a 12 per cent increase from the prior year. Approximately 1.6 per cent of portfolio ERV does not require an EPC. This primarily relates to outdoor space, basement space where there is no heating or cooling, long-lease residential property outside the scope of MEES, or demises such as sub-stations. A further 5.9 per cent of ERV is currently undergoing refurbishment. When considered by ERV 51 per cent of the portfolio is A-B, rising to 56 per cent for commercial property.

As part of the ongoing refurbishment programme, we continue to undertake works to improve EPC ratings as demises become vacant, and work with occupiers to meet the requirements of the MEES regulations. All new commercial refurbishments target EPC B to ensure that we are prepared for expected changes to the MEES regulation. As at 31 December 2023, £13.9m of ERV is being refurbished and is expected to achieve EPC B or above for commercial and EPC C for residential.

Net Zero Carbon focus areas for 2024

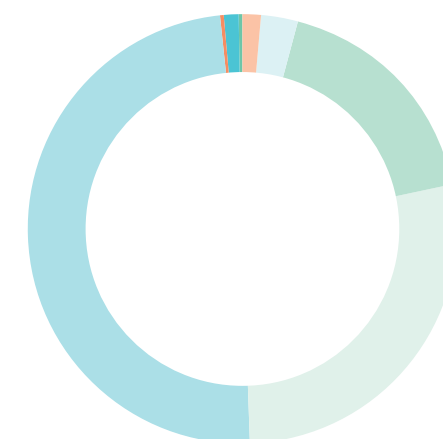
In our published Net Zero Carbon pathway, we have committed to milestone actions, including the following targets for the next year:

- To publish an updated consolidated 2023 baseline for our Net Zero Carbon target to reflect the combined business and improvements in the quality of the Scope 3 data collected
- Continue to improve our Scope 3 data, reducing the proportion of estimation required
- Revalidate our carbon reduction target with the Science Based Targets initiative (SBTi)
- Continue to prioritise the removal of fossil fuel and electrification of buildings, particularly cooking, which has been identified as an important contributor to the overall decarbonisation of our buildings
- Update and publish our carbon offsetting approach, in this context, we have paused any previous offsetting of Scope 1 and Scope 2 emissions which was undertaken by Capco only

CRREM

We have undertaken detailed energy efficiency audits in line with CRREM on a sample of our buildings. This initial analysis, covering approximately 14 per cent of the portfolio by area, has indicated that there are a number of actions we can take to improve the energy efficiency of our buildings. It is our intention to complete a further phase of CRREM analysis to increase our knowledge and improve the budgeting and reporting of the costs required to deliver our 2030 Net Zero Carbon Commitment.

2023 Carbon footprint (tCO₂e)



- Scope 1: Landlord Gas¹ 1.41%
- Scope 1: Landlord Refrigerant Gas & Fuel 0.06%
- Scope 2: Landlord Electricity¹ 2.79%
- Scope 3: Capital Goods 17.66%
- Scope 3: Purchased Goods & Services 27.67%
- Scope 3: Tenant Operations 48.75%
- Scope 3: Business Travel 0.13%
- Scope 3: Waste 0.25%
- Scope 3: Employee Commuting 0.08%
- Scope 3: Transmission & Distribution 1.14%
- Scope 3: Water usage 0.05%

1. Includes common parts, shared services and voids

45%

Carbon footprint reduction on published 2019 baseline

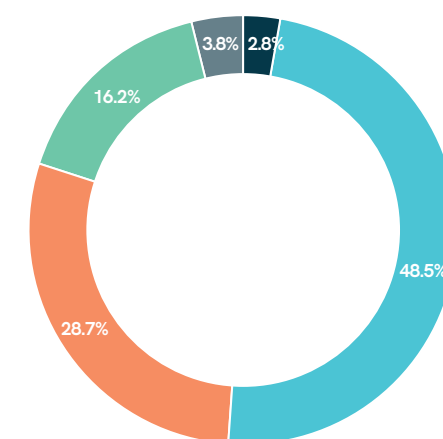
31%

Reduction in Scope 1 & 2 emissions on published 2019 baseline

35%

of area reports actual Scope 3 customer emissions

Energy Performance Certificates (EPC) by ERV



- Grade A
- Grade B
- Grade C
- Grade D
- Grade E-G

2030

Net Zero Carbon commitment

80%

Portfolio rated EPC A-C



5-7 Carnaby Street

As part of the refurbishment and redevelopment of 5-7 Carnaby Street we introduced a permanent 200m² living wall to the front elevation of floors 1-4 and to the façades of the rear extensions. The living wall, which comprises a variety of specially selected plants that change colour with the seasons, improves the aesthetics of the building and helps to improve air quality by trapping particulate matter. The wall uses a unique system of membrane pockets to enable root growth helping the plants mature and thrive in the future.



Pedestrianised environment

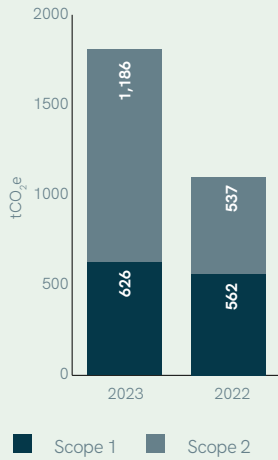
Greenhouse Gas emissions including Streamlined Energy and Carbon Reporting (“SECR”)

Shaftesbury Capital has engaged Carbon Footprint Limited to provide independent verification of the calculation of 2023 GHG emissions assertion data, in accordance with the industry recognised standard ISO 14064-3.

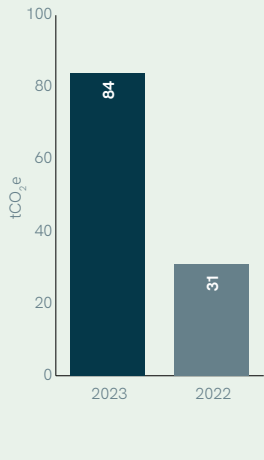
Our absolute Scope 1 and Scope 2 emissions have increased since 2022, reflecting the inclusion of the Shaftesbury portfolio. When considered on an intensity basis, and including comparative reported data for both Shaftesbury and Capco, intensity has decreased by 5 per cent.

Overall, Scope 1 and 2 emissions are down 31 per cent compared to our reported 2019 baseline. Our 2023 verification process included a review of our Scope 3 emissions across the whole portfolio. Scope 3 emissions were not reported by Shaftesbury PLC in 2022 so a year-on-year like-for-like comparison is not presented.

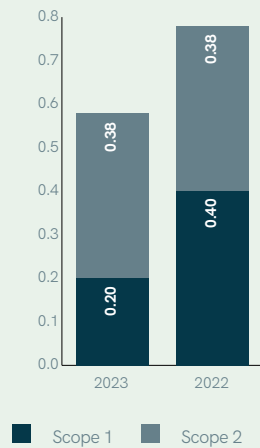
Total Scope 1 and 2 GHG emissions (location-based method^{1,3})



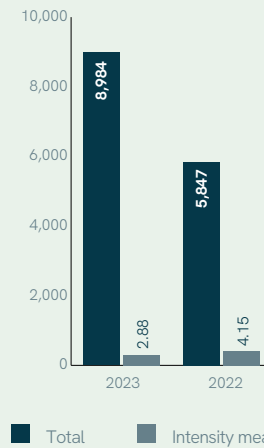
Total Scope 2 GHG emissions (market-based method^{2,3})



Intensity measure: Tonnes of CO₂e per '000 sq ft³



Total Scope 1 and 2 energy consumption (MWh)²



1. The location-based method reports emissions as tonnes of carbon dioxide equivalent (tCO₂e). 100 per cent of the emissions stated are UK-based. Details of what is included in Scope 1 and Scope 2 emissions can be found on page 230.
 2. The market-based method reports emissions as tonnes of carbon dioxide (tCO₂e). 100 per cent of the emissions stated are UK-based. Details of what is included in Scope 1 and Scope 2 emissions can be found on page 230.
 3. The 2022 comparative information relates to Capco pre-merger.

Supporting our local communities

As a responsible, long-term investor in our destinations, we are committed to supporting our local community.

We contribute to a range of causes with a particular emphasis on creating opportunities for local young people, homelessness, and food hardship.

Our destinations are integral to our local communities, providing a catalyst for long-term economic benefits. Aside from cash donations, we contribute space in the form of reduced rent and our employees' time through volunteering activities with local organisations.

In 2023, the value of our contributions totalled more than £1.3 million. This is set out below and detailed in our Sustainability Data Report, available on our website at <https://www.shaftesburycapital.com/en/responsibility/policies-and-reports.html>, by the end of April 2024.

Our approach to community investment

We remain focused on working with local organisations to tackle issues that align with our purpose and make a meaningful difference to our local community.

We work with a range of partners including not-for-profit organisations, charities, educational establishments, and other local community groups. By working with local organisations, we can build long-term relationships that maximise the value generated for the local community from our own resources and influence.

We have a Community Investment Forum (“CIF”) which is responsible for overseeing our programme of community investment in line with our focus areas. The CIF comprises employees from across the business and is chaired by our Head of Sustainability. It enables us to review our community investments and consider applications to our grants programme in a fair and consistent manner.

We take a holistic approach to our local community support which includes financial contributions to local grass-roots organisations and the implementation of programmes to support young people in our operations. More widely, we have also made in-kind donations to charities through provision of short and long-term commercial space, and time given by our employees.



Apple Market Challenge

Education and employment

This year we have continued our scholarship programme with the University of Westminster. Now entering its third year, the programme funds tuition fees, provides a bursary and paid work experience for a local person studying Real Estate at the university.

We also support the Reading Real Estate Foundation, including offers of work experience. During the summer we hosted a Masters student from University College London who undertook an analysis of the impact of different approaches to installing green walls on the internal environment of a building.

We have continued our support for the Young Westminster and Young Camden Foundations work with local young people, including funding towards their Brighter Futures Fund and Heads Up! Mental Health Fund respectively. This year we have committed to supporting the Young Westminster Foundation "Mastering My Future" programme for another three years. More details of our diversity, equality and inclusion activities can be found on page 47.

We are sponsors of the Donmar Warehouse, a not-for-profit theatre located in Seven Dials that provides opportunities for young people to gain confidence through a range of creative programmes.

For younger children, we continued to sponsor the Soho Parish Primary School Food Feast and the Apple Market Challenge, through which pupils from local schools present ideas for innovative new products that could be sold from the Apple Market in Covent Garden. The challenge has engaged more than 7,000 children since inception.

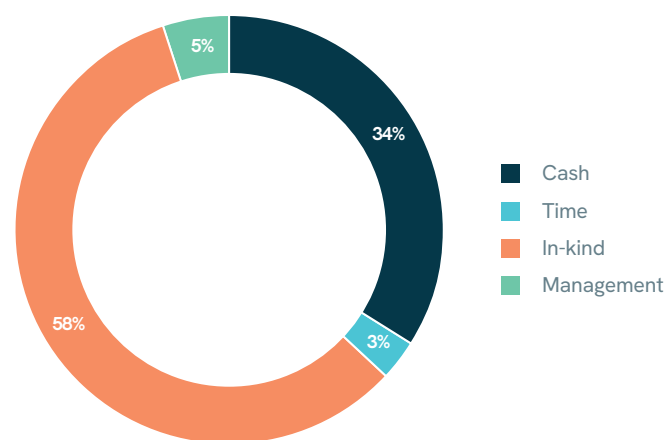
For the second consecutive year, we have supported the Soho Kids Christmas Lights, an award-winning initiative under which Christmas lights designed by children from Soho Parish Primary School are installed across Soho, providing an opportunity for pupils to showcase their creative talent.

Tackling homelessness

Homelessness remains a challenge to some of the most vulnerable people in our local community. We have continued to

A breakdown of our support is included below.

How: £1.4m



support The Connection at St-Martin-in-the Fields by providing funding to The Connection's Street Engagement Team in 2023.

This year we supported the Single Homeless Project, a charity that supports 10,000 people each year by providing a range of services including hostels and employability programmes. 26 employees volunteered with the charity this year at one of their local hostels to redecorate the premises and support clients through preparing and serving meals. We have also made a financial contribution through our grants programme to support the charity's employability programme in 2023.

We continued our partnership with The House of St Barnabas in Soho which ran an employability programme for people that have experienced homelessness through their private members club.

Community support

Throughout our destinations we continue to contribute to a range of activities and organisations such as the Chinese Community Centre, West End Community Trust, Samaritans and Covent Garden Community Centre.

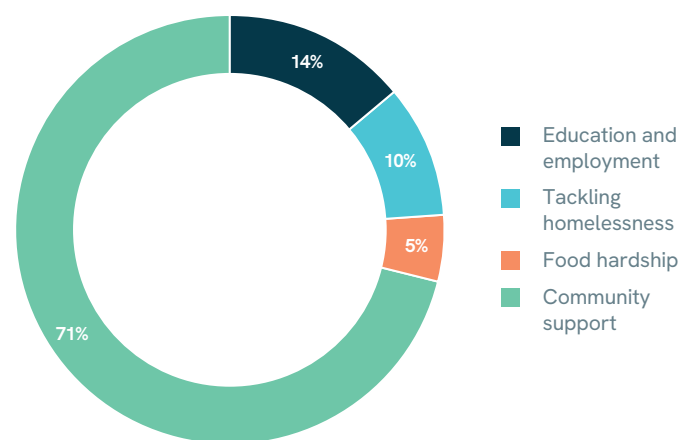
This year we have continued to provide funds to support the Covent Garden Community Centre Friday Lunch Club for local residents aged over 55. In addition to funding, since February 2023, 29 employees have volunteered to help serve lunch.

We have a long-term relationship with veterans' charities, supporting blind veterans in Westminster and have arranged Remembrance Day events in Covent Garden for a number of years.

Community grants fund

In addition to our ongoing strategic partnerships, we have established a grants fund that offers local charities, organisations, and groups the opportunity to apply for funding towards the cost of projects that align with our community investment focus areas. All applications are considered by our Community Investment Forum. Projects that received funding in 2023 included the refurbishment of bathrooms at UK Homeless charity Depaul, a specialist mental health space supporting homeless and vulnerable young people aged 16-25, and Christmas lunches for local people at the Covent Garden Community Centre. In total we provided over £87,000 funding

What: £1.3m*



*Excludes management time

from our grants fund, in addition to £389,000 of cash donated to our partner organisations. We have also supported the Abbey Centre and the North Paddington Food Bank which provide much needed support for local people.

In-kind space

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

This year we have provided space for charities and charitable events up to a value of £807,000. Highlights included our ongoing partnership with refugee charity 'Choose Love' in Carnaby, the Tusk Gorilla Sculpture Trail in Covent Garden and Smart Works, a charity which supports women into employment.

Volunteering and employee engagement

We encourage employees to volunteer with our charity partners and during 2023 our employees have completed more than 335 hours of volunteering in Company time, supporting projects such as the Covent Garden Community Centre Friday lunch club and the Single Homeless Project.

We also have an employee matched funding programme and encourage our employees to take part in volunteering events for charities that are close to their own hearts.

Going forward

- Development of strategic partnerships with our key community partners to provide certainly over our longer term
- Support our employees to increase participation in volunteering activities with our community partners.

Young Westminster Foundation

Young Westminster Foundation brings together local business and funders, including Westminster City Council, to increase long-term funding for youth clubs and organisations in Westminster. Members of Young Westminster Foundation range from large youth clubs to smaller grassroots organisations; local organisations all driven by their passion to provide the best services, opportunities and support for local young people.

We have a long term strategic partnership with the Young Westminster Foundation, which includes providing financial support to their Westminster Brighter Futures Fund. Established in 2019, the Brighter Futures Fund enables youth clubs and organisations within Westminster to apply for funding to deliver projects and programmes that benefit local children and young people. One beneficiary to receive funding in 2023 included the Caxton Youth Organisation, a specialist youth club who break barriers and empower learning for young people with disabilities.

Choose Love,
Carnaby Street

Health, safety, security and well-being

Ensuring the highest standards of health, safety, security and well-being are at the forefront of all our activities and operations.

2023 Achievements

- Completion of formal, independently accredited health & safety training programmes by the senior management team and other key employees.
- Implementation of a standardised health & safety online compliance platform across our portfolio, to provide enhanced management and reporting functionality.
- Recruited a Head of Health and Safety, to ensure our high health & safety standards are maintained across our portfolio.
- Following an extensive review of our portfolio, all higher-risk residential buildings as defined by the Building Safety Act 2022 were registered ahead of the October 2023 deadline.

2024 Commitments

- Continue to achieve the highest standards of health, safety, security and well-being in all our activities, our buildings, our projects and our offices.
- Implementing the opportunities for improvement identified as part of the formal review of the health & safety governance and reporting framework, commissioned in 2023.
- Completing the Building Safety Case Reports required for our registered higher-risk residential buildings. Submitting such reports to the Building Safety Regulator on request.

Governance

The Board maintains overall responsibility for our health & safety strategy and its delivery and leads a health & safety-aware culture, which is embedded throughout the Company. This ensures that health, safety and security is at the forefront of all decision-making across our portfolio and is fully embedded in the actions we take.

Our Health & Safety Committee, chaired by the General Counsel and attended by the Chief Executive, oversees our approach to the health & safety strategy and statutory compliance. The Health & Safety Committee is supported by Health & Safety Leadership Teams ("HSLTs"), which cover specific business areas and meet regularly to ensure that our health & safety commitments are met at operational level. The HSLTs report to the Health & Safety Committee, which in turn reports to the Board. Health & safety is reported upon and considered at each formal Board meeting.

During the year, we formally reviewed our health & safety governance and reporting framework, which includes the Occupational Health & Safety Management System ("OH&SMS"), to ensure that it remained appropriate for the enlarged portfolio. Following this, an independent third-party review was commissioned, and findings will be implemented during 2024.

Ensuring our standards are met

We focus on visible health & safety leadership, and use formal and informal Director and senior management tours and the onsite presence of our teams, to monitor health & safety across our destinations. This is supported by regular detailed health & safety inspections.

We closely monitor health & safety performance across our portfolio. During 2023, a standardised health & safety online compliance platform was introduced across all our destinations, to provide enhanced management and reporting functionality.

We are members of the Considerate Constructors Scheme ("CCS") Client Partnership and the Construction Clients Leadership Group. Our pre-tender documentation for contractors includes enhanced health, safety and well-being standards and compliance is monitored by site and project managers.

We work collaboratively with key suppliers to ensure that the high standards we require are implemented by those working on our behalf.

Safety and security

The safety of those who visit and enjoy our destinations is fundamental. We have a flexible security strategy which enables us to respond quickly to changing demands across our portfolio, to ensure that the appropriate security provision is maintained and scaled up when needed.



Covent Garden decoration install

Fire Safety Act and Building Safety Act

We are implementing the requirements of the Fire Safety Act 2021 and the Building Safety Act 2022 and continue to monitor the related programme of secondary legislation as it is issued.

Training

We provide training to our employees to ensure our strong health & safety culture remains embedded within the Company. Structured Health & Safety Institution of Occupational Safety and Health ("IOSH") Leading Safely and Managing Safely training programmes were completed by appropriate senior team members and employees during 2023.

Reporting

In 2023 there were no serious accidents, no cases of occupational disease and no work-related incidents reportable to any statutory authorities arising out of our and our suppliers' activities at our buildings, our projects and our offices. In addition, no significant security incidents occurred.

The sections of the Annual Report which make up the Strategic Report are set out on the inside cover. The Strategic Report has been approved for issue by the Board of Directors on 28 February 2024.

On behalf of the Board

Ian Hawksworth
Chief Executive



Corporate Governance

Strong governance oversight

Board of Directors

Key **A** Audit Committee **E** Board ESC Committee **N** Nomination Committee **R** Remuneration Committee **C** Committee Chair



Jonathan Nicholls
Chairman

N

Jonathan is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda.

Skills, experience and contribution

Jonathan joined the Shaftesbury Capital Board in March 2023 following the merger between Shaftesbury and Capco. Prior to the merger, Jonathan was Chairman of Shaftesbury, having joined in 2016.

Jonathan has over 26 years' experience of public company boards and their operations and was previously Non-executive Director and Chair of the Audit Committee of Great Portland Estates plc, SIG plc and DS Smith plc. He was also Senior Independent Director of Great Portland Estates plc and DS Smith plc. Prior to this, Jonathan was finance director of Hanson plc and of Old Mutual plc. Jonathan has over 20 years of experience in the property sector and is a member of the Institute of Chartered Accountants in England and Wales and a fellow of the Association of Corporate Treasurers. Jonathan's considerable commercial and Board experience and his objective judgement enable him to provide constructive leadership, challenge and support to the Board and wider business for the benefit of all stakeholders.

External Appointments:

Chairman of Istock plc

Year of first appointment:

2023



Ian Hawkworth
Chief Executive
Executive Committee member

E

Ian leads Shaftesbury Capital, shapes its strategy and drives its performance.

Skills, experience and contribution

Ian has over 37 years' experience in global real estate investment, development, asset and corporate management, and extensive experience and knowledge of the London property market, having previously been Chief Executive of Capco since its inception in 2010. Ian leads Shaftesbury Capital, shaping strategy and driving performance. Ian was previously Executive Director of Hongkong Land Ltd and Liberty International PLC. Ian is a Chartered Surveyor and a member of leading international industry bodies.

Ian's ability to shape strategy and drive expansion and performance alongside his extensive knowledge of the global real estate industry is invaluable to the Company. Ian's in-depth knowledge of the Company and the sector enables him to provide broad leadership of the business internally and externally, including design and implementation of the Company's strategy and business plans and their communication to a wide range of stakeholders. Ian also ensures that the Company's purpose and values are embedded across the business and are reflected in the Company's culture.

External Appointments:

Non-executive Director of Chancerygate Limited

Year of first appointment:

2010



Situl Jobanputra
Chief Financial Officer
Executive Committee member

Situl leads Shaftesbury Capital's finance function and works closely with the Chief Executive on strategy, capital allocation, investment and key transactions.

Skills, experience and contribution

Situl joined the Company in 2014 and undertook a number of senior roles across the business before being appointed Chief Financial Officer in 2017.

He is an experienced corporate financier, having previously worked in mergers and acquisitions, equity capital markets, corporate broking and real estate investment banking, including 13 years at Deutsche Bank.

Situl's significant relevant experience of corporate finance, capital markets, investment, real estate, stakeholder engagement, and commercial and financial management are key to his finance role and the development and implementation of the Group's strategy, working with the Chief Executive.

External Appointments:

Non-executive Director of WH Smith PLC (with effect from 1 March 2024).

Year of first appointment:

2017



Richard Akers
Senior Independent Non-executive
Director and Independent
Non-executive Director

A E N R

Richard joined the Shaftesbury Capital Board in March 2023 as Senior Independent Director following the merger between Shaftesbury and Capco. Prior to the merger, Richard was Senior Independent Director and Chair of the Sustainability Committee at Shaftesbury, having joined in 2017. Richard was previously Non-executive Director, Senior Independent Director and Chairman of the Remuneration, Safety, Health and Environmental Committees of Barratt Developments PLC, Non-executive Director of Unite Group PLC and a fellow of the Royal Institution of Chartered Surveyors. Prior to this, Richard was a senior executive of Land Securities Group PLC from 1995 and joined the main board in 2005 as managing director of the retail portfolio until 2014.

Skills, experience and contribution

Richard's extensive property roles and experience, alongside his operational skillset, which includes remuneration, sustainability, environmental and health and safety matters, enable him to provide essential input into Board and Committee discussions and decisions and effectively Chair the Company's Remuneration Committee.

External Appointments:

Chairman of Redrow plc

Year of first appointment:

2023



Ruth Anderson
Independent Non-executive Director

A N R

Ruth joined the Shaftesbury Capital Board in March 2023 following the merger between Shaftesbury and Capco. Prior to the merger, Ruth was independent Non-executive Director and Chair of the Audit Committee at Shaftesbury, having joined in 2020. Ruth is an Independent Non-Executive of EY's UK Public Interest Board, Chair of the UK Audit Board, and a member of the Audit Remuneration Committee. Ruth was previously Non-executive Director and Chair of the Audit Committee at Ocado Group plc, Travis Perkins plc, Coats Group plc and the Royal Parks. Ruth has over 30 years' experience advising UK and global businesses and was with KPMG for 33 years, where she was a partner for 20 years and a member of the UK board for six years. Ruth is a member of the Institute of Chartered Accountants in England and Wales.

Skills, experience and contribution

Ruth has over 30 years' experience advising UK and global businesses. This knowledge, together with over 10 years' experience on public company boards enables Ruth to provide valuable input and challenge in Board and Committee discussions and effectively Chair the Company's Audit Committee.

External Appointments:

Independent Non-Executive of EY's UK Public Interest Board, Chair of the UK Audit Board, and a member of the Audit Remuneration Committee.

Year of first appointment:

2023



Charlotte Boyle
Independent Non-executive Director

A E N R

Charlotte joined the Capco Board in 2017 as an independent Non-executive Director and was Chair of Capco's Board ESC Committee. Charlotte spent 14 years at The Zygos Partnership, an international search and board advisory firm, including nine years as a partner, where she led the real estate practice. Prior to this, Charlotte worked for Goldman Sachs International and Egon Zehnder International. Charlotte is a Non-executive Director of Coca-Cola HBC AG and Thatchers Cider Company Limited, a Non-executive adviser to Knight Frank LLP, and a Trustee of Alfanar, the venture philanthropy organisation. Charlotte is also Chair of UK for UNHCR.

Skills, experience and contribution

Charlotte's previous executive roles and her experience as a Non-executive Director enable her to provide valuable insight to a wide range of Board and Committee matters, particularly those with a focus on people, the environment and sustainability. Up to the date of this report, Charlotte chaired Shaftesbury Capital's ESC Committee, which monitored the integration of the ESC strategy and the Net Zero Carbon Pathway. Charlotte is the Non-executive Director designated to update the Board on employee views, and attends the employee engagement forum.

External Appointments:

Chair, UK for UNHCR. Non-executive Director of Coca-Cola HBC AG and Thatchers Cider Company Limited. Non-executive adviser to Knight Frank LLP, and a Trustee of Alfanar.

Year of first appointment:

2017



Covent Garden Piazza

Overview – Governance

Leadership and purpose

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

- Chairman’s introduction
- How the Board monitors culture and employee engagement
- The role of the Board and its Committees
- Principal Board activities
- S172(1) statement
- Conflicts of interest
- How we behave
- Relations with shareholders
- Shareholders’ and stakeholders’ views
- Corporate website
- Annual General Meeting
- Independence and effectiveness

▶ See more about our approach to leadership and purpose on pages 100 to 113

Audit, risks and internal controls

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

- Audit Committee Report

▶ See more on our approach to audit, risks and internal controls on pages 119 to 124

Oversight of sustainability

Explains the role of the ESC Committee in monitoring our progress against our ESC strategy and net zero carbon commitment

- ESC Committee Report

▶ See more on our approach to sustainability on pages 125 and 126

Division of responsibilities

Describes the roles of the Directors and review of Director independence

- Roles and responsibilities of the Directors
- Independence and effectiveness

▶ See more on our approach to division of responsibilities on pages 104 and 112

Remuneration

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

- Directors’ remuneration report
- Directors’ Remuneration Policy
- Annual remuneration report

▶ See more on our approach to remuneration on pages 127 to 152

Composition, succession and evaluation

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

- Board diversity
- Board skills
- Board tenure
- Nomination Committee Report
- Director induction and development
- 2023 Board evaluation process

▶ See more on our approach to composition, succession and evaluation on pages 114 to 118

Compliance with the UK Corporate Governance Code 2018 (the “2018 Code”)

The Board considers it has complied in full with the 2018 Code throughout the year ending 31 December 2023. The governance report on pages 94 to 152 sets out how the Company has complied with the principles and provisions within the 2018 Code.

Leadership and purpose

Chairman's introduction

Our purpose, values, good governance, high standards and the strength of our team, underpin the way in which our business is managed to promote the long-term success of the Group.



Jonathan Nicholls
Chairman

Dear shareholder

I am delighted to be writing to you as your new Chairman and pleased to introduce our Corporate Governance report for the year ended 31 December 2023.

Delivering strong performance

We have had an excellent start as Shaftesbury Capital delivering strong operational performance, with growth in cash rents and ERV. Total shareholder return for 2023 was 33 per cent on the LSE and 52 per cent on the JSE. Cost savings are above our initial ambitions, and we are pleased to have completed the early refinancing of near-term debt maturities, highlighting the attractiveness of our exceptional portfolio and resulting in a strong balance sheet, with access to significant liquidity.

We are very proud of the energy and enthusiasm shown by the team, now all based in our Covent Garden office. Our strategy is to deliver long-term cash income and asset value growth from our unique portfolio of properties through investment, curation and responsible stewardship, benefiting all stakeholders and contributing to the success of the West End. Our newly formed Executive Committee made up of Ian Hawksworth, Situl Jobanputra, Michelle McGrath and Andrew Price and reporting to the Board, is working well, implementing our strategy and providing strong oversight of our day-to-day operations. With our ambitious and talented team, the business is well-positioned to deliver on our medium-term rental growth, property and total accounting return targets. We have re-committed to meet our important sustainability objectives as the leading central London mixed-use REIT. As we move beyond the initial stage of integration, we continue to target efficiencies and additional opportunities to reduce our cost ratio over the medium-term.

A key focus for the Board this year has been the embedding and monitoring of our culture, ensuring a collaborative environment where people are inspired to give their best to contribute to the Company's success. As part of this, in collaboration with our senior leadership team we have updated our purpose and values and rolled these out across the business. These important commitments form the basis of how we operate and are fundamental to our culture.

Board changes and succession planning

As Henry Staunton outlined in his letter last year, on completion of the merger, Henry and Jonathan Lane stepped down from the Board, and I would like to thank them both for their valued efforts over the years and Henry for his experienced Chairmanship. Michelle McGrath, who also stepped down from the Board on the merger, is a key member of our Executive Committee and regularly attends our Board meetings.

To ensure a more efficient and cost effective Board structure, following the departure of Chris Ward our Chief Operating Officer in December 2023, which resulted in a reduced Executive team, Non-executive Directors Anthony Steains, Jennelle Tilling and Helena Coles stepped down from the Board with effect from 31 January 2024. Senior Independent Director Richard Akers became Chair of the Remuneration Committee from 1 January 2024.

On behalf of the Board, I would like to thank Chris for his enormous contribution over the years to creating London's leading central London mixed-use REIT. I would also like to thank Anthony, Jennelle and Helena for their significant contribution to our historic Boards, the merger and subsequent successful integration.

Succession planning is an important part of our governance processes. Looking forward, the Nomination Committee is continuing to develop and monitor succession plans both at Board and senior management level.

Board evaluation

This year, as both Capco and Shaftesbury had last undertaken external reviews in 2020, it was agreed that an external Board evaluation should be undertaken in November 2023, and I am pleased to report it was recognised that good progress had been made by both the Board and its Committees on their respective activities. Details of the process and findings of the review can be found on page 118.

Engaging with our shareholders

In addition to our investor relations programme led by Ian Hawksworth and Situl Jobanputra, which included our inaugural and well-received Investor Event in November 2023, in advance of our 2023 AGM, Jennelle Tilling and Charlotte Boyle offered to meet with shareholders holding in total



Chinatown

53 per cent of our register in respect of our remuneration arrangements. Following a review of our Remuneration Policy led by Jennelle in the autumn, we provided an update to, and sought feedback from, shareholders. As part of our seeking of feedback, I offered to meet shareholders holding in total over 55 per cent of our register to discuss our corporate governance arrangements and the review of our Remuneration Policy, with Richard Akers attending meetings as appropriate. Feedback from those communications and meetings was then shared with the Board.

The Board will consider the new reporting requirements of the UK Corporate Governance Code published in January 2024, during the coming year.

A team effort

On behalf of the Board, I would like to thank the whole team for all their hard work both in the months up to the merger, and subsequently in embracing change, adapting and being innovative to support the successful integration of our two businesses. The result of which has created a strong platform from which we can further develop our relationships with, and deliver long-term returns to, our wide range of stakeholders.

Jonathan Nicholls
Chairman

28 February 2024

Board members and meeting attendance

Number of meetings held: 10¹

	Number of Board meetings attended
Chairman	
Jonathan Nicholls	6/6
Henry Staunton ²	4/4
Executive Directors	
Ian Hawksworth	10/10
Situl Jobanputra	10/10
Chris Ward	6/6
Michelle McGrath ²	4/4
Non-executive Directors	
Richard Akers	6/6
Ruth Anderson	6/6
Charlotte Boyle	10/10
Helena Coles	6/6
Jennelle Tilling	6/6
Anthony Steains	10/10
Jonathan Lane ²	4/4

1. Four Board meetings were held in 2023 prior to completion of the merger.
2. Henry Staunton and Jonathan Lane retired, and Michelle McGrath stepped down, from the Board as a result of the merger on 6 March 2023 and could only attend a maximum of four Board meetings.

The Board

The Board is collectively responsible for the long-term success of the Company, and for its leadership, purpose, strategy, culture, values, standards, control and management. Day-to-day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits; however, certain matters have been reserved for Board approval. These matters are reviewed annually and include Board and Committee composition, strategy, corporate reporting, significant funding decisions and corporate transactions, ESC strategy, Net Zero Carbon Pathway, Modern Slavery Statement, delegated authority limits and our dividend and tax policies.

Board composition

As at 31 December 2023, the Board comprised the Chairman, two Executive Directors and six Non-executive Directors. Biographies of each of the Directors on the Board at the date of this report and their membership of the Board Committees can be found on pages 96 and 97, and additional information on Directors' skills and experience is included on page 114.

The Board in 2023

The Board met formally throughout the year. Main meetings were timed around the financial calendar, with an annual strategy day in October, and additional meetings convened, or communications sent as appropriate. Attendance at Board and Committee meetings held during 2023 is shown on page 101 and in the Committee reports. Board papers are circulated in advance of meetings, to ensure that Directors have sufficient time to consider their content prior to the meeting. If matters require approval at short notice, written approval is sought from the Directors.

The Chairman and Non-executive Directors regularly spend time at the Company's head office, and maintain regular contact with both the Chief Executive and members of senior management. The Chairman meets with the Non-executive Directors without the Executive Directors being present.

As matters that require the Board's decision are often complex and evolve over a period of time, informal update meetings are held between Board meetings to allow Board members adequate time to explore, understand and challenge matters under consideration, and the Chief Executive provides regular updates to Directors between meetings.

During 2023, the Board received regular updates on performance, property portfolio, operations, finance, ESC, people and integration from the Executive Directors and senior management from each business area, and reports from the General Counsel, Company Secretarial team and Committee Chairs. The table on page 106 shows the key areas considered by the Board during the year.

How the Board monitors culture and employee engagement

Our purpose and values form the basis of our culture, and together are fundamental to the way we operate. Our people are central to our culture and critical in delivering our strategy. The Board and senior management team recognise that culture comes from the top.

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

- Our Chief Executive, CFO and former COO, and members of the Executive Committee, supported by our Head of HR, led Company-wide meetings which were attended by the Chairman as appropriate to provide business updates to employees, including strategy, our updated purpose and values, employee remuneration structures, employee development programmes and integration progress. These meetings provided the opportunity for employees to ask questions.
- Our Chief Executive held a series of informal breakfast sessions with employees providing an informal forum for the relaying of the Group's priorities and allowing team members to ask questions.
- The Non-executive Directors were taken on tours of the portfolio by the asset management and leasing teams.
- Charlotte Boyle attended the inaugural Employee Engagement Forum made up of a wide range of employees in terms of role, seniority and experience. Matters discussed included the Company's purpose, culture and values, priorities and targets, integration and the new office, team communication and ways of working.
- During the year the Chairman held 20 one-to-one sessions with senior employees and provided feedback from the meetings to the Non-executive Directors.

- Members of the senior leadership team join the Executive Committee meeting monthly. Any significant informal feedback is reported to the Board by the Executive Committee.
- The Remuneration Committee reviewed the Group's employee remuneration framework and proposed changes following the merger ensuring alignment of both Executive Director and employee remuneration with the Group's values.
- Senior managers across the Group joined the Directors at the October Board strategy dinner.
- Core governance policies are reviewed annually by the Board and employees are required to complete a variety of e-learning modules on a regular basis. Completion levels are reported to the Board.
- Feedback from the internal and external auditors on their interactions with operational and finance teams is provided directly to the Audit Committee.
- Our whistleblowing policy, applicable to all employees, encourages openness in reporting concerns with contacts including the Audit Committee Chair. Any reports would be investigated and reported to the Board. No reports were made during the year.

The Board establishes the Group's:

Purpose

Our purpose is investing to create thriving destinations in London's West End where people enjoy visiting, working and living.

► Read more on pages 14 and 15.

Values

Our values are to:

- Take a responsible, long-term view
- Act with integrity
- Take a creative approach
- Listen and collaborate
- Make a difference

► Read more on pages 14 and 46.

Strategy

To deliver long-term income and value growth from our unique portfolio of properties through investment, curation and responsible stewardship, benefitting all stakeholders and contributing to the success of the West End.

► Read more on pages 14 and 15.

and ensures that they are aligned with the Company's culture

Shaftesbury Capital promotes high standards and a high performance, professional, entrepreneurial and inclusive culture, reflective of our business strategy and values.

► Read more on pages 103 and 110.



Discussing the 2023 Audit Plan.

The role of the Board and its Committees during the year

The Board

Led by Jonathan Nicholls

10 meetings

- Sets Group strategy
 - Oversees the alignment of the Group's purpose, culture and values, strategy and risk
 - Considers the balance of interests between stakeholders for the long-term success of the Group
 - Oversees the Group's governance
- ▶ **Board activities:** page 106
▶ **Division of responsibilities of Directors:** page 112
- ▶ **Directors' biographies:** pages 96 and 97

Audit Committee

Ruth Anderson

- 4 meetings
 - Oversees the Group's valuation and financial reporting processes
 - Reviews the adequacy and effectiveness of internal financial controls and risk management systems, including the need for internal audit
 - Reviews the independence and effectiveness of the internal and external auditors
- ▶ **Audit Committee Report:** pages 119 to 124

ESC Committee

Charlotte Boyle

- 4 meetings
 - Oversees the implementation of the Company's ESC Strategy
 - Recommends changes in ESC Strategy to the Board
- ▶ **ESC Committee Report:** pages 125 and 126
▶ **Our future approach to ESC oversight is explained on** page 125.

Nomination Committee

Jonathan Nicholls

- 3 meetings
 - Reviews the structure, size and composition of the Board
 - Oversees succession planning and development of a diverse pipeline of talent
 - Recommends appointments to the Board
- ▶ **Nomination Committee Report:** pages 115 to 118

Remuneration Committee

Jennelle Tilling¹

- 8 meetings
 - Determines the remuneration policy for Executive Directors, Chairman and senior employees
 - Ensures the link between culture, performance and remuneration
 - Monitors employee remuneration and related policies
- ▶ **Remuneration Committee Report:** pages 127 to 152

Executive Committee

Led by Ian Hawksworth

Meets twice a month

- Works closely with the Chief Executive and Chief Financial Officer on implementation of business plan
- Monitors operational performance
- Reviews financial performance
- Reviews and prioritises resourcing
- Considers matters referred from below Board Committees

Executive Risk Committee

Led by Ian Hawksworth

- Meets at least 4 times a year
 - Reviews and monitors the Group's principal and emerging risks
 - Oversees the effectiveness of the Group's risk management systems
- ▶ **Risk management:** pages 59 and 61
▶ **Principal Risks:** pages 61 to 65
▶ **Climate risk and opportunities:** pages 66 and 74

Health & Safety Committee

Led by Alison Fisher

- Meets at least 4 times a year
 - Oversight of occupational health, safety and well-being
 - Monitors the Group's policy and performance against best practice for health and safety
- ▶ **Health and Safety:** page 92

Disclosure Committee

Led by Situl Jobanputra

- Meets once a month
- Monitors the status of potential inside information in the business
- Ensures disclosure requirements are met and that appropriate records are maintained

Integration Committee

Led by Chris Ward²

- Meets twice a month
- Oversight of integration projects and resourcing
- Reviews and prioritises projects
- Monitors synergies

ESC Management Committee

Led by Chris Ward³

- Meets at least 4 times a year
 - Recommends the ESC Strategy to the Executive Committee
 - Monitors performance against Net Zero Carbon Pathway
 - Approves the annual action plan
- ▶ **Sustainability:** pages 78 to 91

1. Richard Akers became Remuneration Committee Chair from 1 January 2024.
2. Following the successful completion of the integration, this Committee has been incorporated into various operating groups.
3. Andrew Price became ESC Management Committee Chair from 1 January 2024.



Chinatown parasols

Principal Board activities in 2023

The Board met formally ten times during the year with seven scheduled Board meetings and three additional meetings. A number of other matters were approved by written resolution of the Board. At every scheduled Board meeting, the Board receives updates from the Executive Committee, General Counsel, the Group Company Secretary and Company Secretary on the operating environment, portfolio activities (including stakeholder engagement), financial performance and prospects, health and

safety, employees, legal matters and governance. The Executive Committee members attend each meeting and employees from across the business may be invited to join meetings to present topical updates.

The principal focus of the additional Board meetings held this year was the merger. The table below provides examples of matters considered during the year.

Strategy

- Regular consideration of the macro-environment.
- Adopted initial strategic priorities following completion of the merger.
- Approved the strategy statement, business model, and plan, including key financial measures following the annual Board Strategy Day.
- Received updates on the level of synergies achieved.

Finance, tax and corporate reporting

- Approved the half-year and year-end results including consideration of the going concern and viability statements.
- Approved 2022 Annual Report.
- Approved the AGM and the November 2023 Investor Event Trading Updates.
- Approved the interim annual budget and 2024 budget and reviewed the 2024-2028 financial projections.
- Approved two new finance facilities totalling £550m to refinance the £576m loan facility, and interest rate hedging arrangements.
- Approved the updated tax strategy.
- Approved the pre-completion second interim dividend of 1.7p (per Capco share) in March 2023 and the 2023 interim dividend of 1.5p in August 2023.

Stakeholder engagement

- Reviewed the inaugural Investor Event presentation.
- Discussed the engagement with shareholders on the Company's Remuneration Policy by the Remuneration Committee Chair in advance of the AGM and by the Chairman of the Board after the year-end.
- Received regular updates on investor relations activity and matters raised by shareholders.
- Considered the impact of business decisions on a wide range of stakeholders.
- Received feedback on meetings with various stakeholders.

Governance

- Approved revised/new corporate policies, delegations of authority and Committee terms of reference.
- Received updates from the Chairs of the Audit, ESC, Remuneration and Nomination Committees.
- Approved the AGM resolutions.
- Approved the 2023 Modern Slavery Statement.
- Approved the external appointments of all Directors.

Merger and integration

- Prior to completion of the merger, the Capco Board considered matters relating to its completion.
- Following completion of the merger, the Shaftesbury Capital Board received regular updates on progress on integration matters including operations, HR, IT, sustainability and financing.
- Received regular updates on the integration of the teams and systems.

People and culture

- Approved new purpose, values and culture statements recommended by the Executive Committee.
- Established Employee Feedback Forum attended by Charlotte Boyle and received initial feedback from the Forum.
- Received updates from the Head of HR and Chair of the Nomination Committee on the new employee development programme.
- Received updates from the Chair of the Remuneration Committee on Board and employee remuneration, including a new employee remuneration framework.
- Received updates on the integration process including relocation of the teams to one office, resourcing and people synergies.

Operations

- Received updates on investment market, valuations, occupier trading conditions, rent collection levels, leasing activities, marketing strategy and vacancy levels.
- Approved estate business plans.
- Approved strategic capital recycling of five per cent of portfolio value through disposal of identified assets.
- Received updates on acquisitions and disposals which did not require Board approval.

Sustainability

- Received updates from the Chair of the ESC Committee on the progress made on the Net Zero Carbon pathway and sustainability integration.
- Approved Shaftesbury Capital's updated new Net Zero Carbon pathway.

Risk management and internal control

- Approved the Group Risk Management Policy and Framework and the Board's risk appetite in respect of each principal risk.
- Considered the principal and emerging risks following review by the Executive Risk and Audit Committees and the risk disclosures for the half-year and full-year results.
- Discussed updates on IT system integration, consolidation of financial systems and cyber security.



Monmouth Street

Our S172(1) Statement

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

Engagement with stakeholders

The Board principally engages directly with our employees and shareholders but is also kept apprised of the engagement with other stakeholders through a combination of reports from the Executive Directors, members of the Executive Committee, senior managers, and advisers to understand the views of the Group's stakeholders on day-to-day operations. On pages 40 to 45, we outline the ways we have engaged with key stakeholders and the outcomes of that engagement.

- dedicated section within Board approval papers sets out the likely impact of the proposed recommendation on relevant stakeholders;
- review of engagement undertaken by Executive Committee members and the wider team across the business; and
- external assurance received from the auditors and reports from brokers and advisors.

Whilst it is not always possible to meet the preferences of all stakeholders, the Board aims to ensure that all relevant factors are considered before a decision is taken. Some examples of how the Board considered stakeholder interests and the matters set out in S172(1) of the Companies Act 2006 during 2023 are set out in the tables below and on the adjacent page. Other examples of how the Board has considered stakeholder interests and s172(1) matters are included in how the Board monitors culture and employee engagement on page 103.

Methods used by the Board

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

- oversight of the Group's purpose, strategy, and values, and their alignment with our culture;
- consideration of the Group's risk appetite, principal risks, and mitigation;
- oversight of employee well-being and resourcing;

Key matter	Board considerations	Outcomes
Integration Employees Shareholders Suppliers Customers	In its oversight of the various integration projects, the Board balanced many factors, including consideration of employee feedback and well-being, costs, customer and portfolio management service levels, supplier relationships, cyber security and investor feedback.	During the months following the completion of the merger, a number of significant integration workstreams were delivered, including relocating the two teams into one building, restructuring the combined team, alignment of remuneration frameworks and integrating the IT systems, to ensure that the two businesses came together as one, and to deliver synergies.
Purpose, culture and values Employees Customers Visitors Suppliers Partners	The Board agreed that Shaftesbury Capital's purpose and values should be updated following completion of the merger and that employees should ensure that these underpinned the Company's culture and the way that the Group operates.	The Executive Committee and members of senior management collaborated to develop the Company's new purpose and value statements, which were approved by the Board and rolled out across the business.
Strength of balance sheet Shareholders Employees Finance providers Partners Suppliers	Maintaining a strong capital structure is a key part of the Company's strategy and early refinancing of the loan facility was a priority for the year. The financial stability of the Company is important to a wide range of the Company's stakeholders and the views of investors and the negotiation of the terms available from, and relationships with, different finance providers were given particular consideration in refinancing the £576m loan facility.	During the year the Board approved new finance arrangements totalling £550m to refinance the £576m loan facility put in place at the time of the merger.

Key matter	Board considerations	Outcomes
Net Zero Carbon commitment Visitors Employees Shareholders Suppliers Customers Local Communities Partners	Recognising that the important risk posed by climate change requires urgent action, the Board renewed the Company's commitment to becoming Net Zero Carbon by 2030. In considering this commitment, the Board noted the costs that would be associated with becoming Net Zero Carbon, but recognised the extensive benefits that would be delivered for a wide range of stakeholders over time.	A new Net Zero Carbon pathway was approved and published. The Board is cognisant that achieving these commitments will require collaboration with various stakeholder groups over a number of years, and will receive regular updates on progress and stakeholder views. (Read more on pages 82 and 125.)

S172(1) factor	Relevant disclosure	Annual Report page numbers
a. The likely consequences of any decision in the long-term	Competitive strengths	8
	Chief Executive's statement	10
	Our purpose-led strategy and business model	14 and 15
	Portfolio and operating review	18 to 39
	Measuring performance	16 and 17
	Stakeholder engagement	40 to 45
	Sustainability Report	78 to 91
	Chairman's introduction	100
	Principal Board activities in 2023	106
	b. The interests of the Company's employees	Stakeholder engagement
People and culture		46 and 47
Diversity, equality and inclusion		47 and 117
Non-financial and sustainability information statement		77
Chairman's introduction		100
How the Board monitors culture and employee engagement		103
Consideration of employee remuneration and related policies below the Board		127 to 129
c. The need to foster the Company's business relationships with suppliers, customers and others	Sustainability focus areas	80
	Modern slavery and human rights	84
	Industry collaboration	84
	Stakeholder engagement	40 to 45
	Chairman's introduction	100
	Principal Board activities in 2023	106
d. The impact of the Company's operations on the community and the environment	How we behave	110
	Stakeholder engagement	40 to 45
	Sustainability Report	78 to 91
	Supporting our local community	89 to 91
	Chairman's introduction	100
	ESC Committee Report	125
e. The desirability of the Company maintaining a reputation for high standards of business conduct	Directors' Remuneration Report	127 to 129
	Our purpose-led strategy and business model	14 and 15
	Stakeholder engagement	40 to 45
	Effective risk management	59
	Chairman's introduction	100
	Conflicts of interest	110
	How we behave	110
	Division of responsibilities	112
	Independence and effectiveness	113
	f. The need to act fairly as between members of the Company	Relations with shareholders
Shareholders' and stakeholders' views		111

Conflicts of interest

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

The external interests of new Directors are considered as part of the recruitment process, and, if appropriate, authorised by the Board on appointment. Any additional external appointments, which are subject to Board approval, are also considered by the Board in relation to the nature of the appointment and time commitment. This process was followed in approving Ruth Anderson and Helena Coles' new external appointments. The Board considers these procedures to be working effectively.

How we behave

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

While we do not have a separate human rights policy, our expectations on human rights are set out across a number of our policies and procedures, and we expect suppliers, as a minimum, to adhere to all applicable human rights, employment and health and safety legislation and comply with standards and codes specific to their business.

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

In February 2024, we published our latest Modern Slavery Act statement, which can be found on our website (<https://www.shaftesburycapital.com>), which sets out the actions undertaken during the year to prevent modern slavery and human trafficking in our business and supply chain.

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

Relations with shareholders

The Board considers the views of our shareholders and contact with potential investors to be an important aspect of corporate governance. An extensive investor relations programme is run by the Chief Executive and Chief Financial Officer, involving members of the Executive Committee and the Director of Commercial Finance and Investor Relations meeting with investors and analysts throughout the year, including results presentations, webcasts, road shows, one-to-one meetings, industry conference and investor tours. In November 2023, we also held our inaugural Investor Event where medium-term targets were set out.

All Directors were present at the 2023 AGM where shareholders were able to participate in person or virtually, to ask questions and vote.

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

During 2023, the Chairman and Non-executive Directors engaged with shareholders on matters including the Company's remuneration and governance.

2023 Investor Relations calendar

March 2023	<ul style="list-style-type: none"> Results for the year ended 31 December 2022 Completion of the merger Analyst presentation Post-completion investor roadshow
May 2023	<ul style="list-style-type: none"> 2023 Remuneration Policy engagement
June 2023	<ul style="list-style-type: none"> Trading Update Annual General Meeting
August 2023	<ul style="list-style-type: none"> Interim Results Analyst presentation and investor roadshow
November 2023	<ul style="list-style-type: none"> Investor Event Trading Update
December 2023	<ul style="list-style-type: none"> Board changes 2023 Remuneration Policy engagement

Shareholders' and stakeholders' views

The Directors receive regular updates on the Company's major shareholders' and stakeholders' views during the year, which included feedback from a market and investor perceptions study conducted by external advisers and Board approval papers include a dedicated section on stakeholders. More about the Company's consideration of and engagement with its stakeholders on pages 40 to 45 and in the Company's s172(1) statement on pages 108 and 109.

The Non-executive Directors are invited to attend the Company's results presentations. Retail shareholders may raise questions through the Company Secretary's office either by telephone (+44 (0)20 3214 9150) or by email (feedback@shaftesburycapital.com).

Our Non-executive Director Charlotte Boyle ensures the views of our employees are considered by the Board, and this year we created the Employee Engagement Forum attended by Charlotte Boyle for employee views to be shared.

The Directors also receive regular updates from the Executive Directors, members of the Executive Committee and Head of HR on employee matters. This year, particular updates were provided on employee views on the integration processes, harmonisation of employee remuneration arrangements and the proposed employee development framework.

Corporate website

Our corporate website (<https://www.shaftesburycapital.com>) allows visitors to access Company information, annual reports, results presentations, webcasts and our whistleblowing hotline. The site also includes links to our destination websites and contact details for shareholder queries.

Annual General Meeting

The 2024 Annual General Meeting of the Company will be held on 23 May 2024. The Notice of Meeting will be issued to shareholders at least 20 working days before the meeting, and will also be made available on the Company's website. We encourage shareholders to submit any questions they may wish to have answered by sending an email to feedback@shaftesburycapital.com or by calling +44 (0)20 3214 9150 and a response will be provided. Shareholders are advised to vote in advance of the meeting, prior to the proxy deadline.

Separate resolutions will be proposed on each issue and, in accordance with the 2018 Code, each Director will offer themselves for election or re-election. We publish the results of the votes on all resolutions on our website following the meeting. Shareholders are requested to check the Company's website for the latest details concerning the 2024 AGM.

Board and Committee meetings, key corporate events and investor engagement during 2023

	January	February	To 6 March 2023	From 6 March 2023	April	May
Board and Committee Meetings	<ul style="list-style-type: none"> Board meeting 	<ul style="list-style-type: none"> Board Meetings Audit Committee ESC Committee Nomination Committee Remuneration Committees 		<ul style="list-style-type: none"> Remuneration Committee 	<ul style="list-style-type: none"> Board meeting Remuneration Committee 	<ul style="list-style-type: none"> Board Meeting Audit Committee ESC Committee 2023 Remuneration Policy engagement
Key corporate events and investor engagement	<ul style="list-style-type: none"> Trading Update 		<ul style="list-style-type: none"> Year-end results Year-end results analyst presentation 2022 Annual Report Scheme sanctioned by Court Second Supplementary Prospectus 	<ul style="list-style-type: none"> Completion of the Merger Name changed to Shaftesbury Capital PLC Post-completion results roadshow Second 2022 Interim cash dividend of 1.7p per share paid 	<ul style="list-style-type: none"> Investor roadshow Redemption of Chinatown and Carnaby Bonds 	

June	July	August	September	October	November	December
<ul style="list-style-type: none"> Board meeting Nomination Committee Remuneration Committee 	<ul style="list-style-type: none"> Audit Committee ESC Committee Remuneration Committee 	<ul style="list-style-type: none"> Board Meeting 	<ul style="list-style-type: none"> Remuneration Committee 	<ul style="list-style-type: none"> Board Strategy Day 	<ul style="list-style-type: none"> Board Meeting Audit Committee ESC Committee Nomination Committee Remuneration Committee 	<ul style="list-style-type: none"> 2023 Remuneration Policy engagement
<ul style="list-style-type: none"> Trading Update Annual General Meeting 		<ul style="list-style-type: none"> Interim results New long-term loan facility of £200m 	<ul style="list-style-type: none"> 2023 Interim cash dividend 1.5p per share paid 	<ul style="list-style-type: none"> Trading Update Investor Event Combined Net Zero Carbon Pathway 	<ul style="list-style-type: none"> New medium-term loan facility of £350m COO steps down Three Non-executive Directors to step down from 31 January 2024 	

Division of responsibilities

The Board currently comprises the Non-executive Chairman, two Executive Directors and three Independent Non-executive Directors. There is clear division between Executive and Non-executive responsibilities which ensures accountability and oversight. The Board has overall responsibility of governance throughout the Company and is supported by the Group Company Secretary, the Company Secretary and the General Counsel. The Chair and other Non-executive Directors meet regularly without the Executive Directors, and at least once a year, the Non-executive Directors meet without the Chair.

The Board delegates some of its responsibilities to the Audit, Nomination, Remuneration and ESC Board Committees. The work of these Committees can be found in their reports

on pages 119, 115, 127 and 125 respectively. Each of these Committees has its own terms of reference, which are available on our website. Each Committee assesses its effectiveness annually as part of the evaluation process set out on page 118.

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

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

Roles of Board members and Executive Committee

The following table sets out the key responsibilities of Board members:

Position	Name	Responsibilities
Chairman	Jonathan Nicholls	Leading of the Board in the consideration, challenge, support and oversight of the Company's strategy and its implementation and monitoring the Group's risk profile. Oversight of succession planning. Ensuring an effective link between shareholders, other stakeholders, the Board and management.
Chief Executive	Ian Hawksworth	Development and implementation of the Company's strategy and commercial objectives. Oversight of the financial and operational performance of the Group and communication with the Board, employees and other stakeholders. Oversight of the Group's skills, diversity, management development and succession.
Chief Financial Officer	Situl Jobanputra	Works closely with the Chief Executive in developing and implementing Group strategy and overseeing capital allocation, investment and key transactions. Providing financial leadership and development of the Company's business and financial strategy, and management of the Company's capital structure. Responsible for financial reporting, financial planning and analysis, investor relations, treasury, tax and IT functions.
Non-executive Directors	Richard Akers Ruth Anderson Charlotte Boyle	Constructive challenge of the Executive Directors and monitoring the delivery of the agreed corporate strategy within the risk and control framework set by the Board.
Executive Committee	Ian Hawksworth Situl Jobanputra Michelle McGrath Andrew Price	Works closely with the Chief Executive and Chief Financial Officer on implementation of business plan. Monitors operational performance. Reviews financial performance. Reviews and prioritises resourcing. Considers matters referred from below Board Committees.

All Directors have access to the advice and services of:

Position	Name	Responsibilities
Group Company Secretary	Desna Martin	Advise the Board on corporate governance matters and ensure a good flow of information within the Board and its Committees, and between senior management and the Non-executive Directors.
Company Secretary	Ruth Pavey	
General Counsel	Alison Fisher	Provides legal advice and guidance to the Board. Reports to the Board on corporate services activities.

Independence and effectiveness

In accordance with the 2018 Code, all Directors are subject to annual re-election, and at least half the Board, excluding the Chairman, are independent Non-executive Directors. The Chairman was independent on appointment.

The Board believes that it, and its Committees, have the appropriate combination of skills, experience and knowledge to enable them to carry out their duties effectively. The Nomination Committee keeps the tenure of all Directors, the effectiveness of individual Directors and Board diversity under review. The Board considers all our Non-executive Directors to be independent and free from any business or other relationship which could materially interfere with the exercise of their judgement.

Our Non-executive Directors remain independent from executive management, and they meet regularly with the Chairman to allow them the opportunity to discuss their views privately.

The Board recognises the importance of each Director being able to dedicate sufficient time to effectively discharge their duties and responsibilities. The commitment expected is considered by the Board on each Director appointment. Where Directors undertake additional external appointments, these are approved by the Board subject to it being satisfied that the Director has sufficient time to carry out their responsibilities. During the year ended 31 December 2023, additional Board roles for which Board approval was sought and received included the appointment of Helena Coles to HgCapital Trust plc and Ruth Anderson as an independent non-executive of EY's Public Interest Board, Chair of the UK Audit Board and a member of the Audit Remuneration Committee.

► The key responsibilities of Board members are set out in the table on page 112.



Newburgh Street

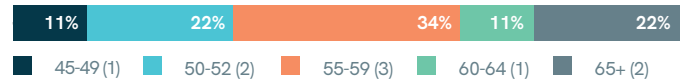
Composition, succession and evaluation

Board composition as at 31 December 2023

Gender



Age



Ethnic Group



Board Independence



Board skills and tenure as at 28 February 2024

Board Skills

	Leadership	Real estate and property	Hospitality, leisure and retail	ESC	Corporate finance	Accounting/finance	Fund management/financial markets
Ian Hawsworth	✓	✓	✓	✓	✓	✓	✓
Situl Jobanputra	✓	✓			✓	✓	✓
Jonathan Nicholls	✓	✓			✓	✓	✓
Richard Akers	✓	✓	✓	✓			
Ruth Anderson	✓	✓	✓		✓	✓	✓
Charlotte Boyle	✓	✓	✓	✓	✓		✓

Board tenure

	Year joined	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD	Length of time (to 28 February 2024)
Chairman																	
Jonathan Nicholls	2023 (Shaftesbury PLC 2016)																1 year (Shaftesbury PLC - 6 years 6 months)
Non-executive Directors																	
Richard Akers	2023 (Shaftesbury PLC 2017)																1 year (Shaftesbury PLC - 5 years 3 months)
Ruth Anderson	2023 (Shaftesbury PLC 2020)																1 year (Shaftesbury PLC - 2 years 2 months)
Charlotte Boyle	2017																6 years 5 months
Executive Directors																	
Ian Hawsworth	2010																14 years 1 month
Situl Jobanputra	2017																7 years 2 months

Composition, succession and evaluation

Nomination Committee Report

Following the excellent progress on the integration of our teams since the merger, a key focus has been the evolution of the Board and future below Board succession planning

Dear shareholder

On behalf of the Nomination Committee, I am pleased to present our 2023 report.

Overview

During the year, we have focused on two main areas: Evolution of the Board and consideration of the below Board succession process and development of our team following completion of the merged team integration process.

Evolution of the Board

As a result of the merger, the Board comprised three Executive and seven Non-executive Directors. Following delivery of a number of post-merger integration activities, in conjunction with Chris Ward's departure as Chief Operating Officer in December 2023, it was concluded that, in respect of the optimal size and efficiency of the Board, a smaller Board would be more effective and more reflective of the Company's cost management ambitions. As a result of this conclusion, Non-executive Directors Helena Coles, Anthony Steains and Jennelle Tilling agreed to step down from the Board with effect from 31 January 2024 and Richard Akers became Chair of the Remuneration Committee with effect from 1 January 2024.

As a result of the recent Board changes, as at the date of this report, 33 per cent of our Board directors are women. Cognisant of the Listing Rules targets for the Board to comprise at least 40 per cent women and for at least one of the roles of Chair, Senior Independent Director, Chief Executive and



Jonathan Nicholls
Chairman

Chief Financial Officer be a held by a woman, the Committee will include these targets in its consideration of succession planning and the diversity, experience and skills required for the Board. The Committee has appointed executive search firm Russell Reynolds to assist the Committee when required. Russell Reynolds has no connection with the Company or any individual Director, other than to assist with the Non-executive Director search process.

Below Board development, talent pipeline and resourcing

As part of our oversight of the continued development of a diverse pipeline of talent for succession below the Board, our Head of HR reported to the whole Board on our learning and development framework and the planned talent development programmes across the business. In light of the merger of the two businesses, the Committee was also briefed on senior management succession planning.

In line with the latest Parker Review PLC recommendations for FTSE 350 companies, the Committee has set a target for 10 per cent of the Executive Committee and their senior manager direct reports to identify with an ethnic minority category by 2027 and will keep this target under review.

Jonathan Nicholls
Chair of the Nomination Committee

28 February 2024



Nomination Committee members and attendance

Number of meetings attended (3 held¹)

Jonathan Nicholls (Chair)	2/2	Helena Coles	2/2
Richard Akers	2/2	Anthony Steains	3/3
Ruth Anderson	2/2	Ian Hawksworth²	1/1
Charlotte Boyle	3/3	Jonathan Lane³	1/1
Jennelle Tilling	2/2	Henry Staunton³	1/1

1. One Nomination Committee meeting was held in 2023 prior to completion of the merger.
2. As part of the merger it was agreed that post-merger the Nomination Committee should be comprised of only Non-executive Directors and as a result Ian Hawksworth could only attend a maximum of one meeting.
3. Jonathan Lane and Henry Staunton retired from the Board as a result of the merger on 6 March 2023 and could only attend a maximum of one meeting.

Key responsibilities

- Monitor and review structure, size and composition (including skills, knowledge, experience and diversity) of the Board and its Committees
- Ensure that there are appropriate plans in place for the orderly and effective succession of the Board and senior leadership team
- Oversee the development of a diverse pipeline for succession
- Keep Directors’ skills, experience and independence under consideration
- Lead the process for Board appointments
- Review the time commitment expected from Directors
- Oversight of the Board evaluation process

How the Committee operates

The Nomination Committee comprises the independent Non-executive Directors. Prior to the merger, the Committee comprised Henry Staunton, who acted as Chair of the Committee, Ian Hawksworth, Charlotte Boyle, Jonathan Lane and Anthony Steains. On completion of the merger, Jonathan Nicholls was appointed as Chair to the Committee, Richard Akers, Ruth Anderson, Helena Coles and Jennelle Tilling were appointed to the Committee, Jonathan Lane and Henry Staunton retired from the Board and Committee and Ian Hawksworth stepped down from the Committee. Helena Coles, Anthony Steains and Jennelle Tilling stepped down from the Board and Committee on 31 January 2024.

Independent executive search firms are engaged to assist us in our Executive and Non-executive succession planning and appointment processes as appropriate.

In making recommendations to the Board on Non-executive appointments, the Nomination Committee specifically considers the expected time commitment of the proposed Non-executive Director and other commitments they already have. Agreement of the Board is also required before a Director may accept any additional commitments to ensure possible conflicts of interest are identified and that Directors will continue to have sufficient time to devote to the Company’s affairs.

All Directors are subject to annual re-election, in accordance with the 2018 UK Corporate Governance Code, with the Committee considering the skills, knowledge and level of performance of all directors to recommend to the Board their re-election.

The Committee reviews its effectiveness annually.

Diversity and inclusion

The Board recognises that diversity of experience and perspective can bring benefits across the business. Shaftesbury Capital’s Board Diversity and Inclusion Policy aligns with the Committee’s aim of ensuring that the Board has the right mix of skills and experience to deliver Shaftesbury Capital’s strategy and reflects the Board’s view of the benefits of diversity which promotes diversity in the broadest sense, not just gender or ethnicity but also experience and skills.

At 31 December 2023, 44 per cent of our Board were women, and we had two Directors from an ethnic background. Whilst our Audit and ESC Committees are chaired by women, our senior Board positions are held by men. The Board considers that quotas are not appropriate in determining its composition and has, therefore, chosen not to set formal targets but keeps diversity under consideration in all aspects of Board composition, including the Board Committees and senior board positions, and is conscious of the Listing Rule targets in making all Board appointments.

In conducting searches, the Nomination Committee works with executive search consultants that are required to provide a diverse selection of candidates for Board appointments taking into account our diversity policy and the Listing Rules targets, with selection based upon merit, objective criteria and alignment with our values.

Below Board level, we are proud that we have a strong representation from female employees across the business. 52 per cent of our team are female and 64 per cent of our senior management is female. Whilst all appointments are made on merit and based on objective criteria, we recognise that diversity includes, but is not limited to gender, and we can do more to promote wider diversity. Following the merger and integration of the team, this is an area we will address in the coming year.

Initiatives we support to promote diversity, including within the real estate sector, include:

- being a member of Real Estate Balance, and its NextGen Committee, whose objective is to achieve a better gender balance at board and executive management level, in the real estate industry, by supporting the development of a female talent pipeline across the sector; and
- being a corporate sponsor of Freehold, and a member of AbilityRE, the BPF Diversity & Inclusion Champions network and the Business Disability Forum.

Looking ahead, the Nomination Committee will continue to develop and monitor succession plans both at the Board and senior management level and keep under review both the diversity of, and development programmes for, our talented team.

Sex or gender identity of Board and Executive Committee as at 31 December 2023¹

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management (ExCo)	Percentage of Executive Management (ExCo)
Men	5	56%	4	3	75%
Women	4	44%	0	1	25%
Other categories	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

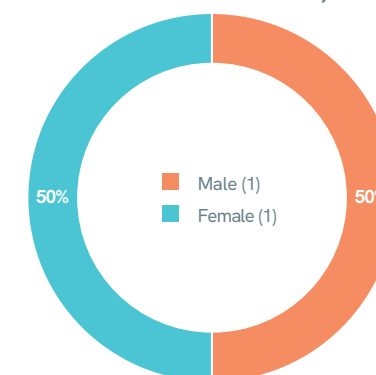
Ethnic background of Board and Executive Committee as at 31 December 2023¹

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management (ExCo)	Percentage of Executive Management (ExCo)
White British or other White (including minority-white groups)	7	78%	3	3	75%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	2	22%	1	1	25%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

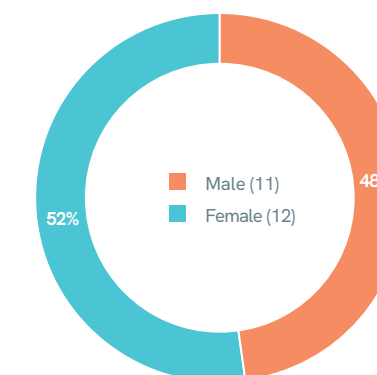
1. Data self-reported against the categories set out in LR 9 Annex 2.

Gender Diversity as at 31 December 2023

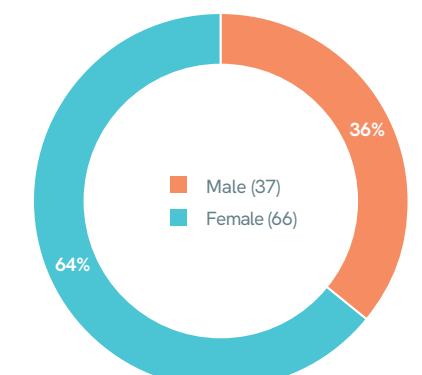
Executive Committee (excluding the Executive Directors)



Direct reports into Executive Committee



All employees



Director induction and development

In addition to tours of the portfolio, subsequent to the merger, an induction session was held for each of the Board's Committees to familiarise the Directors with how the two respective companies' Committees had previously operated and the proposed calendar of activities planned for the remainder of the year.

The Chairman and the Committees together ensure that Directors keep their skills and knowledge up to date, to allow them to fulfil their roles on the Board and Board Committees. The General Counsel and Company Secretarial team regularly update the Board on legal and corporate governance matters, and information on training opportunities and seminars is circulated to Directors. Directors also receive periodic briefings from external advisers, for example in November 2023, the Audit Committee received a specific update from PwC on ESG developments and corporate reporting. Directors may also take independent advice at the Company's expense where they feel this appropriate.

Our Board evaluation process

In accordance with the recommendations of the 2018 Code, we undertake a review of the effectiveness of the Board's performance and that of its Committees and Directors every year, with an external evaluation held at least every three years. As both Capco and Shaftesbury had last undertaken external reviews in 2020, it was agreed that an external evaluation of the Board, its Committees and individual directors should be undertaken in November 2023 by Elaine Sullivan and Lorna Parker of Manchester Square Partners LLP ("MSP"), and reported to the Board in February 2024. Elaine Sullivan, Lorna Parker and MSP do not have any other connection with Shaftesbury Capital or the individual Directors. The evaluation also considered the effectiveness of individual Directors, with feedback given to Directors by the Chair of the Board and feedback given to the Chairman by Richard Akers as Senior Independent Director, at the end of the process. In accordance with our three-year cycle, the performance evaluation for the year ending 31 December 2024 will be internally facilitated by Richard Akers, our Senior Independent Director.

2023 Board evaluation

The Chairman and Group Company Secretary considered the approach to be taken and recommended that an external evaluation be undertaken by MSP based upon their proposed method and approach, experience, skills, references and any potential conflict of interest

The Nomination Committee approved the proposed timing and overall approach

The evaluation process was tailored to Shaftesbury Capital following discussions with the Chairman

The Company Secretarial team provided MSP with background information/Board and Committee papers to facilitate the review

The individual interviews with the Directors, General Counsel, Group Company Secretary and Company Secretary were conducted during October/November and typically lasted for 90 minutes

MSP attended the November Board and Audit, ESC, Nomination and Remuneration Committee meetings

The Report was shared with the Board at the February 2024 Board meeting with MSP attending

Richard Akers as Senior Independent Director met with the Board to discuss the Chairman's performance at the end of the February 2024 Board meeting

Feedback from the 2023 Board evaluation

Board and Committee papers were of a high standard. All Board members were well prepared and engaged at Board meetings and, recognising the timing of the merger and integration, good progress had been made in the Board and Committee activities.

Agreed actions following the February 2024 Board meeting included:

- Consideration of the skills required for the Board in connection with succession planning
- Continued focus on succession and talent development
- Increased reporting on non-financial metrics
- Non-executive Directors to meet at the end of scheduled Board meetings

Audit, risk and internal controls

Audit Committee report

The Committee's role is to oversee the Group's financial reporting, systems of risk management and internal controls and the internal and external audit relationships.



Ruth Anderson
Chair

Dear shareholder

On behalf of the Audit Committee, I am pleased to present our 2023 report.

The Group's significant accounting matters and key areas of assumptions and estimates together with how the Audit Committee addressed them are outlined on page 121. Following the completion of the Company's merger with Shaftesbury PLC, a key focus for the Committee during the year was oversight of the completion accounting required in respect of the transaction which was discussed in advance of the half year results with the Group's auditors. The merger also brought together two finance teams and the Committee received regular updates from the Joint Group Financial Controllers as unified accounting systems and internal controls were put in place. The Committee also gave consideration to the Group's going concern assessment and viability statement, noting the refinancing during the year.

The valuations provided by the external valuers are a key determinant of the Group's EPTRA NTA, and reviewing the valuation process, as well as considering the valuers' independence continues to be one of the Committee's key responsibilities. This year the Committee ensured that we had a good understanding of the approach taken by the valuers across the combined portfolio. Following our review, we are satisfied that the valuation process was robust, the valuers' key assumptions were appropriate and that all the external valuers remain independent and objective.

The Committee now has oversight of the Group's ESC reporting and, prior to its recommendation to the Board, reviewed the combined Group's Task Force on Climate-related Financial Disclosures ("TCFD") disclosures. More information on this can be found on page 66.

Ruth Anderson
Chair of the Audit Committee

28 February 2024



Audit Committee members and attendance

Number of meetings attended (4 held¹)

Ruth Anderson (Chair)	3/3	Jennelle Tilling	3/3
Richard Akers	3/3	Jonathan Lane²	1/1
Charlotte Boyle	4/4	Anthony Steains	4/4
Helena Coles	3/3		

1. One Audit Committee meeting was held in 2023 prior to completion of the merger.

2. Jonathan Lane retired from the Board as a result of the merger on 6 March 2023 and could only attend a maximum of one meeting.

Key responsibilities

- Monitor the integrity of the Group’s financial reporting and consider significant judgements, assumptions and estimates made by management
- Advise the Board on various statements made in the Annual Report, including those on viability, going concern, risks and controls and whether, when read as a whole, the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy
- Review the work of the external auditors, internal auditor and valuers
- Responsible for the relationship with the external auditors and consideration of their reappointment, their reports to the Committee, performance, objectivity and independence, including the level of provision of non-audit services, and fees
- Responsible for the relationship with the internal auditor and consideration of their reappointment, their reports to the Committee, performance, objectivity and independence
- Review of the Company’s systems of risk management and internal control, including financial, operational and compliance controls
- Review of the Company’s whistleblowing policy and procedures
- Review of the reporting of the Group’s financial year-end Greenhouse Gas and environmental data disclosures and the TCFD disclosures
- Oversight of cyber security processes

How the Committee operates

The Audit Committee comprises the Independent Non-executive Directors. Prior to the merger, the Committee comprised Anthony Steains, who acted as Chair of the Committee, Charlotte Boyle and Jonathan Lane. On completion of the merger, Ruth Anderson was appointed as Chair to the Committee, Richard Akers, Helena Coles and Jennelle Tilling were appointed to the Committee and Jonathan Lane retired from the Board and the Committee. Helena Coles, Anthony Steains and Jennelle Tilling stepped down from the Board and Committee on 31 January 2024.

The biographies of the Committee members, set out on page 97, demonstrate the diversity of experience of the Committee members. Ruth Anderson, as a chartered accountant with many years of senior financial experience, satisfies the requirement to have appropriate, recent and relevant financial experience.

During the year, at the Audit Committee Chair’s request, all or parts of meetings were attended by the Chief Financial Officer, members of the finance team, the external auditors, the internal auditor, the valuers and external advisers. The Chairman, Chief Executive, and other members of the senior management team were also invited to attend all or parts of meetings, as appropriate.

The Committee Chair meets regularly with the external valuers of the wholly-owned portfolio, and the external auditors and internal auditor without management present, to discuss any matters which they may wish to raise. Audit Committee members are also invited to attend these meetings.

Throughout the year, the Audit Committee Chair met with the Chief Financial Officer and members of the senior management team, as appropriate, to obtain a good understanding of key issues affecting the Group, which helped in her oversight of the agenda and discussion at meetings.

The Committee reviews its effectiveness annually.

Significant accounting matters and key areas of assumptions and estimate

The following were discussed at the Audit Committee this year.

Subject	Issue	How the Audit Committee addressed the issue
Accounting for the merger with Shaftesbury PLC and integration of finance systems	<p>The accounting for the merger with Shaftesbury PLC required management to assess the contractual arrangements arising from the transaction and consider the requirements of IFRS 3 Business Combinations to assess the acquisition accounting. The accounting required significant judgements and estimates to be made, including: decision on the acquiring entity; assessing the date of completion; identifying any intangible assets acquired which are not recorded in the Shaftesbury PLC financial statements; fair value assessment of the identifiable net assets acquired; and the presentation of the resulting gain on bargain purchase.</p> <p>Subsequent to the merger, a number of key integration workstreams were undertaken including: alignment of accounting policies; consolidation to one general ledger and accounts payable systems; integration of IT systems; and aligning internal controls across the Group.</p>	<p>Management provided detailed papers on accounting for the merger in advance of each Committee meeting so that at the meetings the Committee was able to discuss in detail and raise questions on the accounting treatments adopted. These included the technical elements to be taken into account in arriving at the judgement on the acquiring entity; also the existence, and presentation, of the gain on bargain purchase. With additional information from the external auditors on their work on accounting for the merger, the Committee was satisfied that the significant judgements and estimates were appropriate.</p> <p>Following the merger, the Committee had oversight of the integration work streams relating to financial reporting, financial controls and integration planning, with management providing updates on issues and timing to the Committee at each meeting. The Committee was also able to raise more detailed questions with the Company’s IT specialists on systems integration. The Committee engaged internal audit to undertake a review of integration governance, which will report to the Committee in 2024.</p>
Valuation of the Group and its joint venture and associate property portfolio. Further information on the approach taken by the valuers in valuing the portfolio and a sensitivity analysis on equivalent yields and ERV is set out in note 14 to the financial statements.	<p>The valuation of the property portfolio is a key determinant of the Group’s EPRA NTA, as well as indirectly impacting executive and employee remuneration. The valuation is conducted by independent valuers. However, valuations are inherently subjective and require significant estimates to be made including, but not limited to, market yields, ERVs and void periods. At 31 December 2023, the valuation of the wholly-owned property portfolio was £4.8 billion. The Group’s share of the property portfolio held in the joint venture and associate was £224.0 million.</p>	<p>The Audit Committee Chair met the valuers, without management present, to review the 30 June and 31 December valuations. In addition Cushman & Wakefield and CBRE, valuers of the wholly-owned portfolio, provided detailed papers to the Committee in advance of attending the July and February Committee meetings, when the Committee was able to discuss their papers and raise questions.</p> <p>The Committee considered the underlying assumptions used in the valuations and questioned the valuers on how the changing macroeconomic and interest rate environment had impacted the valuations. The Committee also considered analysis and commentary by management and an assessment by the external auditors. As a result of these reviews, the Committee concluded that the valuers are objective and independent, that the valuations had been carried out appropriately, and that the disclosures in respect of valuations were suitable for inclusion in the Group’s financial statements.</p>

► [Portfolio and operating review: pages 19 to 39.](#)

Financial Reporting

2023 Annual Report

The Executive Directors have confirmed that they were not aware of any material misstatements in the Interim results and Annual Report. The external auditors confirmed that they had found no material misstatements in the course of their work.

After reviewing reports from management and, following discussions with the external auditors and valuers, the Committee is satisfied that:

- the processes used for determining the values of assets and liabilities have been appropriately reviewed, challenged and were sufficiently robust;
- the financial statements appropriately addressed the significant assumptions and key estimates, both in respect of the amounts reported and the disclosures;
- the Group has adopted appropriate accounting policies; and
- both the external auditors, internal auditor and valuers remain independent and objective in their work.

Viability and going concern

The Committee considered the going concern statement in the Interim results and Annual Report, and the viability statement in the Annual Report.

► See page 75 for more information.

Fair, balanced and understandable

The Board as a whole is responsible for determining whether the 2023 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 discussed a report from the Chief Financial Officer and Joint Group Financial Controllers covering the Annual Report.

The Committee considered whether the Annual Report, taken as whole:

- included a clear explanation of the merger with Shaftesbury;
- explained how the macroeconomic conditions had impacted the Group's operations and financial statements;
- had been open and honest about the challenges, opportunities and successes throughout the year;
- provided clear explanations of our KPIs and how they link to our strategy and remuneration;
- explained our business model, strategy and accounting policies simply, clearly and precisely;
- incorporated clear sign posting to additional information where necessary;
- had a consistent tone throughout the Annual Report; and
- was in line with what had been reported and considered by the Board throughout the year.

The Committee considered whether the Annual Report:

- was a fair, balanced and understandable assessment of the Group's position and prospects;
- provided the necessary information for shareholders to assess the Group's performance, business model and strategy; and
- had been written in straightforward language, without unnecessary repetition. The Committee advised the Board that it was satisfied that the Annual Report and Accounts was fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Internal Controls and risk management

Risk, control and assurance

The Executive Risk Committee, chaired by the Chief Executive, evaluates the Group's strategic and emerging risks, associated controls and mitigating arrangements, reporting to the Board throughout the year. The Audit Committee receives regular updates on the Executive Risk Committee's conclusions.

As part of its review of the control environment, the Audit Committee considers reports from management, the work undertaken by external advisers and feedback from the internal and external auditors. Key control observations, exceptions and management actions are reviewed and discussed. The Committee reports to the Board on its review of the Group's systems of risk management and internal controls.

Findings from the internal audit reviews and reports from the Chief Financial Officer and Joint Group Financial Controllers were presented to the Committee, and, on the basis of the results of these reports, the Committee considered the key controls to be working effectively.

The Board will consider the new reporting requirements of the UK Corporate Governance Code published in January 2024, during the coming year.

► See pages 59 to 61 for more information on the Company's risk management and internal controls.

Internal audit

BDO LLP ("BDO") had been appointed to act as the Company's internal auditor prior to the merger. Shaftesbury PLC did not have an internal audit function but appointed third parties to provide further assurance to supplement reviews of risk management and internal control arrangements undertaken by management, and their reports were made available to the external auditor. An internal audit plan for 2023 prepared by BDO had been approved prior to the merger, and the Committee approved a revised plan following completion of the merger. Reviews undertaken in the year included payroll, Lillie Square health and safety, asset management, property management, risk management, residential leasing, data protection and integration governance.

The Committee reviews the work and effectiveness of the internal auditor, the internal audit plan, any matters identified as a result of internal audits and whether recommendations are addressed by management in a timely and appropriate way. The Committee is satisfied that the internal auditor continues to be independent and its services remain effective.

The internal audit partner has direct access to the Audit Committee Chair should he wish to raise any concerns outside formal Committee meetings.

TCFD

At the year end, the Committee reviewed the TCFD disclosures setting out the Group's transitional and physical risks and opportunities relating to climate change. In particular, the Committee reviewed the short, medium, and long-term nature related to the risks and opportunities and considered that the approach adopted by the Group in assessing these risks and opportunities is appropriate and reasonable.

► The TCFD report can be found on pages 66 to 74.

Cyber security

During the year, the Committee received updates in relation to progress on the post-merger integration of IT systems, and actions being undertaken to enhance cyber security, including employee training and awareness.

Whistleblowing

The Committee reviews the Group's whistleblowing policy and procedures annually and reports on its findings to the Board. The Group's whistleblowing procedures include an independent, confidential hotline through which employees or third parties can anonymously raise a matter of concern. Alternatively, employees or third parties can contact the General Counsel, the Company Secretary or the Audit Committee Chair. During the year, no whistleblowing instances were reported.

Oversight of audit quality

External auditors

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

The Committee has primary responsibility for overseeing the relationship with the external auditors, which includes being satisfied that they remain effective and independent. Under this responsibility, the Committee reviews the performance of the auditors and their independence annually.

PwC were first appointed as the Company's external auditors in 2010, and, following a competitive audit tender process, were reappointed as external auditors in January 2020. The audit partner has been Andrew Paynter since January 2020. At the 2023 AGM, shareholders re-appointed PwC as the external auditors for the year ended 31 December 2023 and authorised the Audit Committee to determine the external auditors' remuneration.

Under current regulations, the Company is required to retender the audit by no later than the 2030 financial year.

Following the 2022 year-end audit, the Committee assessed the performance of the external auditors, their qualifications, expertise, resources, independence, and the effectiveness of the audit process including timely communication of audit matters. This assessment was undertaken through discussions with the Chief Financial Officer and Joint Group Financial Controllers and consideration of the feedback provided on the service provided by PwC during the audit. It was noted that a new director and manager had joined the audit team and that there had been early engagement on all key audit areas. PwC separately also confirmed their independence and 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 the audit report;
- the total fees paid by the Group during the year do not represent a material part of their firm's fee income; and
- they consider that they have maintained audit independence throughout the year.

In assessing PwC's continued audit independence, the Committee considered the level of non-audit fees. Factors taken into account included:

- the nature of the work undertaken by PwC and consideration of the relevant independence threats and safeguards in place;
- all of the non-audit services provided in the year were permissible under the UK Ethical Standard;
- all non-audit work provided by PwC to Shaftesbury prior to the merger ceased on completion of the merger; and
- PwC did not perform any other non-audit services for the year ended 31 December 2022 and 31 December 2023 apart from the half year review and usual assurance work noted under Audit fees below.

The Committee considered the depth of discussions held with the external auditors and how it had challenged the Group on its approach to significant assumptions and estimates. The Committee was satisfied that PwC had sufficiently challenged the Group throughout the year and that its relationship with PwC was one of openness and professionalism. The external Audit Plan, including updates on the risk assessment and areas of focus as appropriate is revisited by the Committee at each of the meetings and the Audit Committee Chair meets with the external audit partner in advance of all Audit Committee meetings. Management provides constructive feedback to the audit team during the course of the year and the external audit partner also reports to each Audit Committee without management present.

The Committee concluded that:

- it was satisfied with PwC's performance throughout the year, the effectiveness of the external audit and the interaction and communication between the auditors and the Committee members;
- it was satisfied with the auditors' qualifications, expertise and resource; and
- it remained confident that PwC's objectivity and independence were not impaired by the provision of non-audit services.

The Committee also considered the Financial Reporting Council 2022/23 Audit Quality Inspection results for PwC issued in July 2023.

Audit fees

Fees payable to the external auditors for audit and non-audit services are set out in note 6 to the financial statements on page 181.

The Committee's policy is that non-audit assignments are not awarded to the external audit firm if there is a risk that audit independence and objectivity could be compromised. Under our non-audit work policy, in line with the requirements of the FRC Ethical Standard, other than in exceptional circumstances, non audit fees should not exceed 70 per cent of the audit fees over a rolling three-year period. The award of any non-audit assignment to the auditors in excess of the lower of £50,000 or 15 per cent of the estimated annual level of the auditors' fees at that time is subject to prior approval of the Committee. Our Board Executive Directors have authority to approve non-audit assignments to the auditors below this threshold.

Non-audit fees were 11 per cent of audit fees in the year ended 31 December 2023 (2022: 12 per cent) and were 27 per cent (2022: 21 per cent) of the average audit fee for the preceding three years. The external audit fee for the audits of the Lillie Square and Longmartin joint ventures is £88,000 (2022: £57,000). The Group's 50 per cent share of this was £44,000 (2022: £29,000).

Independence and reappointment

The Committee remains satisfied with the effectiveness of the external audit and its interaction with PwC. It also remains confident that PwC's objectivity and independence are not impaired by the provision of non-audit services. The reappointment of the external auditors is reassessed annually.

Oversight of sustainability

ESC Committee report

The Committee oversaw ESC activity on behalf of the Board and monitored progress against our sustainability strategy and Net Zero Carbon commitment.



Charlotte Boyle
Chair

Dear shareholder

On behalf of the ESC Committee, I am pleased to present our 2023 Report. The Committee was responsible for overseeing the Company's ESC activity on behalf of the Board, to ensure delivery of the Company's ESC activities. This included monitoring progress against our net zero carbon target and maintaining oversight of significant climate change related issues. The Committee had oversight of the Group's ESC strategy and its implementation, and the Audit Committee has oversight of ESC reporting. This report sets out our activities during the year.

Approval of updated ESC strategy and Net Zero Carbon pathway

Following completion of the merger with Shaftesbury, the Committee approved an updated ESC strategy for the combined business under which the Company will use a low-carbon retrofit approach to future proofing our buildings whilst preserving their heritage. Prior to the merger each business had made a commitment to become net zero carbon by 2030, and we are pleased to have reconfirmed this commitment, publishing an updated combined net zero carbon pathway in November 2023. The Committee received regular updates from management on the integration activities that were required to be completed in order for a combined pathway to be produced. Further information on our ESC strategy and net zero commitment can be found in the Sustainability Report on page 78 to 91.

ESC oversight

The Committee received regular updates on progress against the updated ESC strategy, including EPC ratings, and a pilot project using CRREM analysis to understand better how to optimise the carbon performance of our buildings.

The Committee also received updates on the Company's community and charitable initiatives and matters that had been considered by the ESC Management Committee.

Climate risk and opportunities

The Committee discussed the sustainability and climate risks and mitigating actions considered by the Executive Risk Committee. The Committee also reviewed the estimated cost quantification to meet MEES targets. Our climate risk reporting is on page 64 and our TCFD reporting is on pages 66 to 74.

Future oversight of ESC matters

Following the publication of our updated combined net zero pathway and responsibility for our sustainability processes being integrated into our real estate investment management team, at our February 2024 Board meeting, it was agreed that, from the date of this report, ongoing oversight of ESC matters should be a matter for consideration by the whole Board. This includes consideration of climate-related risks and opportunities and implementation of the Group's sustainability strategy and net zero pathway. Our Chief Executive will have overall responsibility, and day-to-day oversight will be undertaken by members of the Executive Committee and the senior management team, with regular reporting to the Board. Our sustainability team will continue to be responsible for recommending the strategic direction, focusing the business on key areas and our measuring and reporting processes.

Charlotte Boyle
Chair of the ESC Committee

28 February 2024



ESC Committee members and attendance

Number of meetings attended (4 held¹)

Charlotte Boyle (Chair)	4/4	Ian Hawksworth	4/4
Richard Akers	3/3	Henry Staunton	1/1 ²
Helena Coles	3/3	Jonathan Lane	0/1 ³
Anthony Steains	4/4		

1. One ESC Board Committee meeting was held in 2023 prior to completion of the merger.
2. Henry Staunton retired from the Board as a result of the merger on 6 March 2023 and could only attend a maximum of one meeting.
3. Jonathan Lane retired from the Board as a result of the merger on 6 March 2023. Due to an unexpected and unavoidable commitment, Jonathan was unable to attend the meeting held prior to the merger.

Key responsibilities

- Overseeing the implementation of the Group's sustainability strategy
- Consideration of climate related risks and opportunities identified by the business and the process by which they are identified
- Community engagement and the Group's Community Investment Fund
- Reviewing associated policies and performance related to our net zero carbon commitments, environmental management, energy usage, climate change issues and local community support
- Monitoring the impact of relevant sustainability, climate related legislation or regulatory requirements
- Reviewing the related statements in the Annual Report

How the Committee operates

The ESC Committee comprises two independent Non-executive Directors and the Chief Executive. The Committee currently comprises Charlotte Boyle who acts as Chair of the Committee, Richard Akers, and Ian Hawksworth.

During the year, at the request of Charlotte Boyle, all or parts of meetings are attended by our Heads of Sustainability, as appropriate. The Chair of the Audit Committee may also be invited to attend meetings, when appropriate.

The Committee reviews its effectiveness annually.

Remuneration

Directors' remuneration report

"The Committee undertook a comprehensive review of remuneration post-merger to ensure the Policy and its application are aligned with operational performance and strategic progress, stakeholders' interests and the Company's culture"



Richard Akers
Chair

Dear shareholder

I am pleased to present our 2023 Directors' remuneration report.

The merger of Capco and Shaftesbury completed on 6 March 2023. In anticipation of the merger, the Capco Remuneration Committee gave careful consideration to the impact of the merger on remuneration at Capco. Details of the treatment of the outstanding awards were set out in last year's remuneration report and summarised in the prospectus for the merger transaction, with both the report and the transaction approved by shareholders. These are reported again on page 144. The 2021 and 2022 Performance Share Plan ("PSP") awards vested prior to completion of the merger and details of their respective vesting outcomes were provided in last year's remuneration report. The value of this previously reported merger-related remuneration, which makes up over 50 per cent of this year's single figure values, vested after the publication of the 2022 annual report and is, therefore, included in this year's reporting.

A new Directors' Remuneration Policy was put to shareholders for approval at the Company's AGM in June 2023. Prior to the merger the Capco Remuneration Committee determined that it was appropriate to make only minimal changes to the 2020 Capco Policy to enable the Remuneration Committee representing the combined businesses (the "Committee") to conduct a full review following completion of the merger.

Following completion of the merger, Jennelle Tilling, the Chair of the former Shaftesbury Remuneration Committee and Chair of the Shaftesbury Capital Remuneration Committee until 31 December 2023, led this review and we are grateful for the views received from shareholders which have helped shape our proposals. Details of our approach to remuneration in 2024 is set out below. In addition, I also set out the matters normally considered each year, including pay outcomes for 2023 under the annual bonus plan and our approach to wider employee pay.

Review of remuneration across the Company

The Remuneration Committee's comprehensive review of senior executive pay arrangements alongside an exercise to harmonise pay across the two legacy businesses, incorporated the views of each of the Executive and Non-executive Board members and those elicited from shareholders shortly after the merger.

Directors' Remuneration Policy

The Remuneration Committee concluded that the current 2023 Policy remains appropriate and aligned with the Company's strategy and stakeholders for the remaining two years of the three-year Policy period. In arriving at this conclusion, the Committee considered the following matters.

Structure of executives' remuneration packages - retaining performance shares

Both legacy businesses operated the same incentive structure comprising fixed pay, an annual bonus (with part deferred) and annual grants of performance shares. As part of the review, the Committee considered in depth the optimal structure - in particular the choice between performance shares and restricted shares - in the context of a challenging and uncertain macroeconomic backdrop and the Board's desire to further enhance a high-performance, professional, inclusive and entrepreneurial culture.

The Committee concluded that, on balance, retaining the current pay structure for the remaining two years of the Policy period is its preferred route. Retaining a performance-related long-term incentive scheme aligns with our ambitions to target efficiencies and further opportunities as we move beyond the initial stage of post-merger integration. The Committee, however, will continue to monitor internal and external views on the choice of long-term incentive vehicle and will revisit this as part of the review ahead of a Policy vote in 2026.

All permanent employees below Board level will continue to participate in the annual bonus scheme and have the potential to receive awards under the PSP, ensuring alignment across all our employees.

Governance commitments - change of control and malus and clawback provisions

Whilst shareholders will not be asked to approve a new Policy at the 2024 AGM, the Committee feels it is appropriate to make additional commitments to address issues raised by our shareholders which ensures market alignment on change of control provisions under the PSP and robust malus and clawback provisions to align with good practice.

- Change of control: a minority of shareholders raised the discretion available to the Committee to override performance assessment on vesting for a change of control as an area of concern. In light of this, the Committee pledges that in the event of a change of control during the remainder of the Policy period, any unvested PSP awards would be performance tested at the date of the change of control. This will be included in the next Policy for approval in 2026. For completeness and, as previously disclosed, on the merger unvested Capco long-term incentive awards were tested for performance prior to determining their vesting outcomes.
- Malus and clawback: the Committee reviewed the recovery and withholding provisions attached to Shaftesbury Capital’s incentive schemes and will introduce the following changes from 2024:
 - Malus and clawback will apply to the cash portion of the annual bonus (previously malus provisions applied solely to the deferred bonus).
 - The trigger events will be updated to include gross misconduct of the participant; events which have brought any member of the Group into material disrepute; material misstatement in the accounts of the Company; calculations based on errors or misleading information; and the Company becoming insolvent or otherwise suffering a corporate failure so that shares cease to have material value.

The changes will bring our provisions in line with prevailing market and good practice. The changes will apply to 2024 incentives and will be implemented through amendments to the PSP rules, grant documentation and bonus letters. The Committee expects that clawback would be enforced initially by the application of malus to unvested awards, and subsequent clawback of vested awards as appropriate.

Implementation of Policy in 2024

- Salaries: For 2024, Executive Directors’ salaries will increase by 3 per cent which is lower than the wider workforce underlying increase of 4.3 per cent. The Committee is aware

Incentive scheme performance measures

2024 Annual bonus	2024 PSP
<p>EPRA Net tangible assets (NTA) per share (25%)</p> <ul style="list-style-type: none"> – A key measure driving the long-term potential of our assets. 	<p>Relative Total Shareholder Return (TSR) (50%)</p> <ul style="list-style-type: none"> – Measured relative to real estate sector peers and reflects the total returns delivered to shareholders.
<p>Earnings per share (EPS) (30%)</p> <ul style="list-style-type: none"> – Rewards value growth in net rental income as well as managing costs. Upweighted from 25% in 2023 to reflect the importance of delivering income growth, cost savings and operating efficiencies. 	<p>Total Accounting Return (TAR) (50%)</p> <ul style="list-style-type: none"> – Rewards growth in EPRA NTA and dividends paid to shareholders to the extent returns exceed real estate sector peers.
<p>Relative Total Property Return (TPR) (20%)</p> <ul style="list-style-type: none"> – Rewards the additional value created by management over and above any changes in value from tracking the property market as a whole, as measured by the widely-used MSCI Total Return All Property Index. 	<p>The Committee retains the ability under the Policy to exercise downward discretion under the PSP when determining the proportion of an award that vests.</p>
<p>Non-financial (Corporate and sustainability) (25%)</p> <ul style="list-style-type: none"> – Bespoke, tailored strategic objectives for each Director and the delivery of common sustainability goals. 	

The Committee retains discretion under the annual bonus to amend the payout to ensure it appropriately reflects underlying performance.

of current sensitivities concerning salary increases and is comfortable that this increase is warranted in light of the increased scope of their roles, the significant achievements in harmonising the two businesses post-merger, and in the context of it being lower than the increase provided to the wider workforce.

- Incentives: Executive Directors’ incentive opportunities for 2024 will remain unchanged. The annual bonus opportunity will be 150 per cent of salary and it is intended that conditional PSP awards will be granted at 300 per cent of salary, in line with the current Policy.

The Committee has chosen metrics and weightings which support the medium-term growth objectives of the business and provide an appropriate balance between input and output metrics, financial and sustainability goals, and absolute and relative measurement. The measures support the specific priorities set out at the November 2023 Investor Event.

As a consequence of combining two businesses, further work is required in 2024 to re-validate our science-based targets for sustainability and determine an appropriate baseline. Once completed, the Committee will consider if and how a carbon metric might feature in future long-term incentive grants.

Employees

The Committee is provided with updates on remuneration decisions taken for the wider employee population. During the year, this included a briefing on the below Executive Committee remuneration strategy and structure implemented with effect from 1 July 2023. The Committee takes its decisions with the wider employee population in mind and is aware of the impact of decisions taken on the Company as a whole.

The remuneration structure for Shaftesbury Capital’s employees broadly aligns with that of the Executive Directors, with employees being eligible for a discretionary bonus and PSP awards, as well as salary, pension and employee benefits. In addition to Executive Director reports to the Board, during the year the Chairman met with 20 employees to discuss the

integration of the businesses and updated the Non-executive Directors on feedback received. Our employee engagement forum, attended by Charlotte Boyle, also provides feedback to the Board. On its launch to the business, employees received a presentation on the new remuneration structure, including its alignment with the Executive Directors. Key elements of employee remuneration for 2024 include:

- Salary increases which took place with effect from 1 January 2024 are c. 4.3 per cent on average
- Promotional salary increases will be on top of these inflationary increases and have regard to market levels for the new roles
- All permanent employees participate in the annual bonus scheme and will receive annual bonuses in respect of 2023 performance based on the financial targets (in line with those for the Executive Directors) and non-financial objectives.
- Reflecting our inclusive culture and our desire to align all employees with long-term goals, all permanent employees received PSP awards in 2023 based on the same measures as the Executive Directors
- All permanent employees will be eligible to receive annual bonuses and PSP awards in 2024
- The employer pension contribution rate of 17.5 per cent of salary applies to all employees

Chairman and NED fees

Jonathan Nicholls became Chairman of the merged business in March 2023 and his fee was set at the same level as his predecessor, which had not been increased since May 2020. The Committee has set his fee at £310,000 which takes into account his significant time commitment, market rates and his experience. The Board, excluding the Non-executives, have sought to harmonise Non-executive Director fees and the changes are set out in the Annual Report on Remuneration on page 149.

Performance measurement in 2023 and annual bonus outcomes

We have had an excellent start as a newly merged company. The team has come together to deliver a strong performance with growth in annualised rent and ERV, a strong pipeline of demand and significant cost savings across the business. Despite the challenging macroeconomic backdrop, management’s actions in ensuring the resilience of our exceptional portfolio also helped negate the widening of yields in relation to our valuation. These actions resulted in our 2023 annual bonus underlying EPS and TPR targets being met in full. EPRA net tangible assets per share, largely affected by the widening of yields, was between threshold and target resulting in a 40 per cent payout against this metric. Altogether, our performance against the financial measures delivered 80 per cent of the 75 per cent bonus opportunity allocated to these three financial measures.

Alongside delivering a strong performance, our team have worked tirelessly pre and post-merger to undertake a range of workstreams including revisiting of the Group’s purpose and values, the effective integration of the two businesses encompassing the integration of the two teams and underlying processes and relocation to one office, the rotation of assets, the early refinancing of the £576 million unsecured loan arranged at time of the merger, and ensuring our continued commitment

to sustainability with our updated Net Zero Carbon Pathway. The non-financial targets for the Executive Directors were assessed at between 90 and 100 per cent of the 25 per cent opportunity allocated to these measures, reflecting each of the Executive Directors’ efforts for the periods they were on the Board in achieving their strategic, financial, integration, operational and ESC objectives. The progress we have made this year means the business is now well positioned to deliver on the longer-term and broader benefits of the merger.

The Committee believes the annual bonus outcome for 2023 is a fair reflection of the strong performance during the year. No discretion was used in determining the formulaic outcomes.

There were no PSP awards capable of vesting based on performance for the year ending 31 December 2023. The first PSP award for the combined business was granted in 2023 and these will vest in 2026 subject to performance for the year ending 31 December 2025.

Executive Director changes in the year

After 12 years with the business, Chris Ward, Chief Operating Officer of the Company and formerly the Chief Financial Officer of Shaftesbury PLC, stepped down from the Board and left the Company on 22 December 2023. Chris has been treated as a good leaver by the Committee and will receive a pro-rated bonus for 2023, part of which will be deferred in shares for three years. He received PSP awards in 2023 and these will vest in 2026 subject to the achievement of performance conditions and a pro-rata time reduction. Vested awards will be subject to a further two-year holding period. Chris had a 12-month notice period and in line with our Policy and his service agreement, he will receive monthly payments comprising salary, benefits and pension for the unexpired notice period.

After three years on the Board, in connection with the merger with Shaftesbury PLC, Michelle McGrath stepped down as an Executive Director and joined the Executive Committee of the Company with effect from completion of the merger on 6 March 2023. Michelle’s remuneration for the period she served on the Board, including her PSP awards which vested prior to completion of the merger and pro-rated bonus for 2023 are disclosed in this report. As an employee, Michelle continues to receive her base salary, pension and benefits and participates in the Company’s incentive arrangements.

Conclusion

As explained within this report, the Committee has determined the current Policy remains fit for purpose but that certain commitments should be made to address issues raised by some shareholders to ensure market alignment. I would like to thank shareholders that participated in the consultation exercise, and we hope that you will continue to support our approach to remuneration and the resolution to approve the remuneration report which will be tabled at the 2024 AGM. If you have any questions on this report, please feel free to direct them to me via the Group Company Secretary.

Richard Akers
Chair

28 February 2024

Remuneration Committee members and attendance

Number of meetings attended (8 held¹)

Richard Akers (Chair)	6/6	Jennelle Tilling	6/6
Ruth Anderson	6/6	Jonathan Lane²	2/2
Charlotte Boyle	8/8	Anthony Steains	8/8
Helena Coles	6/6	Henry Staunton²	2/2

1. Two Remuneration Committee meetings were held in 2023 prior to completion of the merger.

2. Jonathan Lane and Henry Staunton retired from the Board as a result of the merger on 6 March 2023 and could only attend a maximum of two meetings.

Key responsibilities

- Determine the Remuneration Policy for Executive Directors, and the remuneration framework for senior management
- Monitor the appropriateness of the Remuneration Policy
- Ensure the Executive Directors are remunerated fairly and responsibly, aligned to the long-term interests of the Company
- Set the remuneration of the Chairman, Executive Committee and designated senior management, including the Group Company Secretary
- Keep under review employee remuneration, related policies and alignment of incentives and rewards with the Company’s culture and values
- Consider the appropriateness of the Directors’ remuneration framework compared with arrangement for other employees
- Review and approve the performance targets and outcomes (using discretion where appropriate) for the annual bonus scheme and PSP
- Ensure that the remuneration report and disclosures are easy to read and understandable
- The appointment of, and relationship with, the Company’s remuneration adviser

How the Committee operates

The Remuneration Committee comprises the Independent Non-executive Directors. Prior to the merger, the Committee comprised Jonathan Lane, who acted as Chairman of the Committee, Charlotte Boyle, Anthony Steains and Henry Staunton. On completion of the merger, Jennelle Tilling was appointed as Chair to the Committee and Richard Akers, Ruth Anderson and Helena Coles were appointed to the Committee. Jonathan Lane and Henry Staunton retired from the Board and the Committee upon completion of the merger. On 1 January 2024, Richard Akers was appointed as Chairman of the Committee and Helena Coles, Anthony Steains and Jennelle Tilling stepped down from the Board and Committee on 31 January 2024.

Korn Ferry, appointed by the Committee in 2020 following a competitive process, advised the Board for the first nine months of the year. FIT Remuneration Consultants LLP, an independent remuneration consultancy was engaged by the Committee in September 2023 following a tender process and, as instructed by the Committee, supported the Committee’s review of the Company’s Remuneration Policy and provided advice on the remuneration of the Executive Directors, together with regular market and good practice updates.

The Company’s remuneration advisers attend all or part of the Committee meetings as appropriate. In addition, some meetings, or parts of the meetings are attended by the Chief Executive, the Chief Financial Officer, Group Company Secretary, Company Secretary and the Company’s Head of HR in relation to employee remuneration and related policies. No executive participates in discussions or decisions regarding their own remuneration.

The Committee reviews its effectiveness annually.

Supporting clarity, simplicity, proportionality, and predictability and ensuring risk mitigation and alignment to culture

The table below explains how both the current Remuneration Policy, and the Committee’s practice in applying the Policy over the year under review, address the factors set out in Provision 40 of the 2018 UK Corporate Governance Code:

Clarity	Simplicity	Risk
<ul style="list-style-type: none"> – Clarity and transparency is achieved through a combination of explanations for decisions taken and disclosure of the nature and weighting of annual bonus and PSP performance measures. – The Remuneration Policy and its implementation look to support the wider Shaftesbury Capital business strategy. 	<ul style="list-style-type: none"> – Achieved by Executive Directors’ remuneration being composed of a limited number of elements designed to balance the retention and incentivisation of Executive Directors with the delivery of strategy and shareholder returns. – Executive Director remuneration is composed of four elements: base salary, pension and other benefits, annual bonus and PSP. 	<ul style="list-style-type: none"> – A range of features of Executive Directors’ remuneration assist in mitigating the risks of excessive rewards and inappropriate behaviour. – Executive Directors are expected to build a material shareholding which must be maintained for a period following departure, which aligns them with the long-term interests of Shaftesbury Capital.
Predictability	Proportionality	Alignment to culture
<ul style="list-style-type: none"> – Some of the same features of Executive Directors’ remuneration arrangements that mitigate risk also ensure that outcomes are within a predictable range. – Shareholders are provided with potential values which can be awarded to Executive Directors under the annual bonus and PSP. 	<ul style="list-style-type: none"> – Achieved through strong links between Executive Directors’ remuneration and corporate performance. 	<ul style="list-style-type: none"> – Achieved through strong links between Executive Directors’ remuneration and Shaftesbury Capital’s values: <ul style="list-style-type: none"> – Take a responsible long-term view – Act with integrity – Take a creative approach – Listen and collaborate – Make a difference

1. Directors' Remuneration Policy

This section of the Directors' Remuneration Report sets out Shaftesbury Capital's Directors' Remuneration Policy which took effect following the 2023 AGM on 15 June 2023, when it was approved by shareholders. The Remuneration Policy can also be found on our website: <https://www.shaftesburycapital.com/en/about-us/corporate-governance/remuneration-policy.html>. Details of actual remuneration paid, share awards made, and the approach to remuneration for 2023 are set out within the Annual Report on Remuneration, which starts on page 140. While the 2023 shareholder-approved Policy will continue to apply in 2024, certain pledges have been made in how the Policy will be operated and these are set out in the Remuneration Committee Chair's letter.

1.1 Remuneration policy

The key objectives of the Company's Remuneration Policy are to:

- Strongly align executive and shareholder interests
- Underpin an effective pay-for-performance culture
- Support the retention, motivation and recruitment of talented people who are commercially astute
- Encourage executives to acquire and retain significant holdings of Shaftesbury Capital shares

The Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary, benefits and pension. Variable remuneration includes an annual bonus, of which part is deferred in shares, and awards under the Performance Share Plan ("PSP").

The Remuneration Policy is aligned to the strategy and nature of the Company, and reflects the importance of total return and the long-term nature of Shaftesbury Capital's business, rewarding the Executive Directors for delivering strong performance against the Company's key performance indicators ("KPIs").

In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring that no individual is involved in the decision-making process related to their own remuneration. In particular, the remuneration of all Executive Directors is set and approved by the Committee; none of the Executive Directors are involved in the determination of their own remuneration arrangements.

Each year, with the support of external advisers, the Committee undertakes a review of the remuneration of the Executive Directors. It has oversight of the remuneration of the senior managers immediately below Board level, and the Company Secretary. It considers the responsibilities, experience and performance of the Executive Directors and pay across the Group.

The Policy was approved by shareholders at the 2023 AGM and applies to incentive awards with performance periods beginning on 1 January 2023. Payments to Directors can only be made if they are consistent with a shareholder approved Policy or amendment to the Policy.

Details of each element of remuneration, its operation, purpose, link to strategy and performance metrics are set out in this section.

1.2 Executive Director policy table

The table below summarises each of the components of the remuneration package for the Executive Directors:

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<p>Base salary To provide an appropriately competitive base salary, whilst placing emphasis on the performance-related elements of remuneration. The Committee believes base salary for high-performing experienced Executive Directors should be at least median.</p>	<p>Base salaries are normally reviewed on an annual basis, with any increase normally taking effect from 1 April. The Committee reviews base salaries with reference to:</p> <ul style="list-style-type: none"> – Other property companies (including the constituents of the long-term incentive plan's comparator group) – UK companies of a similar size – Each Executive Director's performance and contribution during the year – Scope of each Executive Director's responsibilities – Changes to the remuneration and overall conditions of other employees <p>When reviewing base salaries, the Committee is mindful of the gearing effect that increases in base salary will have on the potential total remuneration of the Executive Directors.</p>	<p>Base salary increases will be applied in line with the outcome of the review and will normally be in line with increases awarded to other employees.</p> <p>However, the Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, development in role, to address an increase in size or complexity of the business, to address a gap in market positioning and/or to reward the long-term performance of an individual. For the purposes of stating a maximum as required by the remuneration regulations, no increase will be applied to an Executive Director's base salary if the resulting base salary would be above the upper quartile base salary for CEOs at companies in the FTSE 350.</p>	<p>The Committee considers individual and Company performance when setting base salary, as well as the general increase awarded other employees</p>
<p>Benefits To be appropriately competitive with those offered at comparator companies.</p>	<p>Benefits will be in line with those offered to some or all employees and may include private dental and health care, life insurance, personal accident cover, travel insurance, income protection, and a car allowance, which may be paid in cash.</p> <p>Directors may participate in flexible benefit arrangements offered to other employees, including the ability to buy or sell annual leave. Directors may receive seasonal gifts and a gift on leaving the Board (including payment of any tax thereon), in appropriate circumstances.</p> <p>Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects individual circumstances. For example, Directors may be offered relocation and/or expatriate benefits should a Director be required to relocate as a result of emerging business requirements.</p>	<p>Set at a level which the Committee considers appropriate in light of relevant market practice for the role and individual circumstances. The cost of all benefits will not normally exceed 10 per cent of base salary, with the exception of any future expatriate and/or relocation benefits, which would be disclosed in the Annual Report on Remuneration. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p>	<p>N/A</p>
<p>Pension To be appropriately competitive with that offered by comparator companies.</p>	<p>Shaftesbury Capital offers a defined contribution pension scheme.</p> <p>Executive Directors may elect to be paid some or all of their entitlement in cash.</p>	<p>The maximum contribution for any Executive Director will be in line with the level available for other employees at any given time (which is currently 17.5 per cent of salary).</p>	<p>N/A</p>

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
<p>Annual bonus To incentivise and reward performance. The Committee selects performance measures and targets each year to reinforce the strategic business priorities for the year. The deferral into shares of 40% of any annual bonus is designed to further align executives with shareholders' interests.</p>	<p>The annual bonus arrangements are reviewed at the start of each financial year to ensure performance measures and weightings are appropriate and support the business strategy.</p> <p>The Committee reviews performance against the annual bonus targets but has the ability to take into account broader factors and, subject to the 150 per cent of salary maximum, may exercise two-way discretion to ensure that the annual bonus awarded properly reflects the performance of the Company and each Director.</p> <p>The rationale for award of bonuses will be explained in the Directors' Remuneration Report.</p> <p>Bonus may be deferred in Shaftesbury Capital shares or nil-cost options for three years under the Performance Share Plan without further performance conditions but subject to risk of forfeiture should an Executive Director leave the Company in certain circumstances.</p> <p>Directors may be entitled to be paid dividend equivalents on deferred bonus. Deferred bonus is subject to malus as described in the notes to this table.</p>	<p>The maximum bonus opportunity for Executive Directors is 150 per cent of annual salary with a bonus of 75 per cent of salary payable for achieving target levels of performance. No bonus is payable for below threshold performance. The payment for threshold performance will not exceed 10 per cent of maximum. Awards are made on a straight-line basis for performance between threshold and target, and on a separate straight-line basis for performance between target and maximum.</p>	<p>Executives' performance is measured relative to challenging one-year targets in key financial, operational and strategic measures. The measures selected and their weightings may vary each year according to the strategic priorities. At least 75 per cent of the bonus will be measured against financial performance.</p>
<p>Performance Share Plan 'PSP' To incentivise and reward long-term outperformance, and help retain Executive Directors over the longer-term.</p>	<p>Executive Directors are eligible to receive awards of shares under the PSP, which may be made as awards of shares or nil-cost options, at the discretion of the Committee.</p> <p>In assessing the outcome of the performance conditions, the Committee must satisfy itself that the figures are a genuine reflection of underlying financial performance, and may exercise downward discretion when determining the proportion of an award that will vest.</p> <p>Dividend equivalents may be paid. The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice this will only be used in exceptional circumstances for Executive Directors.</p> <p>PSP awards are subject to malus and clawback as described in the notes to this table.</p>	<p>The maximum grants which may be made to participants as awards or nil-cost options are 300 per cent of salary.</p> <p>25 per cent of an award vests for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions and straight-line vesting between threshold and maximum.</p>	<p>PSP awards usually vest on the third anniversary of the date of grant, and are subject to a two-year post-vesting holding period.</p> <p>The vesting of awards is usually subject to continued employment and the Company's performance over a three-year performance period.</p> <p>It is intended that the performance measures that will apply to the 2023 awards will be split equally between relative Total Return and relative Total Shareholder Return metrics vs. FTSE 350 REITs. The performance measures, weightings and targets which apply to the PSP are reviewed by the Committee annually and, subject to consultation with shareholders, the Committee has discretion to make changes to the measures, the weightings and/or the comparator group for future awards to ensure that they remain relevant to the Company strategy and are suitably stretching.</p>
<p>All employee share schemes</p>	<p>The Company does not currently operate any all employee share schemes. However, if such a scheme were introduced the Executive Directors would be able to participate on the same terms as other employees.</p>	<p>In line with HMRC-approved limits.</p>	

1.3 Notes to the policy table performance measurement selection

Annual bonus scheme

Executive Directors may earn bonuses depending on the Company's financial performance and performance against individual performance targets designed to deliver strategic goals. The current structure of the annual bonus performance conditions is illustrated within the Annual Report on Remuneration on page 148. The financial performance measures and the importance of each are set out in the table below. The Remuneration Committee has discretion to change the performance conditions in the annual bonus, but within the bounds set out in the Remuneration Policy Table.

The annual financial performance measures and targets are set by the Committee usually in the first quarter of each year following an analysis of external and internal expectations compiled by the Committee's independent adviser. The Committee sets targets it believes to be appropriately stretching, but achievable.

Why are the current annual bonus performance measures appropriate for Shaftesbury Capital?

Measure	Reason
EPRA Net Tangible Assets per share (NTA)	Considered by the Committee to be an important driver of value creation for Shaftesbury Capital.
Underlying Earnings per share	Rewards value growth in net rental income as well as the management of administration, financing and other costs.
Relative Total Property Return	Rewards the additional portfolio value created by management over and above any changes in value from tracking the property market as a whole, as measured by the MSCI Total Return All Property Index, an external benchmark widely used in the property industry.

Long-term incentives

The performance conditions for the PSP currently comprise two measures:

- Three-year relative Total Return (TR, growth in NTA plus dividends)
- Three-year relative Total Shareholder Return (TSR, increase in price of an ordinary share plus dividends)

The Committee believes that these two measures are currently the most appropriate measures of long-term success for Shaftesbury Capital as long-term relative performance provides an appropriately objective and relevant measure of Shaftesbury Capital's success, which is strongly aligned with shareholders' interests.

The Committee believes that NTA growth is an important internal measure of success for Shaftesbury Capital at this time. Accordingly, the Committee considered it appropriate to reward NTA performance in both the short- and long-term incentive arrangements, with a one-year absolute NTA target being used in respect of the annual bonus arrangements and three-year relative NTA (as the main component of three-year Total Return) being used in respect of the long-term incentives.

A significant element of the Company's NTA is the value of properties which are based on independent external valuations carried out in accordance with RICS Valuation Professional Standards.

Relative TSR helps align the interests of Executive Directors with shareholders by incentivising share price growth and, in the Committee's view, provides an objective measure of the Company's long-term success.

The current long-term incentive performance conditions are summarised within the Annual Report on Remuneration on page 149. Performance is measured relative to a bespoke comparator group of property companies and Shaftesbury Capital.

In order for any awards to vest, the Committee must also satisfy itself that the TR and TSR figures are a genuine reflection of underlying financial performance. In assessing the extent to which the performance conditions have been met, the Committee consults with its independent remuneration adviser. The calculation of the returns is also reviewed by the Company's auditors as appropriate. The performance targets are set by the Committee following an analysis of internal and external expectations, and are believed to be appropriately stretching.

For future awards, the Remuneration Committee has discretion to change the performance measures and weightings. However, any such changes would only be made after consulting with shareholders.

Discretions

Under the annual bonus scheme and the PSP, the Company has the standard discretions to take appropriate action in the event of unforeseen events which affect the schemes, such as a variation in share capital, as well as terminations and on a change in control, as described in the Policy. The Committee does not intend to make adjustments to the methods by which it measures the performance conditions. However, it reserves the discretion to make adjustments in very exceptional circumstances. Shareholders would be given details of any exercise of discretion.

Payments resulting from existing arrangements

The Committee may make any remuneration payments and payments for loss of office (including exercising any discretions it has relating to such payments) even though they are not in line with the Policy set out in this report. This will apply where the entitlement to the payment arose:

(i) before the 2014 AGM; (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company; or (iii) under a remuneration policy previously approved by the Company's shareholders. For these purposes entitlements arising under the Company's previous remuneration policies (as approved by shareholders at the 2014, 2017 and 2020 AGMs) will be incorporated into this Policy, 'payments' includes the Committee satisfying awards of variable remuneration, and an entitlement under an award over shares arises at the time the award is granted.

Malus and clawback

Awards granted under the long-term incentive arrangements are subject to malus and clawback until the end of the respective holding periods. Deferred bonus awards are subject to malus prior to vesting. Reasons for applying malus and clawback include: in the event of gross misconduct of a Director which is considered to have had a material detrimental impact on the business or any member of the Group or to have brought the business of any such company into significant disrepute, in the event of a material misstatement in the audited accounts of the Company for a period that was wholly or partly before the end of the financial year by reference to which any performance condition was assessed, or in the event that the assessment of the satisfaction of any performance condition was based on error or inaccurate or misleading information. In the latter two scenarios, this would be to the extent an overpayment resulted. The application of any malus or clawback is at the discretion of the Remuneration Committee.

Remuneration of employees below the Board

No element of remuneration is operated solely for Executive Directors. Shaftesbury Capital employees below the Board receive base salary, benefits, pension, annual bonus, and some participate in the PSP. However, there are some differences in operation as set out below:

- In exceptional circumstances, such as recruitment, long-term incentive awards may be granted without performance conditions to participants below the Board
- Employees below the Board are not subject to any minimum shareholding requirement
- Incentive awards granted to employees below the Board may not be subject to holding periods, clawback or malus

Shareholding requirements

The Chief Executive is required to achieve a shareholding in the Company equivalent to 300 per cent of base salary and the other Executive Directors appointed to the Board are required to achieve a shareholding in the Company equivalent to 200 per cent of base salary, to be achieved normally within five years by retaining at least 50 per cent of any vested share awards (net of tax and NIC). There is a two-year post-cessation shareholding requirement of 200 per cent of salary for all Executive Directors, capturing annual bonus awards made from 1 January 2022 (in respect of 2021) and all Performance Share Plan awards made from 1 January 2021. The current shareholdings of the Executive Directors are also set out on page 147.

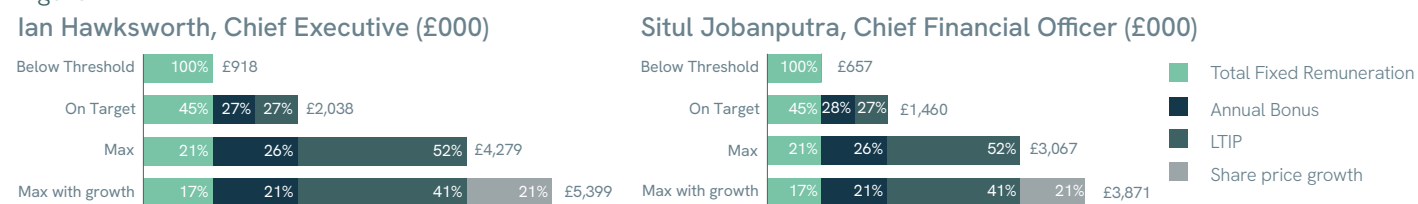
1.4 Performance Scenario charts

The potential reward opportunities illustrated in Figure 1 are based on the Policy which will apply in 2024 and provide estimates of the potential future reward opportunity for each of the two current Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Below Threshold', 'Target' and 'Maximum'.

The Below Threshold scenario includes base salary, pension and benefits (fixed pay). No annual bonus or PSP elements are included (variable pay). The Target scenario includes fixed pay, on-target bonus (50 per cent of opportunity) and threshold vesting of PSP awards. The Maximum scenario includes fixed pay, maximum bonus and full vesting of PSP awards. For variable pay, the amounts illustrated are the normal maximum opportunities. The Maximum scenarios also include an illustration of the amount that would be payable under the PSP elements if there was share price appreciation of 50 per cent between the date of award and the date of vesting.

It should be noted that the PSP awards granted in a year do not normally vest until the third anniversary of the date of grant and are subject to a two-year post-vesting holding period. The projected values of long-term incentives shown here exclude the impact of share price movement and dividends (other than where 50 per cent share price appreciation is assumed).

Figure 1



1.5 Approach to Recruitment Remuneration

When hiring or appointing a new Executive Director, which includes appointing an individual who is not an Executive Director but who still falls within this Policy, the Committee may make use of any of the existing components of remuneration, as follows:

Element of remuneration	Policy on recruitment	Maximum opportunity
Salary	Based on scope and nature of responsibilities of the proposed role; the candidate's experience; implications for total remuneration positioning vs market pay levels for comparable roles; internal relativities; and the candidate's current salary. A new Director may be appointed at a salary which is less than the prevailing market rate but increased over a period to the desired positioning subject to satisfactory performance.	N/A
Pension	A contribution in line with the level available for other employees at any given time (currently 17.5 per cent of salary) may be offered, consistent with policy.	Consistent with the Policy Table limit
Benefits	Appropriate benefits will be provided, which may include the continuation of benefits received in a previous role.	Consistent with the Policy Table limit
Annual bonus	Executive Directors will be eligible to participate in the annual bonus scheme on the same basis as existing Executive Directors, pro-rated for proportion of year served. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions from the current Executive Directors in the first performance year of appointment.	150 per cent of salary, consistent with Policy Table.
Performance Share Plan	New Executive Directors will be eligible to participate in the long-term incentive scheme set out in the Remuneration Policy Table. A PSP award can be made shortly following an appointment (assuming the Company is not in a prohibited period).	300 per cent of salary, consistent with Policy Table.
Other	In determining appropriate remuneration for new Executive Directors, the Committee will take into consideration all relevant factors (including quantum, the nature of remuneration and where the candidate was recruited from), to ensure that arrangements are in the best interests of Shaftesbury Capital and its shareholders. Remuneration, which may be outside the usual policy limits, may include: <ul style="list-style-type: none"> - An award made in respect of a new appointment to 'buy out' existing incentive awards forfeited on leaving a previous employer. In such cases the compensatory award would typically be a like-for-like award with similar time to vesting, performance conditions and likelihood of those conditions being met. The fair value of the compensatory award would not be greater than the awards being replaced. To facilitate such a buyout, the Committee may use an award under a different structure or an additional award under the PSP - A relocation package, should this be required - For an overseas appointment, the Committee will have discretion to offer cost-effective benefits and pension provisions which reflect local market practice and relevant legislation - In the event that an employee is promoted to the Board, the Company would honour any existing contractual arrangements 	

1.6 Service contracts and exit payment policy

The service contracts of Executive Directors are approved by the Remuneration Committee and are one-year rolling contracts. The commencement dates of the current contracts are shown below. The service contracts may be terminated by either party giving one year’s notice to the other. It is the Company’s policy that payments in lieu of notice should not exceed the Director’s current salary and benefits (including pension contributions) for the notice period. The service contracts may be viewed at the Company’s registered office.

The Committee will be entitled to enter into a settlement agreement with a Director, and may pay a Director’s legal fees in relation to any settlement agreement. The Committee may make additional incidental payments, which are not material in quantum, to a departing Director on exit, if appropriate, for example in settlement of disputes or to pay other incidental sums in connection with the exit. The Committee may pay what it feels are reasonable outplacement fees where considered appropriate.

When considering exit payments, the Committee reviews all potential incentive outcomes, having regard to the reason for leaving and the Director’s performance. The payment of any annual bonus is subject to the discretion of the Committee, and both the cash and deferred share elements of an annual bonus would normally be payable at the normal payment date. Any deferred share element could be paid in cash. Any outstanding deferred bonus may be released or paid in cash, subject to clawback for a period of three years from the date of grant.

	Commencement date	Notice period
Ian Hawksworth	17 May 2010	12 months
Situl Jobanputra	1 January 2017	12 months

An individual would generally be considered a ‘good leaver’ if they left the Group’s employment for reasons including injury, ill-health, disability approved by the Committee, redundancy, retirement with the agreement of the employing company, the employing company ceasing to be a member of the group, the transfer of the undertaking or part of the undertaking in which the Director works to a person which is not a member of the Group, or in any other circumstances at the discretion of the Committee. The table below summarises how PSP awards are typically treated in specific leaver circumstances, with the final treatment remaining subject to the Committee’s discretion. For example, an individual may be considered a ‘good leaver’ for any other reason at the absolute discretion of the Committee, and the vesting of awards may be reduced for ‘good leavers’.

Reason for leaving	Timing of vesting	Treatment of awards
Good leaver	Normal vesting date, although the Committee has discretion to accelerate	Awards are normally pro-rated for time and remain subject to outstanding performance conditions. Where vesting is accelerated, the Committee will determine the extent to which the performance conditions had been satisfied at the date of leaving. The holding period would continue to apply.
Change of control	Immediately	Awards will normally be pro-rated for time and remain subject to performance conditions. However, the Committee has discretion to allow awards to vest in full in such circumstances if it deems this to be fair and reasonable. The holding period would cease to apply.
Any other reason	Awards lapse	

There are no obligations on the Company contained within the existing Directors’ service contracts which would give rise to payments not disclosed in this report.

The service contracts of any future-appointed Directors will provide for mitigation in the event of termination.

1.7 Non-executive Director policy table

The Non-executive Directors do not have service contracts but instead have letters of appointment. The letters of appointment of the Non-executive Directors are reviewed by the Board annually and contain a one-month notice period. The Chairman’s letter of appointment contains a three-month notice period. The letters of appointment may be viewed at the Company’s registered office.

Non-executive Directors seeking re-election at 2024 AGM: dates of appointment and unexpired terms

	Date of appointment	Unexpired term as at 31 December 2023
Jonathan Nicholls	6 March 2023	6 months
Richard Akers	6 March 2023	6 months
Ruth Anderson	6 March 2023	6 months
Charlotte Boyle	1 October 2017	6 months

The table below summarises each of the components of the remuneration package for the Non-executive Directors (including the Chairman). The Non-executive Directors do not receive any pension, bonus or long-term incentive benefits from the Company. This policy also applies to the recruitment of new Non-executive Directors.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fee To recruit and retain appropriately qualified Non-executive Directors	The Chairman and Non-executive Director fees are reviewed on an annual basis, with any increase taking effect from 1 May. The Board and Committee review fees with reference to: - Other property companies - UK companies of a similar size - The time that Non-executive Directors are required to devote to the role In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.	Non-executive Director fees may include a basic fee and Committee/SID fees as disclosed in the Annual Report on Remuneration. These are set at a level that is considered appropriately competitive in light of market practice, and will not exceed the aggregate fees permitted by the Company’s Articles of Association.	N/A
Benefits To be appropriately competitive with those offered at comparator companies	The Chairman’s benefits include private healthcare and personal accident and travel insurance. Other Non-executive Directors will be covered by the Company’s travel insurance policy should they be required to travel on Company business. Any reasonable business-related expenses can be reimbursed (including tax thereon if determined to be a taxable benefit). Directors may receive seasonal gifts and a gift on leaving the Board (including payment of any tax thereon), in appropriate circumstances.	The maximum value of the benefits provided to Non-executive Directors will be the cost of purchasing them in the market.	N/A

1.8 External directorships

The Company’s policy is to encourage each Executive Director to take up one or more non-executive directorships, subject to Board approval. Fees received for serving as a non-executive director of a company outside the Shaftesbury Capital Group are retained by the Executive Director.

1.9 Consideration of conditions elsewhere in the Company

When setting Executive Director pay the Committee considers the remuneration and overall conditions of all employees. As Shaftesbury Capital has a relatively small workforce, the Committee does not consult with employees when deciding Remuneration Policy, but it receives regular updates from the Head of HR on salary increases, bonus and share awards made to Group employees and is aware of how the remuneration of Directors compares with that of other employees. For example, salary increases are generally no higher than increases awarded to other employees, which are set with reference to market data.

1.10 Consideration of shareholder views

It is the Committee’s policy to engage with major shareholders as appropriate. For example, prior to finalising any major changes to its executive Remuneration Policy. Shareholder feedback on the previous Remuneration Policy and investor guidelines were considered by the Committee when preparing the Remuneration Policy, and a number of best practice measures were incorporated.

2. Annual report on remuneration

This section of the Directors' Remuneration report explains how Shaftesbury Capital's current Directors' Remuneration Policy has been implemented during the year. The report is made up of the following parts:

Subject	Issue
Pay outcomes for 2023	2.1 Single figure of total remuneration 2.2 Annual bonus outcomes for 2023 2.3 Long-term incentive outcomes for performance ending in 2023 2.4 Payments for loss of office 2.5 Payments to previous Directors
Directors' share ownership and share interests	2.6 PSP and deferred bonus awards granted in 2023 2.7 Outstanding PSP and deferred bonus awards 2.8 Statement of Directors' shareholding and share interests
Implementation of the Policy in 2024	2.9 Implementation of the Policy in 2024
Pay comparison	2.10 Percentage change in Directors' remuneration versus employee pay 2.11 Chief Executive pay ratio 2.12 Chief Executive single figure of total remuneration history and TSR performance 2.13 Relative importance of the spend on pay
Remuneration Committee membership, governance and voting	2.14 Independent adviser to the Remuneration Committee 2.15 Shareholder voting

Pay Outcomes For 2023

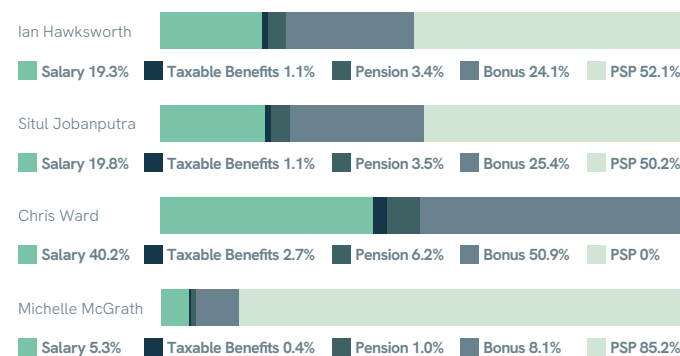
2.1 Single total figure of remuneration

What is included in the 2023 single figure?

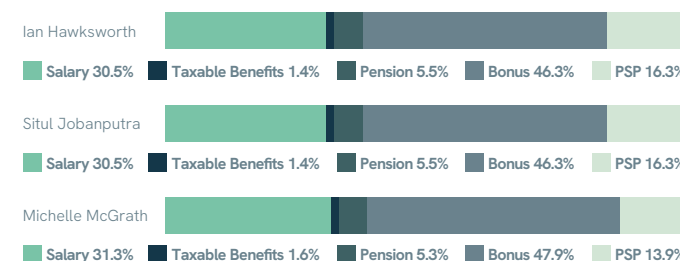
- The salary or fees paid in the year for the period of qualifying service
- The value of any benefits, on a gross of tax basis, where applicable
- The 2023 annual bonus awarded for the year – including both cash and the deferred element
- The value of the 2021 and 2022 long-term incentive awards that vested in connection with the merger. Details of the treatment of these awards were set out in last year's remuneration report and summarised in the prospectus for the merger transaction, with both the report and the transaction approved by shareholders
- The cash value of any pension contribution or allowance in lieu

The figures below illustrate the contribution that each element of the Executive Directors' remuneration made to the single figure disclosures.

Composition of 2023 single figures (%)¹



Composition of 2022 single figures (%)



1. As reported in last year's remuneration report and summarised in the prospectus for the merger transaction, with both the report and the transaction approved by shareholders, the 2021 and 2022 PSP awards vested prior to completion of the merger on 6 March 2023 and must therefore be included in the 2023 single figure. The figures are based on the share price on the date of vesting (124.5 pence). The prior year 2022 figures comprise the value on maturity of the 2020 PSP awards. In last year's report, these awards were calculated using the average share price over the period 1 October to 31 December 2022 of 104.83 pence and, this year, the figures have been updated using the price on the date of vesting (124.5 pence). Michelle McGrath stepped down as a Director on 6 March 2023 and remains an employee of the Group. Her fixed pay and annual bonus reflect the period she was in role as an Executive Director and the value of her 2021 and 2022 PSP awards, which vested prior to completion of the merger, has been shown in the 2023 PSP vesting column.

The table below shows the single total figure of remuneration for each Director in 2023 and 2022. The charts on page 140 illustrate the contribution that each element of remuneration made to the total remuneration of the Executive Directors.

Single figure of remuneration 2023 and 2022 (Audited)

Executive Directors

	Base salary £'000		Taxable benefits ¹ £'000		Pension related benefits ² £'000		Annual bonus ³ £'000		PSP vesting ^{4,6} £'000		Total £'000		Total fixed remuneration £'000		Total variable remuneration £'000		Total excluding PSP ^{4,6} £'000	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	
Current Executive Directors																		
Ian Hawksworth ⁵	719	664	41	31	126	120	897	1,007	1,940	355	3,723	2,121	886	815	2,837	1,306	1,783	
Situl Jobanputra ⁵	509	441	28	20	89	80	653	669	1,288	235	2,567	1,408	626	541	1,941	867	1,279	
Former Executive Directors																		
Chris Ward ⁶	419	-	28	-	64	-	529	-	-	-	1,040	-	511	-	529	-	-	
Michelle McGrath ⁷	67	368	5	19	12	62	101	563	1,066	164	1,251	1,150	84	449	1,167	701	185	

1. Comprises medical insurance, permanent health insurance, life assurance, travel insurance and car allowance and/or benefit in kind value of company car, where applicable.
2. Comprises payments in lieu of pension contributions to each of the Executive Directors and contributions to defined contribution plans by Chris Ward of £7,833 and by Michelle McGrath of £11,695. No Director participated in a defined benefit pension scheme.
3. Part of the annual bonus earned is deferred in Shaftesbury Capital shares or nil-cost options for three years, subject to forfeiture should the Executive Director leave the Company. For 2023 and 2022, 40 per cent of the bonus will be/was deferred in shares.
4. As reported in last year's remuneration report and summarised in the prospectus for the merger transaction, with both the report and the transaction approved by shareholders, the 2021 and 2022 PSP awards vested after the publication of the 2022 Annual Report and prior to completion of the merger on 6 March 2023 and must therefore be included in the 2023 single figure. The figures are based on the share price on the date of vesting (124.5 pence). For those Directors who were on the Board prior to completion of the merger, total remuneration for 2023 excluding these amounts has also been shown. The prior year 2022 figures include the value on maturity of the 2020 PSP awards. In last year's report, these awards were calculated using the average share price over the period 1 October to 31 December 2022 of 104.83 pence and, this year, the figures have been updated using the price on the date of vesting (124.5 pence). Dividend equivalents have been included for all vested awards, calculated using the same price, on a reinvestment basis.
5. As reported in last year's remuneration report and summarised in the merger prospectus, the post-merger salaries for the Executive Directors reflect the increased scope of their roles given the larger combined business (c.£4.9 billion of properties) and included inflationary increases of 4 per cent. Annual inflationary increases for Capco employees were between c.5 per cent and 7 per cent.
6. Chris Ward joined the Board as Chief Operating Officer on 6 March 2023 and stepped down from the Board and left the Company on 22 December 2023. His remuneration reflects the period he was a Director of the Board and does not include the value of any Shaftesbury PLC shares which vested in connection with the merger.
7. Michelle McGrath stepped down as a Director on 6 March 2023 and remains an employee of the Group. Her fixed pay and annual bonus reflect the period she was in role as an Executive Director and the value of her 2021 and 2022 PSP awards, which vested prior to completion of the merger, has been shown in the 2023 PSP vesting column.

Chairman and Non-executive Directors

	Fees £'000		Taxable benefits ⁴ £'000		Total Remuneration £'000	
	2023	2022	2023	2022	2023	2022
Current Non-executive Directors						
Jonathan Nicholls ¹	250	-	4	-	254	-
Richard Akers ¹	79	-	-	-	79	-
Ruth Anderson ¹	77	-	-	-	77	-
Charlotte Boyle ²	131	85	-	-	131	85
Helena Coles ¹	68	-	-	-	68	-
Anthony Steains ²	123	98	49	37	172	135
Jennelle Tilling ¹	77	-	2	-	79	-
Former Non-executive Directors³						
Henry Staunton ²	101	284	2	20	103	304
Jonathan Lane ²	75	85	-	-	75	85

1. Jonathan Nicholls, Richard Akers, Ruth Anderson, Jennelle Tilling and Helena Coles were appointed to the Board on 6 March 2023.
2. In recognition of the increased workload placed on Non-executive Directors in completing the merger, additional one-off payments were made as follows: Henry Staunton £49,500, Charlotte Boyle £38,000, Jonathan Lane £59,500, and Anthony Steains £38,000. These amounts were based on a conservative estimate of the additional time committed to the Company's affairs on a temporary basis.
3. Henry Staunton and Jonathan Lane stepped down from the Board on 6 March 2023.
4. Comprises medical insurance and travel expenses relating to Board meeting attendance where these are taxable or would be if the Director were resident in the UK for tax purposes. Where applicable, the Company pays the tax payable on Non-executive Director expenses as they are incurred in the fulfilment of Directors' duties.

2.2 Annual bonus outcomes for 2023 (Audited)

Opportunity

Executive Directors had the opportunity to earn bonuses of up to 150 per cent of salary for performance in 2023. 40 per cent of the total amount of any bonus earned is deferred in Shaftesbury Capital shares or nil-cost options for three years, subject to forfeiture should the Executive Director leave the Company.

Performance measures and targets

Bonuses for the year ended 31 December 2023 were based 75 per cent on financial performance, and 25 per cent on individual performance.

Financial measures: The 2023 bonus included three financial measures each with a 25% weighting:

- EPRA Net Tangible Assets per share (25%)
- Underlying Earnings per Share (25%)
- Relative Total Property Return (25%)

Non-financial measures: The Committee assessed individual performance against a set of non-financial objectives which align with the Company’s objectives outlined on page 14 and 15 of the Annual Report. A summary of the achievement of the Directors’ non-financial objectives is set out on pages 142 and 143.

Outcome of 2023 annual bonus performance measures (Audited)

The performance targets that applied in respect of the year ended 31 December 2023 and the Company’s performance against them are set out below.

Performance measure	Weighting	Target range			Actual performance	% of bonus opportunity awarded (out of 100%)
		Threshold (10% payout)	Target (50% payout)	Maximum (100% payout)		
Net Tangible Assets per share	25%	185.0p	192.0p	205.0p	190.3p	40%
Underlying Earnings per Share	25%	3.2p	3.3p	3.5p	3.7p	100%
Relative Total Property Return	25%	Equal to MSCI Total Return All Property Index	Out-performance of 0.5%	Out-performance of 1.5%	2.3% Out-performance	100%
Non-financial objectives	25%	Disclosure of objectives and their achievement is set out underneath this table				90-100%
Total bonus						82.5-85.0%

The Company’s performance against the financial performance targets set for the year ended 31 December 2023 exceeded the maximum performance target for TPR and underlying EPS, and EPRA NTA performance was between threshold and target. Accordingly, 80 per cent of maximum becomes payable to the Executive Directors in respect of the financial performance measures. No discretion was applied by the Committee in making these awards.

The Committee set clear non-financial measures for each Executive Director and after the year end, the Committee considered the performance of each Executive Director, including Chris Ward and Michelle McGrath, against the non-financial targets set for 2023. The assessment of performance against these objectives is as follows:

Corporate

- Successful completion of the merger of Capco and Shaftesbury, including navigation of extended regulatory processes
- Delivered extensive investor relations programme to establish Shaftesbury Capital as a leading central London mixed-use REIT. This included results presentation, webcasts, roadshows, industry conferences and portfolio tours, as well as the Company’s inaugural Investor Event which set out medium-term priorities and targets
- Ensured robust cross-business risk management process
- Integration of two businesses with appropriate structure and responsibilities amongst the Executive team to deliver on strategy

Financial

- Refinancing of the loan facility put in place at the time of the merger, including a new £200m long-term secured loan facility and £350m medium-term senior unsecured loan, managing near-term maturities
- Obtained lender consent to exercise the second extension of the Covent Garden revolving credit facility, enhancing liquidity and extending the maturity profile

- Managed debt covenant and liquidity position effectively
- Additional interest rate hedging put in place providing interest rate protection on variable debt until the end of 2025
- Total annualised recurring cost savings are expected to be over £16 million, which is well ahead of the initial target of £12 million two years post-merger completion
- Delivered 10.4 per cent growth in annualised gross income, resulting in a progressive dividend
- Successful detailed business risk review process with HMRC to maintain “low risk” rating

Commercial/Transactions/Integration

- Generated excellent leasing demand delivering 6.9 per cent ERV growth across the portfolio
- 526 leasing transactions were completed, representing £37.0 million of rent, ten per cent ahead of 31 December 2022 ERV and introducing 68 new retail and hospitality brands and concepts
- Refurbishments with an ERV of £10.6 million completed during the year, of which £9.0 million is contracted or under offer
- High occupancy maintained across the portfolio with only 2.1 per cent or ERV available to let
- Completed portfolio review, identifying five per cent of the portfolio value for asset rotation
- £145 million of asset disposals completed to date, 8 per cent ahead of valuation
- Integration of financial and management reporting, including the post-merger migration to a single accounting platform
- Transition to a single IT infrastructure with enhanced employee cyber security awareness

People/ESC/Organisational

- Developed and launched an updated Company purpose, culture and values
- Motivated the team throughout a period of significant change delivering excellent performance against strategy
- Established new employee remuneration structure, ensuring alignment with Executive Directors
- Provided regular communication on post-merger integration, including Chief Executive employee meetings and senior team leadership meetings
- Designed and launched employee development framework
- Established strong and open working relationship with the new Board
- Delivered a new ESC strategy, reconfirmed the Company’s commitment to achieving Net Zero Carbon by 2030, and published a new combined Net Zero Carbon pathway
- Championed ESC initiatives across the business, including the creation of the Community Investment Fund
- Successfully relocated to one head office in Covent Garden

The Committee concluded that each of Executive Directors had performed very strongly over the course of the year, including successfully completing the merger, leading the business, implementing post-merger integration and identifying and delivering synergies. The Executive Directors ensured that despite the impact of the merger, the team delivered excellent performance, with ERV growth of 7 per cent and maintaining high occupancy rates. The loan facility put in place at the time of the merger has been refinanced ahead of maturity with hedging arrangements put in place. Alongside this, the Executive Directors have focused on employee well-being following completion of the merger, clearly communicating the business’ new purpose, culture and values and ensuring that these are embedded across the business. The Executive Directors have also ensured that the Company continues to focus on its ESC priorities, developing an updated ESC strategy and reconfirming the Company’s commitment to achieving Net Zero Carbon by 2030. This performance means that each Executive Director has been awarded a bonus in respect of the non-financial target element (under which up to 37.5 per cent of salary is payable).

	Area of focus				Total
	Corporate	Financial	Commercial/ Transactions/Integration	People/ESC/Positive impact	
Ian Hawsworth	10.00/10.00	2.25/2.50	2.25/2.50	8.00/10.00	22.50/25.00
Situl Jobanputra	7.50/7.50	6.00/6.25	4.75/5.00	5.50/6.25	23.75/25.00
Chris Ward	3.75/3.75	5.00/5.00	3.75/5.00	11.25/11.25	23.75/25.00

Michelle McGrath stepped down from the Board on 6 March 2023. The Remuneration Committee at the time of the merger assessed Michelle’s performance and recommended that she be awarded 100% for the non-financial element of the 2023 annual bonus, which included work in respect of the merger including the CMA process, leading on pre-completion integration planning, driving rents and effective cost and capital expenditure management at Covent Garden, high-quality reporting to the Board and supporting the team in advance of the merger. Michelle’s annual bonus as a Director was pro-rated for the proportion of the year served on the Board.

The financial and non-financial outcomes have resulted in bonuses of between 82.5% and 85.0% of maximum for 2023, pro-rated for time where applicable. The Committee believes this is a fair reflection of the overall performance of the executive team during the year.

Summary of Executive Directors' annual bonuses (Audited)

Executive Director	Cash 60%	Deferred shares 40%	Total
Ian Hawksworth	£538,313	£358,875	£897,188
Situl Jobanputra	£391,950	£261,300	£653,250
Chris Ward ¹	£317,480	£211,653	£529,133
Michelle McGrath ¹	£60,362	£40,241	£100,603

1. Bonuses relate to time served on the Board. For Michelle McGrath: 1 January to 6 March 2023. For Chris Ward: 6 March to 22 December 2023.

2.3 Long-term incentive outcomes for 2023 (Audited)

As set out in detail in last year's report, and provided here for completeness, on the merger the Capco and Shaftesbury businesses were combined through Capco issuing shares to Shaftesbury shareholders in exchange for shares in Shaftesbury. In agreeing the structure of the merger, the Capco and Shaftesbury Boards determined that this structure was in the best interests of shareholders as opposed to Shaftesbury, the larger company, issuing its shares to acquire Capco. As the Capco Performance Share Plan ("PSP") rules permitted the Committee to treat the merger as equivalent to a takeover, and the Committee sought to create equality of treatment for all employees, the Committee determined that the outstanding PSP awards should vest.

The Committee considered the extent to which the Capco share awards should be permitted to vest, having regard to any performance conditions and employment requirements attached to those awards. The Capco Remuneration Committee and the Shaftesbury Remuneration Committee were requested by financial advisers to make these assessments at the time that the ratio of Capco to Shaftesbury shares for the all-share merger was calculated, to ensure that as accurate a ratio as was possible could be determined, and that one group of shareholders was not disadvantaged over the other.

The Committee assessed the relative Total Shareholder Return and relative Total Return performance conditions attaching to the 2021 and 2022 PSP awards having regard to the relative TSR ranking shortly before the time it made its decision and analysts' projections at that time for the Total Return of the peer companies for the end of each of the three-year performance periods. It then reflected on the fact that reducing the PSP awards for early vesting would permanently deprive the recipients of some of the shares they had expected to receive if they had remained with Capco until the end of each three-year performance period, as the PSP Rules did not permit the granting of replacement awards to compensate for these lost share awards.

Finally, the Committee reflected on whether the resultant level of vesting was reasonable and appropriate in the circumstances, considering all of Capco's stakeholders. The outcome of the Capco Committee's deliberations was that on completion of the merger, the 2021 PSP award should vest at 63 per cent (between median threshold and upper quartile full vesting) and the 2022 PSP award top quartile full vesting but scaled back by a third to 66.7 per cent to reflect its early vesting date, and the performance conditions applying to these awards were determined at these levels to reflect this assessment. These vesting percentages and the 25 per cent vesting of the 2020 award were set out in last year's remuneration report and summarised in the prospectus for the merger transaction, with both the report and the transaction approved by shareholders. The overall vesting of the 2020, 2021 and 2022 awards resulted in approximately 53 per cent of the aggregate number of share awards vesting. To reflect the early vesting of these awards, the Capco Executive Directors agreed to retain half of the post-tax value of shares that vested from these three awards for a period of two years. Chris Ward also agreed to retain half of the post-tax value of his Shaftesbury LTIP awards that vested as a result of the merger.

2021 awards (disclosed in 2023 single figure)

	Number of awards granted	Performance assessment	Value of shares at vesting ¹ (£)	Dividend equivalents ² (£)	Value of vested awards (single figure) (£)	Impact of share price growth/(reduction) (£)
Ian Hawksworth	1,143,129		896,613	14,898	911,511	(312,986)
Situl Jobanputra	759,109	63% of maximum	595,406	9,893	605,299	(207,842)
Michelle McGrath	616,218		483,330	8,031	491,361	(168,719)

1. The value of awards at vesting is based on a share price of 124.5 pence.
2. Dividend equivalents have been calculated, using the price above, on a reinvestment basis.

2022 awards (disclosed in 2023 single figure)

	Number of awards granted	Performance assessment	Value of shares at vesting ¹ (£)	Dividend equivalents ² (£)	Value of vested awards (single figure) (£)	Impact of share price growth/(reduction) (£)
Ian Hawksworth	1,221,945	100% based on performance and pro-rated down to	1,014,721	13,816	1,028,537	(328,949)
Situl Jobanputra	811,597	66.7%	673,962	9,176	683,138	(218,483)
Michelle McGrath	682,397		566,671	7,715	574,387	(183,702)

1. The value of awards at vesting is based on a share price of 124.5 pence.
2. Dividend equivalents have been calculated, using the price above, on a reinvestment basis.

2.4 Payments for loss of office (Audited)

Four Directors stepped down from the Board during the year and three Directors have stepped down since 31 December 2023.

Michelle McGrath

In connection with the merger with Shaftesbury PLC, Michelle McGrath stepped down as an Executive Director and joined the Executive Committee of the Company with effect from completion of the merger on 6 March 2023. Michelle continues to receive her contractual salary, pension and benefits and participates in the Company's incentive arrangements.

Michelle's bonus for the period of qualifying services as an Executive Director of the Company for the financial year ended 31 December 2023 is set out in the single figure table and associated disclosures. Michelle had interests in the 2021 and 2022 PSP awards which have vested and have also been disclosed in the single figure table.

A contribution of £1,680 plus VAT was made in respect of fees incurred for legal advice regarding her arrangements on stepping down as an Executive Director of the Company. Other than the amounts disclosed above, Michelle is not eligible for any other loss of office payments.

Chris Ward

Chris Ward stepped down from the Board and ceased to be an employee on 22 December 2023.

In accordance with the Company's Directors' Remuneration Policy the payments and benefits have been paid or will be payable to Chris following his cessation:

- A sum of £677,757 by way of payment in lieu of salary and certain contractual benefits (including pension, car allowance, life insurance, health insurance, death in service pension and travel insurance) in respect of his 12 month notice period (commencing on 12 December 2023), to be paid in monthly instalments. He shall also be paid £20,000 in lieu of his accrued but untaken holiday.
- Chris held 1,381,753 nil-cost options under the Company's Performance Share Plan 2017 ("PSP 2017") which were granted to him on 23 March 2023. As a good leaver, these awards have been pro-rated to reflect the proportion of the performance period completed, and remain subject to the applicable performance conditions. Vested awards will accrue dividend equivalents and a two-year post vesting holding period will apply.
- Chris will honour the commitments he made to hold a proportion of the Company shares which he received in exchange for shares which vested under his legacy Shaftesbury PLC share awards in connection with the merger.
- 10,913 Sharesave options became exercisable for a period of six months from cessation, following which they will lapse if not exercised.
- £5,838 excluding VAT was paid directly to third-party service providers in respect of fees incurred for legal advice on stepping down as an Executive Director of the Company.

Henry Staunton

Henry Staunton retired from his role as Chairman and Non-executive Director of the Company with effect from completion of the merger with Shaftesbury PLC on 6 March 2023. Henry received his annual fee for his Chairman role on a pro-rata basis to the date of his retirement, together with an additional fee of £71,000 in lieu of the fee during his three-month notice period and an additional fee (as disclosed in the single figure table) to recognise the material increase in the time that Henry dedicated to his role as Chairman and Non-executive Director over the period to completion of the merger with Shaftesbury PLC. Henry continued to remain in the Company's private medical scheme for a period of three months following his retirement (being the length of his notice period) at a cost of £4,683. No further remuneration payment will be made by the Company to Henry nor will any payment for loss of office be made.

Jonathan Lane

Jonathan Lane retired as a Non-executive Director of the Company with effect from completion of the merger with Shaftesbury PLC on 6 March 2023. Jonathan received his annual Non-executive Director fee on a pro-rata basis to the date of his retirement, together with an additional fee of £7,067 during his one-month notice period and an additional fee (as disclosed in the single figure table) to recognise the material increase in the time that Jonathan dedicated to his role as a Non-executive Director over the period to completion of the merger with Shaftesbury PLC. No further remuneration payments will be made by the Company to Jonathan nor will any payment for loss of office be made.

2.5 Payments to previous Directors (Audited)

No payments to previous Directors in respect of relevant services were made during 2023.

Directors' Share Ownership and Share Interests

2.6 PSP and deferred bonus awards granted in 2023 (Audited)

2023 PSP awards

On 23 March 2023, the following PSP awards, structured as nil-cost options were granted to Executive Directors:

	Scheme	Market price on date of grant ¹	Basis of award	Number of awards	Face value of awards	Percentage vesting at threshold ²	Performance period end ³
Ian Hawskworth	PSP - nil cost options	112.9p	300% of salary	1,926,483	£2,175,000	25%	31 December 2025
Situl Jobanputra				1,381,753	£1,560,000		
Chris Ward				1,381,753	£1,560,000		

- The awards were granted at a price of 112.9p being the three-day average share price prior to grant.
- Threshold vesting under each performance condition.
- The performance period runs from 1 January 2023 to 31 December 2025.

The awards will become exercisable on 23 March 2026 and are subject to two performance criteria, each with a 50% weighting:

	Threshold (25%)	Maximum (100%)
Relative TSR v FTSE350 REITs (50%)	Median	Upper Quartile
Relative Total Accounting Return v FTSE350 REITs (50%)	Median	Upper Quartile

The Remuneration Committee retains the ability to exercise downward discretion when determining the vesting of the awards.

Deferred bonus awards

On 23 March 2023, deferred bonus awards were granted to the Chief Executive and Chief Financial Officer. These awards represent the deferred element of the annual bonus awarded in respect of 2022 reported within the Company's 2022 Annual Report.

	Scheme	Market price on date of grant ¹	Basis of award	Number of awards	Face value of awards
Ian Hawskworth	Deferred bonuses - nil cost options	112.9p	40% of 2022 annual bonus	356,864	£402,899
Situl Jobanputra			237,023	£267,599	

- The awards were granted at a price of 112.9p being the three-day average share price prior to grant.

2.7 Outstanding PSP and deferred bonuses (Audited)

Outstanding awards made under PSP

a) Annual PSP awards^{1,2}

	Year granted	Option price (pence) if any	Held at 1 January 2023	Granted during the year	Exercised during the year ³	Lapsed during the year	Held at 31 December 2023	Exercisable during or between
Ian Hawskworth	2020	Nil	1,112,490	-	278,122	834,368	-	-
	2021	Nil	1,143,129	-	720,171	422,958	-	-
	2022	Nil	1,221,945	-	815,037	406,908	-	-
	2023	Nil	-	1,926,483	-	-	1,926,483	2026-2033
Situl Jobanputra	2020	Nil	738,763	-	184,690	554,073	-	-
	2021	Nil	759,109	-	478,238	280,871	-	-
	2022	Nil	811,597	-	541,335	270,262	-	-
	2023	Nil	-	1,381,753	-	-	1,381,753	2026-2033
Michelle McGrath	2020	Nil	514,030	-	128,507	385,523	-	-
	2021	Nil	616,218	-	388,217	228,001	-	-
	2022	Nil	682,397	-	455,158	227,239	-	-
Chris Ward ⁴	2023	Nil	-	1,381,753	-	932,936	448,817	2026-2033
Total			7,599,678	4,689,989	3,989,475	4,543,139	3,757,053	

- Subject to performance conditions that apply to awards made under the PSP as set out on page 149.
- Subject to a two-year post-vesting holding period.
- The share price on exercise was 124.5p.
- Holdings as at 22 December 2023, being that date Chris Ward stepped down from the Board. Chris Ward also holds an option to acquire up to 10,913 Company shares at an exercise price of 137.38p per share under the legacy Shaftesbury PLC Sharesave Scheme. In accordance with the scheme rules, this Sharesave option became exercisable (to the extent of the accrued savings under the related savings contract as at the date of exercise) for six months from 22 December 2023, following which it will lapse if not exercised.

b) Deferred bonus awards

	Year granted	Option price (pence) if any	Held at 1 January 2023	Granted during the year	Exercised during the year ¹	Lapsed during the year	Held at 31 December 2023	Exercisable during or between
Ian Hawskworth	2020	Nil	192,450	-	192,450	-	-	-
	2022	Nil	171,782	-	171,782	-	-	-
	2023	Nil	-	356,864	-	-	356,864	2026-2033
Situl Jobanputra	2018	Nil	58,289	-	58,289	-	-	-
	2019	Nil	28,986	-	28,986	-	-	-
	2020	Nil	124,161	-	124,161	-	-	-
	2022	Nil	114,074	-	114,074	-	-	-
	2023	Nil	-	237,023	-	-	237,023	2026-2033
Michelle McGrath	2022	Nil	92,601	-	92,601	-	-	-
Total			782,343	593,887	782,343	-	593,887	

- The share price on exercise was 124.5p per share.

2.8 Statement of Directors' shareholding and share interests (Audited)

(a) Directors' shareholdings

The beneficial interests in the shares of the Company for each Director who served during the 2023 financial year as at the later of cessation of being a Director and 31 December 2023 (which are unchanged as at 28 February 2024, being a date not more than one month before the date of the notice of Annual General Meeting) are set out in the table below. The Chief Executive is required to achieve a shareholding in the Company equivalent to 300 per cent of salary and the Chief Financial Officer is required to achieve a shareholding in the Company equivalent to 200 per cent of base salary, to be achieved by retaining at least 50 per cent of any vested share awards (net of tax).

There is a post-cessation shareholding requirement of 200 per cent of salary for all Executive Directors, capturing vested annual bonus awards made from 1 January 2022 (in respect of 2021) and all Performance Share Plan awards made from 1 January 2021.

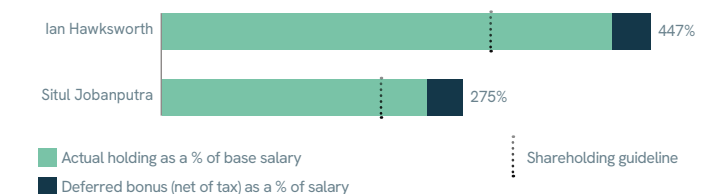
The current shareholdings of the Executive Directors, and their value based on a share price of 138.1 pence, being the price of a Shaftesbury Capital PLC share on 29 December 2023 (being the last day for trading during the year), are illustrated in the table below. The shares which are included in these holdings are those held beneficially by the Director, their spouse or dependant family members, shares held within ISAs, PEPs or pensions, shares that are subject to a pre-vesting holding period, such as deferred bonus, and vested but unexercised awards. The latter three categories are included on a net of tax basis.

Directors' shareholdings (including connected persons) - 2023 and 2022 (Audited)

	2023 Number	2022 Number
Executive Director		
Ian Hawskworth ¹	2,156,735	1,002,628
Situl Jobanputra ¹	910,779	100,000
Non-executive Director		
Jonathan Nicholls	192,970	-
Richard Akers	133,550	-
Jennelle Tilling	41,950	-
Ruth Anderson	16,780	-
Helena Coles	20,136	-
Charlotte Boyle	15,052	15,052
Anthony Steains	-	-
Former Director²		
Henry Staunton	350,000	350,000
Michelle McGrath	604,175	40,000
Jonathan Lane	500,000	450,000
Chris Ward	1,174,106	-

- Excludes deferred bonus awards.
- Henry Staunton, Jonathan Lane and Michelle McGrath stepped down from the Board on 6 March 2023 in connection with the merger. Chris Ward stepped down from the Board on 22 December 2023. Their shareholdings are based on the shares held at the date of ceasing to be a director of the Company.

Value of Executive Director shareholdings and share interests as at 31 December 2023 (Audited)



(b) Directors' share interests (Audited)

Details of Executive Directors' share scheme interests, including information on share awards that were exercised or vested during the year, are set out in the tables on pages 146 to 148.

(i) Summary of Executive Directors' interests in shares and share schemes

Executive Director	Shares held	Nil-cost option awards in respect of deferred bonus	Awards no longer subject to performance conditions	Nil-cost option awards, subject to performance conditions	Total
Ian Hawksworth	2,156,735	356,864	-	1,926,483	4,440,082
Situl Jobanputra	910,779	237,023	-	1,381,753	2,529,555
Chris Ward ¹	1,174,106	-	-	448,817	1,622,923
Michelle McGrath ¹	604,175	-	-	-	604,175
Total	4,845,795	593,887	-	3,757,053	9,196,735

1. The shareholdings and awards held by Michelle McGrath and Chris Ward are stated as at 6 March 2023 and 22 December 2023 respectively, being the dates they stepped down from the Board. The Executive Directors at the end of the financial year have a total interest in 6,969,637 shares and awards.

The market price of Shaftesbury Capital PLC shares on 29 December 2023 (being the last day for trading during the year) was 138.1 pence and during the year the price varied between 102.5 pence and 139.2 pence.

2.9 Implementation of the Policy in 2024

Salary

As disclosed in the prospectus and in last year's remuneration report, reflecting the increased scope that the roles of the Chief Executive and Chief Financial Officer would be performing in the merged company, Ian Hawksworth and Situl Jobanputra's salaries were set at £725,000 and £520,000 respectively on completion of the merger. For 2024, effective from 1 January, the Chief Executive and Chief Financial Officer received an increase of 3 per cent which compares to a wider workforce increase of 4.3 per cent.

The salaries for the Executive Directors are set out in the table below:

Executive Director salaries – 2023 and 2024

	2024	2023	Per cent increase
Ian Hawksworth	£747,000	£725,000	3.0
Situl Jobanputra	£536,000	£520,000	3.0

Pension and benefits

Executive Directors receive a pension contribution of 17.5 per cent of salary which is aligned with the workforce contribution rate and benefits as described in the Remuneration Policy on page 133.

Annual bonus

Opportunity

The annual bonus opportunity will remain unchanged for 2024 at 150 per cent of salary with 40 per cent of any bonus awarded to be deferred into shares for three years.

Performance conditions

For 2024, the three financial measures will remain unchanged from previous years. The Committee considers EPRA NTA per share, EPS and Total Property Return to be well aligned with shareholders. However, for 2024, the weightings have been amended slightly to reflect the increased focus on cost management and earnings in 2024.

Performance conditions	Weighting	Description
EPRA Net Tangible Assets per share	25/75	A key measure driving the long-term potential of our assets
Underlying Earnings per Share	30/75	Rewards value growth in net rental income as well as managing costs. Upweighted to reflect the importance of delivering cost savings and operating efficiencies
Relative Total Property Return	20/75	Rewards the additional portfolio value created by management over and above any changes in value from tracking the property market as a whole, as measured by the widely-used MSCI Total Return All Property Index

The remaining 25% of the bonus will be based on corporate and sustainability objectives.

The TPR target is included in the Company's KPIs on page 16. The KPIs are in part dependent upon the occurrence of certain discrete events. Therefore, whilst the outperformance targets that apply to the long-term incentives are disclosed, the Board has decided that as the Group operates in specific locations within the competitive central London property market, prospective disclosure of specific short-term NTA and EPS targets, or non-financial performance targets, would provide a level of information to counterparties that could prejudice the Company's commercial interests. The Committee will publish the performance targets retrospectively once they have ceased to be commercially sensitive, which is expected to be when the bonus amounts are determined.

► Further information on the Company's KPIs can be found on pages 16 and 17.

Performance Share Plan

PSP awards of 300 per cent of 2024 salary will be made to each Executive Director as awards of nil-cost options. The performance conditions and comparator group that will apply to these awards, and all outstanding awards, are set out in the tables below.

Performance conditions for PSP awards

	Threshold (25%)	Maximum (100%)
TAR v FTSE 350 REITs (50 per cent)	Median	Upper Quartile
TSR v FTSE 350 REITs (50 per cent)	Median	Upper Quartile

Use of market purchased shares

The rules of the Performance Share Plan provide the Board with flexibility on whether the shares awarded will ultimately be delivered by issuing new equity, or purchasing shares on the stock market. In deciding whether to issue or purchase shares the Board will consider a number of factors with a view to minimising dilution of shareholders' interests; these include whether and by how much the shares are trading at a discount/premium to Net Tangible Assets, Group liquidity and market outlook. If there is sufficient liquidity and shares are trading at a discount to Net Tangible Assets then it is expected that shares would be purchased rather than issued. It is confirmed that the share awards made in 2023 are expected to be settled using shares purchased in the market. Due to the exceptional circumstances of the merger, it was not possible for the Company's Employee Benefit Trust to acquire market purchased shares to satisfy the awards that vested prior to completion. Newly issued shares representing c. 0.3 per cent of the post-completion share capital were therefore used to satisfy these awards.

Chairman and Non-executive Director remuneration

The Committee reviews the Chairman's fee and the remuneration of the Non-executive Directors is considered by the Chairman and the Chief Executive. The fees paid to the Chairman and Non-executive Directors are reviewed annually, although fees may not be increased every year. Jonathan Nicholls' fee as Chairman was set at the same level as his predecessor at £284,000 (which was not increased since 1 May 2020). The Committee has reviewed this fee and set the fee at £310,000 with effect from 1 May 2023, which reflects the increased size and scale of the Group post-merger and Jonathan's time commitment in fulfilling the role.

The Board (excluding the Non-executives) reviewed Non-executive Director fee levels during the year which were last reviewed in May 2020 and taking into account market data, the following fees were agreed with effect from 1 May 2023:

- Fees for the Non-executive Directors were increased from £55,000 to £65,000 per annum.
- Supplementary fees for chairing the Audit and Remuneration Committee of £20,000 per annum each and ESC Committee of £17,000 per annum (increased from £16,300 per annum). The Chairman does not receive an additional fee for chairing the Nomination Committee.
- Membership fee changed from being capped at two Committees (Audit, Remuneration and ESC) at £7,000 each and Nomination Committee at £6,200 to a reduced membership fee of £5,000, with no cap on the number of Committees.
- The supplementary fee for the role of Senior Independent Director is unchanged at £13,400 per annum.

Pay Comparison

2.10 Percentage change in Directors' remuneration versus employee pay

The table below shows the year-on-year percentage change in the remuneration for the years ended 31 December 2023, 31 December 2022, 31 December 2021 and 31 December 2020 of each Director compared with the average percentage change in remuneration for a comparator group of Shaftesbury Capital employees.

	Salary/Fees (% change)				Benefits (% change)				Annual bonus (% change)			
	2023 ¹	2022	2021	2020	2023 ²	2022	2021	2020	2023	2022	2021	2020
Executive Directors												
Ian Hawksworth	8.28	3.75	0.79	2.92	32.26	10.71	7.69	-	-10.92	42.23	N/A	-100
Situl Jobanputra	15.42	3.76	1.67	7.18	40.00	-16.67	-4.00	4.17	-2.39	42.34	N/A	-100
Non-executive Directors³												
Jonathan Nicholls	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Richard Akers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ruth Anderson	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charlotte Boyle ⁴	54.12	-	1.19	1.20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Helena Coles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anthony Steains ⁴	25.51	-	11.36	35.28	32.43	N/A	-100.00	-80.49	N/A	N/A	N/A	N/A
Jennelle Tilling	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average employee ⁵	13.23	10.3	4.63	4.94	13.13	2.95	30.51	12.34	33.63	20.99	54.18	-69.47

- Changes in Executive Directors' salaries reflect the increased scope of roles following completion of the merger.
- Changes in Executive Directors' benefits reflect inclusion of permanent health insurance and life insurance in the 2023 figure in addition to increased cost of health insurance. Due to the relatively small values of these amounts, small absolute increases can result in large percentage changes.
- Percentage changes cannot be calculated for those Non-executive Directors who joined the Board on completion of the merger.
- Fee increases are due to the additional one-off payments made in recognition of the additional workload placed on Non-executive Directors in completing the merger. The increase in Anthony Steains' benefits reflects travel to attend additional Board meetings.
- As Shaftesbury Capital PLC has no direct employees, information for Group employees has been disclosed on a voluntary basis. To allow a meaningful comparison, the analysis for employees is based on a consistent group of individuals for each comparison, being those employed by the Group at both 1 January and 31 December of each period, and has been calculated on a full-time equivalent basis. The Directors are excluded from the employee figures.

2.11 Chief Executive pay ratio

As Shaftesbury Capital has fewer than 250 employees, it is not legally required to report pay ratios. However, the ratios below are disclosed on a voluntary basis.

The table below sets out the Chief Executive's remuneration compared with the 25th, median and 75th percentile employee within the employee reference group as at 31 December 2023. Option A as defined in the Companies (Miscellaneous Reporting) Regulations 2018 was used to calculate the ratios, as this calculation methodology was considered to be the most accurate method. For 2023, the employees included in the calculation are those employed by the Group at year end, on a full-time equivalent basis, and excluding Shaftesbury PLC employees who joined in the year. The remuneration figures for employees other than Executive Directors have been calculated using salaries payable from the April of the relevant year. The figure for Executive Directors' remuneration is the single figure of remuneration for each financial year.

Year	Method	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2023	Option A	43.6:1	26.5:1	14.1:1
2022	Option A	31.0:1	17.3:1	10.9:1
2021	Option A	23.9:1	14.2:1	9.5:1
2020	Option A	14.4:1	7.9:1	6.0:1

The remuneration used to calculate the 2023 pay ratios is set out below.

	Chief Executive £000	25 th percentile £000	Median £000	75 th percentile £000
Base salary	719	51	78	124
Total remuneration	3,723	85	141	264

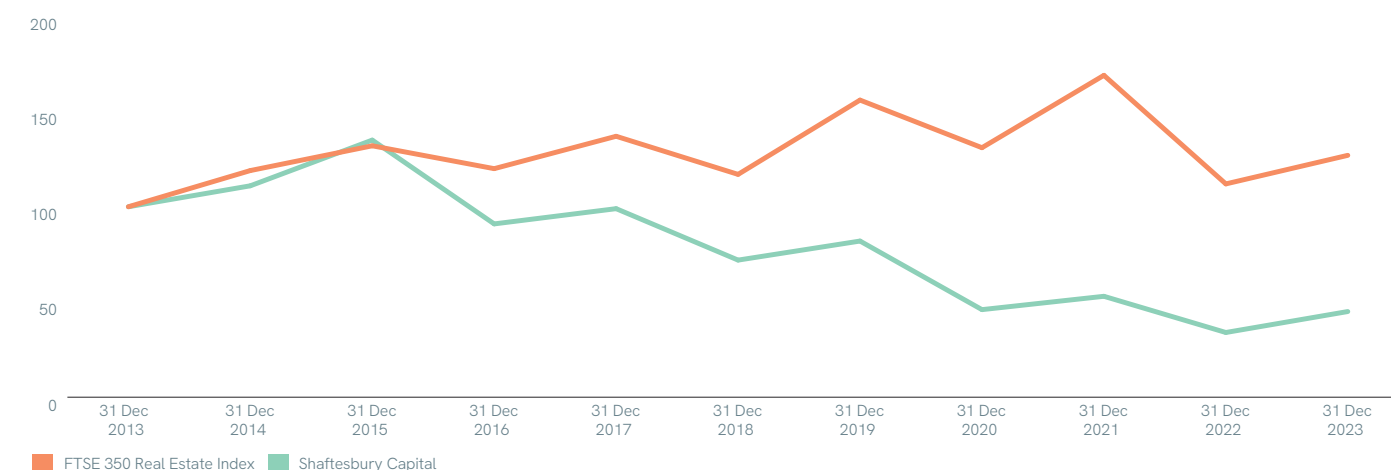
Due to the relative weighting of variable remuneration for the Executive Directors, the pay ratios will be significantly smaller in years when PSP awards do not vest. In addition, due to the Group's relatively small number of employees, the ratios calculated may vary between years as a result of employees joining or leaving the Company.

2.12 Chief Executive single figure of total remuneration history and TSR performance

The graph below shows the total shareholder return at 31 December 2023 of £100 invested in Capital & Counties Properties PLC (now Shaftesbury Capital PLC) on 1 January 2014, compared with the FTSE 350 Real Estate Index. The Committee considers this benchmark to be the most relevant benchmark for the Company's performance.

The table below the graph shows, for each financial year, information on the remuneration of Ian Hawksworth, who has been Chief Executive since 2010.

Total shareholder return

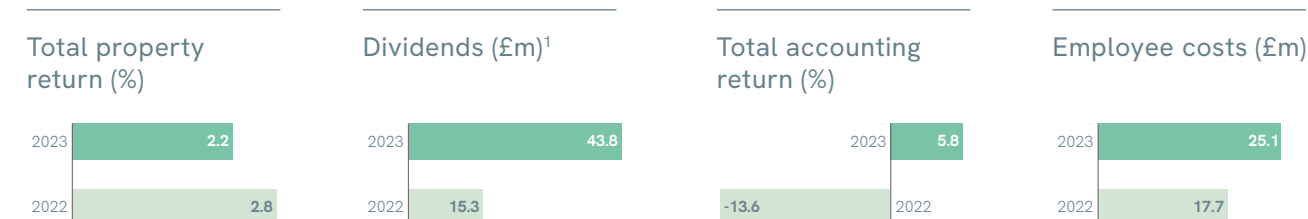


Financial year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 ²
Single figure £'000	3,396	3,275	918	1,307	991	1,566	813	1,510	2,121	3,723
Annual bonus % of max	96.73	91.25	21.25	61.60	23.75	83.33	0	73.75	100.00	82.50
MSP vesting % of max	93.1	40 or 80 ¹	0	0	0	N/A	N/A	N/A	N/A	N/A
PSP vesting % of max	93.1	60	0	0	0	0	0	0	25	63 and 66.7²

- Depending on the award. Please refer to 2015 Annual Report for more information.
- PSP vesting based for the 2021 and 2022 PSP awards. Note that awards were also subject to pro-rating for time.

2.13 Relative importance of the spend on pay

The bar graphs below illustrate dividends paid and total employee pay expenditure (this includes pension, variable pay, and national insurance) for the financial years ended 31 December 2022 and 31 December 2023, and the year-on-year change in each. The disclosure is based solely on Capco/Shaftesbury Capital pre- and post-merger and does not take into account Shaftesbury's dividends and employee spend. The aforementioned measures are those prescribed by the remuneration disclosure regulations; however, they do not reflect Shaftesbury Capital's KPIs, which are explained on pages 16 and 17. Accordingly, bar graphs showing Shaftesbury Capital's one-year TPR and TAR are also included.



- £1.9 million of the total dividend paid during 2023 was retained by a Group controlled entity following the dividend threshold test as set out in the exchangeable bond conditions.

Remuneration Committee adviser and voting

2.14 Independent adviser to the Remuneration Committee

During the year, the Committee undertook a competitive tender exercise and appointed FIT Remuneration Consultants LLP ('FIT') as its independent remuneration adviser. Prior to FIT, the Committee was advised by Korn Ferry. During the year, the Committee received advice on matters including a review of the Directors' remuneration policy, including remuneration structure, incentive design, the choice of incentive measures and target setting from its advisers. FIT and Korn Ferry are both members of the Remuneration Consultants Group and each adheres to its code of conduct. The Committee has received confirmation of independence from both FIT and Korn Ferry, and is satisfied that the advice received was objective and independent. In addition to advice provided to the Committee, Korn Ferry provided share award valuation services, and FIT provided share award valuation and share plan implementation services to the Company. During 2023, the Company was charged a total of £64,190 by FIT and £63,060 by Korn Ferry in respect of advice to the Committee. Fees were charged on a time spent basis.

2.15 Shareholder voting

The table below shows the results of the advisory vote on the 2022 Directors' Remuneration Report at the 2023 AGM and the binding vote on the current Remuneration Policy at the 2023 AGM.

Voting on Remuneration Policy and Remuneration Report at the 2023 AGM

Year		Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
2023	Approval of Remuneration Report	1,312,086,833	91.45	122,652,343	8.55	1,434,739,176	10,796,253
2023	Approval of Remuneration Policy	1,279,525,790	89.18	155,218,849	10.82	1,434,744,639	10,790,790

This Remuneration report has been approved for issue by the Board of Directors on 28 February 2024.

Richard Akers

Chair of the Remuneration Committee

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2023.

Additional disclosures

Certain Directors' Report disclosures, including a number of those required under the Companies Act 2006, Schedule 7, Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (as amended), the Listing Rules and Disclosure and Transparency Rules, have been incorporated into this Directors' Report by reference and can be found within the following sections of the Annual Report:

	Page
Strategic Report (which includes information on likely future developments for the business) including:	Inside cover
Chief Executive's statement	10
Purpose-led strategy and business model	14
Key performance indicators	16
Portfolio and operating review	18
Stakeholder engagement	40
People and culture	46
Financial review	48
Effective risk management	59
Principal risks and uncertainties	61
Task Force on Climate-related Financial Disclosures	66
Viability statement	75
Sustainability (which includes information on the Group's environmental and sustainability, and community matters, the Group's required disclosures on greenhouse gas emissions, energy consumption and energy efficiency activities)	78
Section 172(1) statement	108
Non pre-emptive issue of equity	201
Interests in significant contracts	203

Company status and listings

With effect from 6 March 2023, on completion of the merger with Shaftesbury, the Company changed its name from Capital & Counties Properties PLC to Shaftesbury Capital PLC. The Company has a primary and premium listing on the London Stock Exchange main market and a secondary listing on the Johannesburg Stock Exchange. For the purposes of its listing on the Johannesburg Stock Exchange, the Company maintains an overseas branch register in South Africa. The Company's secured exchangeable bonds due 2026 are listed on the Frankfurt Stock Exchange.

Directors

The Directors of the Company who held office during the year and up to the date of signing the financial statements were as follows:

Chairman:	Jonathan Nicholls
Executive Directors:	Ian Hawksworth Situl Jobanputra
Non-executive Directors:	Richard Akers Ruth Anderson Charlotte Boyle

Biographies of each current Director can be found on pages 96 and 97.

Details of current Directors, and other Directors who served during the year and prior to the date of signing the financial statements alongside details of each Director's interests in the Company's shares are set out in the Directors' Remuneration Report which is incorporated by reference to this report and can be found on pages 127 to 152.

The powers of the Directors are determined by UK legislation and the Company's Articles of Association, together with any specific authorities that shareholders may approve from time to time.

The rules governing the appointment and replacement of Directors are contained in the Company's Articles and UK legislation. In compliance with the 2018 UK Corporate Governance Code, all the current Directors will retire from office and will offer themselves for re-election at the 2024 Annual General Meeting.

Compensation for loss of office

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company share schemes may cause share options and awards to vest on a takeover.

Directors' conflicts of interest

The Company has procedures in place for the management of conflicts of interest. Should a Director become aware that they, or a connected party, have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary before the next meeting or at the meeting. Directors have a continuing obligation to notify any changes to their potential conflicts.

Directors' indemnities and insurance

In accordance with the Company's Articles of Association, the Company has indemnified the Directors to the full extent allowed by law. The Company maintains Directors' and Officers' liability insurance, which is reviewed annually.

Articles of Association

Changes to the Articles of Association must be approved by shareholders in accordance with the Companies Act 2006 and the requirements of the 2018 UK Corporate Governance Code.

Dividends

The Directors have proposed the following dividends:

Interim dividend paid on 18 September 2023	1.5p per ordinary share
Proposed final dividend to be paid on 31 May 2024	1.65p per ordinary share
Total dividend for 2023	3.15p per ordinary share

The proposed final dividend (of which 0.65 pence will be paid as a Property Income Distribution ("PID") and 1.0 pence will be paid as an ordinary dividend) will be paid on 31 May 2024 to shareholders whose names are on the register on 26 April 2024. The interim dividend was paid wholly as an ordinary dividend.

Capital structure

Details of the Company's issued ordinary share capital, including details of movements in the issued share capital during the year, and authorities to issue or repurchase shares are shown below and in note 27 to the financial statements on page 201. Each share carries the right to one vote at general meetings of the Company. The Company was granted authority at the 2023 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2024 AGM, or, if earlier, on 15 September 2024, 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 January 2024 to 28 February 2024.

At 28 February 2024, the Company had an unexpired authority to repurchase shares up to a maximum of 182,481,970 shares with a nominal value of £45.6 million, and the Directors had an unexpired authority to allot up to a maximum of 1,216,546,468 shares with a nominal value of £304.1 million of which 608,273,234 shares with a nominal value of £152.1 million can only be allotted pursuant to a rights issue.

There are no specific restrictions on the transfer of shares beyond those standard provisions set out in the Articles of Association. No shareholder holds shares carrying special rights with regard to control of the Company.

Use of financial instruments

Information on financial risk management objectives and policies, including hedging policies, and exposure of the Company in relation to the use of financial instruments, can be found in note 25 on pages 195 to 200.

Change of control provisions

There are a number of agreements which (should consent not be obtained from the counterparty to a change of control) alter or terminate upon a change of control of the Company. The £350 million Shaftesbury Capital facility, the Covent Garden £300 million facility and £475 million loan notes, the £450 million Shaftesbury AV Limited facility, and the £134.75 million Shaftesbury CL Limited facility contain provisions requiring outstanding facilities to be repaid on a change of control. The £275 million exchangeable bonds (due to be repaid in 2026) provide bondholders the right of early redemption on a change of control, subject to certain exceptions.

The Longmartin investment and Lillie Square development joint venture both contain provisions which are triggered by a change of control. The Performance Share Plan ("PSP") includes provisions relating to the treatment of awards in the event of a change of control.

Substantial shareholdings

The significant holdings of voting rights in the share capital of the Company notified to the Financial Conduct Authority and disclosed in accordance with Disclosure and Transparency Rule 5, as at 28 February 2024, being a date not more than one month before the date of the Notice of Annual General Meeting, are shown in the table below.

Substantial shareholdings, disclosed as at 28 February 2024

Holder	Shares held at time of last notification	Percentage held at time of last notification ¹	Nature of holding	Date of last DTR 5 notification
Norges Bank	459,649,804	23.53%	Direct interest	8 March 2023
BlackRock, Inc.	109,083,558	5.58%	Indirect interest	11 January 2024

1. Notified holdings are calculated with reference to the total issued share capital on the date the threshold was reached. This figure includes 128,350,793 ordinary shares held as security by a Group entity under the terms of the £275 million exchangeable bond and while held by a Group entity will not vote.

Corporate governance statement

The information fulfilling the requirements of the corporate governance statement, including the requisite disclosures in relation to diversity, can be found on pages 94 to 152, which should be deemed to be incorporated within this Directors' Report, and in the share capital note on page 201. Application of the Principles of the UK Corporate Governance Code 2018 (the "2018 Code") can be found on pages 94 to 152. Full details of the 2018 Code can be found on the Financial Reporting Council's website at <https://www.frc.org.uk>.

Employees

Information on Group employees, and engagement with employees during the year, can be found on pages 42 and 43, 46 and 47 and in note 6 on page 180.

Engagement with stakeholders

Information on the ways in which the Directors have regard to the need to foster the Company's business relationships with stakeholders, including suppliers, customers and others, and the effect of that regard on principal decisions taken by the Company is set out in our Stakeholder engagement section on pages 40 to 45 and 108 and 109 of this report.

Political donations

The Company did not make any political donations during the year (2022: nil).

The environment

Details of the Group's Environment, Sustainability and Community ("ESC") Strategy and its aims and activities are set out on pages 78 to 91, and further information is available on the Company's website at: <https://www.shaftesburycapital.com/en/responsibility/our-approach.html>

Going concern

As set out on page 58, the Directors have a reasonable expectation that the Company and the Group will have adequate resources to meet both ongoing and future commitments over a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

Disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all steps that he or she ought to have taken as a Director, in order to make himself or herself aware of any relevant audit information, and to establish that the auditors are aware of that information. This confirmation is given in accordance with section 418 of the Companies Act 2006.

Independent auditors

The Board has recommended that PricewaterhouseCoopers LLP, who have indicated their willingness to continue in office, be reappointed as the Company's independent auditors and a resolution seeking PwC's reappointment will be proposed at the forthcoming Annual General Meeting. The external audit contract was last put out to competitive tender in 2019. Under current regulations, the Company is required to retender the external audit contract by no later than the 2030 financial year.

Events after the reporting period

Details of events after the reporting period can be found in note 34 of the financial statements on page 206.

Annual General Meeting

The 2024 Annual General Meeting of the Company will be held on 23 May 2024. The Notice of Meeting will contain the specific details, and, together with an explanation of the business to be dealt with at the meeting, will be included as a separate document sent to shareholders via electronic or hard copy means dependent on their election. The Notice of Meeting will be issued to shareholders at least 20 working days before the meeting, and will also be made available on the Company's website. Shareholders are requested to check the Company's website for the latest details concerning the 2024 AGM.

By Order of the Board.

Desna Martin
Group Company Secretary

28 February 2024

Directors' responsibilities

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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 Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

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.

Directors' confirmations

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

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

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- 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 Group's and Company's auditors are aware of that information.

The financial statements on pages 165 to 226 were approved by the Board of Directors on 28 February 2024 and signed on its behalf by:

Ian Hawksworth **Situl Jobanputra**
Chief Executive Chief Financial Officer

28 February 2024

Independent auditors' report to the members of Shaftesbury Capital PLC

Report on the audit of the financial statements

Opinion

In our opinion, Shaftesbury Capital PLC's Group financial statements and 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 31 December 2023 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated and Company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 6 (c), we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope	– We audited the complete financial information of the Group, which comprises the West End property portfolio and the Group's share of joint ventures and associates
Key audit matters	– Valuation of investment property (Group) – Valuation of the acquired assets and liabilities of Shaftesbury PLC (Group) – Valuation of investment in Group companies and amounts owed by subsidiaries (Company)
Materiality	– Overall Group materiality: £52.1 million (2022: £23.5 million) based on 1 per cent of total assets – Overall Company materiality: £37.4 million (2022: £23.1 million) based on 1 per cent of total assets – Performance materiality: £39.1 million (2022: £17.6 million) (Group) and £28.1 million (2022: £17.3 million) (Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of the acquired assets and liabilities of Shaftesbury PLC is a new key audit matter this year. Application of the IFRS Interpretations Committee Agenda Decision in relation to lessor forgiveness of lease payments was a key audit matter last year due to it being a revised accounting policy application, and is no longer included. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property (Group) Refer to the Audit Committee report and notes 1, 7, and 14 of the financial statements.</p> <p>The valuation of the Group's investment property is the key component of the net asset value. The result of the revaluation this year was a loss of £68.5 million (2022: £0.8 million loss) as set out in notes 7 and 14, which is accounted for within 'Loss on revaluation and sale of investment property' in the Group's Consolidated income statement.</p> <p>The Group engages third party real estate valuation experts ("third party valuers") to support them with determining the fair value of the Group's properties. These valuers were engaged to perform valuations in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards ("RICS").</p> <p>The Group's property portfolio comprises mixed use investment property (including retail, food and beverage, office and residential) in London's West End, and these properties are not uniform in nature. There are a number of different assumptions made by the Group's third party valuers, CBRE (for the Covent Garden properties) and Cushman & Wakefield (for the remainder of the West End wholly-owned property portfolio), in determining fair value.</p> <p>The assumptions on which the property values are based are influenced by tenure and tenancy details, prevailing market yields and the estimated rental values for each property. Macroeconomic factors and uncertain market conditions also impact the valuation of investment property.</p> <p>In addition, the valuation of the investment property is particularly subjective given the current macroeconomic conditions. There is also growing scrutiny on the valuation of assets given the potential impacts of climate change. Accordingly we identified this area as a key audit matter. The focus of our work was on the Investment property financial statement line item, but we also perform similar procedures over property assets held as owner occupied and within joint ventures and associates.</p>	<p>Assessing the third party valuers' expertise and objectivity We assessed the competence and capabilities of the valuers and verified their qualifications. The valuers are reputable and established real estate valuation firms. We also assessed their independence by discussing the scope of their work and reviewing the terms of their engagement for unusual terms or fee arrangements. Based on this work, we are satisfied that the valuers were independent and competent and the scope of their work was appropriate.</p> <p>We engaged our own auditors' real estate valuation experts who are qualified chartered surveyors with relevant market knowledge to support our audit procedures. This included reading the external valuation reports prepared by CBRE, Cushman & Wakefield, and the other valuers engaged to undertake property valuations for the Group's joint ventures and associates. Our audit experts also attended meetings with the third party valuers to discuss and challenge assumptions applied, supporting the audit team with identifying where additional audit evidence was required. Our audit experts also confirmed that the valuation approaches applied by the third party valuers were in accordance with the RICS standards and in accordance with IFRS 13, and therefore suitable for use in determining the fair value of investment property for the purpose of the financial statements.</p> <p>Data provided to the third party valuers For investment properties the key data that management provides to the third party valuers is tenancy schedules. These contain information for each property of leases, square footages, use and other details. We tested a sample of this data to ensure it was complete and accurate.</p> <p>Assumptions and estimates used by the third party valuers With the assistance of our own valuation experts, we met with the third party valuers independently of management and gained an understanding of the valuation methods and assumptions used. The nature of assumptions used varied across the portfolio depending on the nature of each property, but they included estimated investment yields and rental values, and factored in void rates and rent free periods.</p> <p>We utilised independent sources of information to develop our own ranges of the expected yields and capital value movements for each property in the portfolio, based on their individual uses and locations. This allowed us to identify assumptions and property capital value movements outside of our expected range, and therefore focus our audit challenge on understanding the reasons for these (from third party valuers and management) and obtaining further audit evidence. For the Group's largest properties (by capital value) we also made specific enquiries of the third party valuers on the basis for key assumptions and obtained audit evidence to support these.</p>

Key audit matter

Valuation of investment property (Group) continued

How our audit addressed the key audit matter

Assumptions and estimates used by the third party valuers continued

We then evaluated whether, based on these procedures together with our experience in this sector, the estimate or assumptions applied were reasonable. We considered the reasonableness of assumptions that are not so readily comparable with published benchmarks, in particular ERV where, for a sample of individual properties, we specifically challenged the third party valuers to support their individual ERV assumptions with reference to available evidence and in the context of the impact of macroeconomic uncertainties and trends.

It was evident from our interaction with the external valuers, and from our review of the valuation reports, that close attention had been paid to each property's individual characteristics at a detailed, tenant by tenant level, as well as considering specific factors such as the latest leasing and sale activity, the desirability of the asset and the extent to which macroeconomic factors impacted or not on the asset.

Our testing evidenced that the estimates and assumptions used were reasonable in the context of the Group's property portfolio and location, and reflected the circumstances of the market at the time of the valuation.

We also challenged the third party valuers and management on the extent to which the potential impact of climate change had been appropriately factored into the valuation of investment properties. This included corroborating management's views that the cost of climate change predominantly manifests in the planned capital expenditure assumptions. We also corroborated that the valuers had had access to other studies management had commissioned on the physical risks of climate change and obtained their views on the extent to which these impacted current valuations. Our auditors' experts supported our understanding and own independent views and we concluded climate change impacts had been properly factored into the valuation assumptions.

We have not identified any issues from our audit procedures performed and the evidence we obtained.

Valuation of the acquired assets and liabilities of Shaftesbury PLC (Group)

Refer to the Audit Committee report and notes 1 and 13 of the financial statements.

On 6 March 2023, Capital & Counties Properties PLC (now Shaftesbury Capital PLC) and Shaftesbury PLC merged, executed by the issue of shares in Shaftesbury Capital PLC to Shaftesbury shareholders.

The combination of the two businesses was deemed to be a business combination in accordance with IFRS 3, and required management to make judgements in relation to determining the 'acquirer' and measuring the assets and liabilities acquired at fair value on acquisition date.

For the purposes of the merger, Shaftesbury Capital PLC was determined to be the acquirer. The assets and liabilities of Shaftesbury PLC were therefore measured at fair value on the acquisition date. The fair value of the consideration paid (being shares issued) was less than the fair value of the acquired assets and liabilities, resulting in a gain on bargain purchase of £805.5 million which is recognised in the Group's consolidated income statement.

Due to the judgements involved and fair value estimates required as part of the acquisition accounting, we identified this area as a key audit matter.

Determining the acquirer

Management prepared an analysis of the key factors assessed in determining the acquirer for IFRS 3 purposes. This included consideration of the relative size of both groups, whether either party would be paying a premium or receiving a discount to acquire the other, board and management composition at the merger date, and consideration of the fact that Capital & Counties Properties PLC held a 25.2% existing shareholding in Shaftesbury PLC. Capital & Counties Properties PLC was also the party that issued its shares to Shaftesbury PLC shareholders in executing the merger transaction. We considered each aspect of the analysis and corroborated this to supporting audit evidence and our knowledge of the transaction. We also took account of post-merger factors to ensure these remained consistent with management's judgement. We concluded that the determined acquirer was appropriate and that the key factors considered by management in making this judgement were disclosed appropriately within note 1 of the financial statements.

Fair value measurement of assets and liabilities

We evaluated management's assessment of the fair values of the acquired assets and liabilities. The material estimates were in relation to investment properties (which are measured at fair value in the underlying books and records of Shaftesbury PLC) and fixed rate debt arrangements. We focused our audit effort on these material fair value estimates, and our work included:

- Investment properties – our audit procedures conducted as at the acquisition date were largely consistent with those set out above in the investment properties key audit matter.
- Debt – we utilised our own valuation specialists to support our audit work over the fair value adjustments. This included understanding management's method for determining the adjustments and benchmarking Level 2 assumptions used in the calculation of fair value.

In addition to the above, we also tested other fair value adjustments to supporting audit evidence, and we considered whether all material adjustments had been identified and made with regard to our audit knowledge and testing of the opening balance sheet acquired.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of the acquired assets and liabilities of Shaftesbury PLC (Group) continued</p>	<p>Other considerations</p> <p>As part of our audit procedures we also performed testing of other balances within the opening balance sheet acquired and the transaction costs incurred, and verified the alignment of accounting policies between the two businesses.</p> <p>We evaluated the audit evidence we had obtained and the resulting gain on bargain purchase in the Group's consolidated income statement which we consider has been appropriately explained in the disclosures in note 13.</p> <p>We have not identified any issues from our audit procedures performed and the evidence we obtained.</p>
<p>Valuation of investment in Group companies and amounts owed by subsidiaries (Company)</p> <p>Refer to notes II and III of the financial statements.</p> <p>The Company holds investments in Group companies of £2,129.4 million (2022: £516.4 million), and amounts owed by subsidiaries of £1,613.6 million (2022: £1,795.8 million).</p> <p>The impairment assessment of the Company's investments in subsidiaries and determination of any expected credit loss allowance in respect of amounts owed by subsidiaries is performed on an annual basis.</p> <p>Management's current year assessment concluded that the carrying value of investments was supported by the net assets of the underlying subsidiaries. An expected credit loss of £96.9 million was recognised in relation to the intercompany loan amounts owed by subsidiaries.</p> <p>This area was identified as a key audit matter given the materiality of these balances.</p>	<p>We assessed the accounting policies for investments and amounts owed by subsidiaries to ensure these were compliant with UK-adopted international accounting standards. We verified that the methodology used by management in arriving at the carrying value of each subsidiary, and the expected credit loss for amounts owed by subsidiaries, was compliant with UK-adopted international accounting standards.</p> <p>We obtained management's impairment assessments and validated that input data used was consistent with the Group financial statements and underlying subsidiary carrying values.</p> <p>For investments in Group companies there was no evidence of impairment indicators. For amounts owed by subsidiaries, management's expected credit loss allowance takes into account a number of factors, including the underlying property assets held by the Group.</p> <p>Based on our audit procedures and the evidence we obtained, we concluded that no further impairments were required in relation to the investments in Group companies or amounts owed by subsidiaries.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

On 6 March 2023, the Group merged with Shaftesbury PLC and since that date the integration of the two businesses has continued. The Group engagement team has audited the whole combined group centrally, including the Group's share of joint ventures and associates.

The impact of climate risk on our audit

We also read the disclosures included in the Strategic report in relation to climate change, explaining the governance processes in place to assess climate risk and additional reporting requirements. The Group has made commitments to a Net Zero Carbon Pathway by 2030. A detailed description of the commitments and targets to achieve these is set out in the Strategic report.

As part of our audit we made enquiries of management to understand the process adopted to assess the potential impacts of climate risks on the Group's financial statements. The key area of the financial statements where management evaluated that climate risk has a potential significant impact is in relation to the valuation of investment properties (see note 14 of the Group financial statements). We also considered this an area which may be potentially materially impacted by climate risk and consequently we focused our audit work in this area. Further details of our audit work performed is set out in the key audit matters section of this report, 'Valuation of investment property (Group)'.

We also considered the disclosures in relation to climate change in the financial statements and whether these were consistent with the information included in the Strategic report, including the Task Force on Climate-related Financial Disclosures (TCFD).

Our procedures did not identify any material issues in the context of our audit of the financial statements as a whole, and as set out in the key audit matters section of this report, 'Valuation of investment property (Group)'.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	£52.1 million (2022: £23.5 million)	£37.4 million (2022: £23.1 million)
How we determined it	1 per cent of total assets	1 per cent of total assets
Rationale for benchmark applied	The key measure of the Group's performance is the valuation of investment property and the balance sheet as a whole. On this basis, and consistent with the prior year, we set an overall Group materiality level based on total assets.	The Company is predominantly an investment holding Company and therefore total assets is deemed the most appropriate benchmark.

In addition to overall Group materiality, specific materialities were also applied to certain areas of the Consolidated income statement and related working capital balances. Our specific materialities were aligned with the metrics in the Annual Report and Group financial statements that we believe are of particular interest to the members and we determined those metrics to be gross profit and gross finance costs. In order to reflect their specific characteristics, we applied materiality levels of 5 per cent of the current year gross profit (2022: 5 per cent) and 5 per cent of current year gross finance costs (2022: 5 per cent).

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £39.1 million (2022: £17.6 million) for the Group financial statements and £28.1 million (2022: £17.3 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2.6 million (Group audit) (2022: £1.2 million) and £1.9 million (Company audit) (2022: £1.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's analysis of the going concern of the Group and Company and supporting cash flow forecasts and covenant compliance calculations. Management prepared forecasts for a base case, severe but plausible downside case, and reverse stress testing;
- Understanding and assessing the reasonableness of the key assumptions used in the cash flow forecasts, including assessing whether we considered the downside sensitivities to be appropriately severe, the availability of committed finance and covenant compliance during the forecast period;
- Corroborating key assumptions in the cash flow forecasts (e.g. Investment property valuation, rental income and finance costs) to other evidence including external research and historical performance, and ensuring this was consistent with our audit work in these and other areas;
- Evaluating the audit evidence we obtained and that management's conclusions were supportable; and
- Reviewing the disclosures in the financial statements relating to the going concern basis of preparation, and evaluating that these provided an explanation of the Directors' assessment that was consistent with the audit evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement 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 Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and compliance with UK income tax rules, specifically compliance with the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to revenue primarily, and management bias in accounting estimates and judgemental areas of the financial statements particularly in relation to the estimation of the fair value of investment property (and other property portfolio assets) and the fair value of acquired assets and liabilities. Audit procedures performed by the engagement team included:

- Enquiries with management and parties outside of the finance function, including the Group's internal auditors, regarding any known or suspected instances of non compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Evaluation of audit evidence obtained to support the Group's compliance with the Real Estate Investment Trust (REIT) status section 1158 of the Corporation Tax Act 2010, including considering the impact of accounting policy changes on the REIT compliance tests;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of investment property and the fair value of the acquired assets and liabilities of Shaftesbury PLC (see key audit matters set out earlier in this report);
- Identifying and testing journal entries, in particular any journal entries posted to revenue with unusual account combinations; and
- Reviewing the whistleblowing log and relevant minutes of meetings, including those of the Board and Audit Committee.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 3 June 2010 to audit the financial statements for the year ended 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is 14 years, covering the years ended 31 December 2010 to 31 December 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Andrew Paynter (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 February 2024

Consolidated income statement

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Revenue	4	195.1	74.1
Costs ¹	4	(53.2)	(16.8)
Gross profit	4	141.9	57.3
Other income	5	2.7	13.5
Administration expenses	6	(83.8)	(40.6)
Loss on revaluation and profit on sale of investment property	7	(65.0)	(0.8)
Change in value of investments and other receivables	8	(12.5)	(7.9)
Change in fair value of financial assets through profit or loss	17	52.0	(239.5)
Operating profit/(loss)		35.3	(218.0)
Finance income	9	15.6	2.6
Finance costs	10	(67.5)	(27.2)
Other finance income	9	4.1	3.5
Other finance costs	10	(31.3)	(6.5)
Change in fair value of derivative financial instruments	18	(11.3)	39.8
Net finance (costs)/income		(90.4)	12.2
Profit from joint ventures and associates	16	0.2	-
Gain on bargain purchase	13	805.5	-
Profit/(loss) before tax		750.6	(205.8)
Taxation	11	(0.2)	(6.0)
Profit/(loss) for the year		750.4	(211.8)
Earnings/(loss) per share			
Basic earnings/(loss) per share	3	45.5p	(24.9)p
Dilutive earnings/(loss) per share	3	45.3p	(24.9)p

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

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit/(loss) for the year		750.4	(211.8)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation gain on owner-occupied property	15	1.8	-
Total comprehensive income/(expense) for the year		752.2	(211.8)

Consolidated balance sheet

As at 31 December 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investment property	14	4,740.2	1,715.1
Property, plant and equipment	15	24.0	0.6
Investments in joint ventures and associates	16	83.4	0.2
Financial assets at fair value through profit or loss	17	-	356.9
Derivative financial instruments	18	1.4	12.1
Trade and other receivables	19	116.1	115.6
		4,965.1	2,200.5
Current assets			
Trade and other receivables	19	42.7	20.8
Derivative financial instruments	18	8.3	-
Cash and cash equivalents	20	200.2	129.9
		251.2	150.7
Total assets		5,216.3	2,351.2
Non-current liabilities			
Borrowings	22	(1,534.8)	(738.3)
Lease liabilities	23	(2.7)	(5.4)
Derivative financial instruments	18	(7.2)	(3.3)
		(1,544.7)	(747.0)
Current liabilities			
Borrowings	22	(94.9)	-
Lease liabilities	23	(0.3)	(0.7)
Tax liabilities		(0.2)	-
Trade and other payables	21	(96.0)	(41.9)
		(191.4)	(42.6)
Total liabilities		(1,736.1)	(789.6)
Net assets		3,480.2	1,561.6
Equity			
Share capital	27	488.2	212.8
Other components of equity		2,992.0	1,348.8
Total equity		3,480.2	1,561.6

These consolidated financial statements on pages 165 to 206 have been approved for issue by the Board of Directors on 28 February 2024 and signed on its behalf by:

Ian Hawksworth
Chief Executive

Situl Jobanputra
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Own shares ¹ £m	Capital Redemption Reserve £m	Merger Reserve ² £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 January 2022		212.8	232.5	-	1.5	293.7	7.7	(0.3)	1,038.9	1,786.8
Loss and total comprehensive expense for the year		-	-	-	-	-	-	-	(211.8)	(211.8)
Ordinary shares issued	27	0.4	-	-	(0.4)	-	-	-	1.7	1.7
Share buyback	27	(0.4)	-	-	0.4	-	-	-	(1.7)	(1.7)
Dividends	12	-	-	-	-	-	-	-	(15.3)	(15.3)
Realisation of share-based payment reserve on issue of shares		-	-	-	-	-	(0.2)	-	(0.1)	(0.3)
Fair value of share-based payment		-	-	-	-	-	2.3	-	-	2.3
Realisation of cash flow hedge		-	-	-	-	-	-	(0.1)	-	(0.1)
Balance at 31 December 2022		212.8	232.5	-	1.5	293.7	9.8	(0.4)	811.7	1,561.6
Profit for the year		-	-	-	-	-	-	-	750.4	750.4
Other comprehensive income for the year		-	-	-	-	-	-	-	1.8	1.8
Total comprehensive income for the year		-	-	-	-	-	-	-	752.2	752.2
Completion of all-share merger ³	13	273.9	-	(32.1)	-	962.3	-	-	-	1,204.1
Dividends ⁴	12	-	-	-	-	-	-	-	(41.9)	(41.9)
Issue of shares and realisation of share-based payment reserve on issue of employee share options ⁵	27	1.5	-	(0.8)	-	-	(9.8)	-	11.9	2.8
Fair value of share-based payment		-	-	-	-	-	1.3	-	-	1.3
Realisation of cash flow hedge		-	-	-	-	-	-	0.1	-	0.1
Balance at 31 December 2023		488.2	232.5	(32.9)	1.5	1,256.0	1.3	(0.3)	1,533.9	3,480.2

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

Consolidated statement of cash flows

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	30	29.8	33.5
Finance costs paid		(59.5)	(29.7)
Interest received		16.1	2.7
Tax received		-	0.5
Net cash (outflow)/inflow from operating activities		(13.6)	7.0
Cash flows from investing activities			
Purchase and development of property		(51.2)	(11.1)
Purchase of fixed assets		(3.4)	-
Sale of property		88.1	-
Cash acquired in a business combination		118.1	-
Dividends received from associates		1.5	-
Loans to joint ventures and associates repaid		2.7	18.2
Net cash inflow from investing activities		155.8	7.1
Cash flows from financing activities			
Issue of shares		-	1.7
Share buyback		-	(1.7)
Borrowings repaid		(1,151.0)	(200.0)
Borrowings drawn		1,126.0	-
Acquisition of derivative financial instruments		(5.0)	-
Cash dividends paid	12	(41.9)	(15.3)
Net cash outflow from financing activities		(71.9)	(215.3)
Net movement in cash and cash equivalents		70.3	(201.2)
Cash and cash equivalents at 1 January		129.9	331.1
Cash and cash equivalents at 31 December	20	200.2	129.9

Notes to the financial statements

For the year ended 31 December 2023

1 Principal accounting policies

General information

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

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

Basis of preparation

The Group's consolidated financial statements are prepared in accordance with United Kingdom-adopted international accounting standards ("UK-adopted IFRS" or "IFRS"), and the applicable legal requirements of the Companies Act 2006.

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

All income, expenses and cash flows are generated from continuing operations and there is no material seasonal impact on the Group's financial performance.

The Directors have taken advantage of the exemption offered by section 408 of the Companies Act 2006 not to present a separate income statement or statement of comprehensive income for the Company. The financial statements of the Company are set out on pages 165 to 213.

Going concern

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

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

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

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

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

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

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

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

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

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

The near-term impact of climate change risks within the going concern period have been considered in the severe but plausible downside scenario and are expected to be immaterial.

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

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

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

Critical accounting judgements and key sources of estimation and uncertainty

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

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

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

As various inputs used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of estimation uncertainty. The Group's external valuers have made a number of assumptions including, but not limited to, market yields, ERVs and void periods. These assumptions are in accordance with the RICS Valuation Professional Standards, however, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. The key unobservable inputs used in the valuation models are those in respect of equivalent yields and ERV, which are summarised on page 223. Further information on the approach taken by the valuers in valuing the property portfolio and a sensitivity analysis on equivalent yields and ERV, which are the most significant assumptions impacting the fair values, is set out in note 14 to the financial statements.

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

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

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

1 Principal accounting policies continued

New accounting policies

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

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

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

- IAS 1 'Presentation of Financial Statements' (amendment) (Classification of Liabilities as Current or Non-Current)
- IAS 1 'Presentation of Financial Statements' (amendment) (Non-current Liabilities with Covenants)
- IAS 7 and IFRS 7 'Statement of Cash Flows and Financial Instrument Disclosure' (amendment) (Supplier Finance Arrangements)
- IFRS 16 'Leases' (amendment) (Lease liability in a sale and leaseback)

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

Changes in accounting policies

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

Adjustment to investment property for deferred letting fees

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

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

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

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

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

A summary of the Group's principal accounting policies, which have been applied consistently across the Group, is set out on the following pages.

Basis of consolidation

These consolidated financial statements include the consolidation of the following limited partnerships: Capital & Counties CGP and Innova Investment Group Holdings LP. The members of these qualifying partnerships have taken advantage of exemptions available in Statutory Instrument 2008/569 and therefore will not produce consolidated financial statements at the partnership level or submit such annual reports to Companies House.

The consolidated financial statements are prepared in British pounds sterling, which is also determined to be the functional currency of the Company.

Subsidiaries

Subsidiaries are fully consolidated from the date on which the Group has control, is exposed, or has rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over an entity. Subsidiaries cease to be consolidated from the date this control is lost.

Business combinations

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

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

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

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

Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

When joint control is no longer demonstrated, but significant influence is, a previously accounted for joint venture is accounted for as an associate.

Investments in joint ventures and associates are accounted for using the equity method. On initial recognition the investment is recognised at cost, and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss of the joint venture or associate after the date of acquisition.

The Group's investments in joint ventures or associates are presented separately on the consolidated balance sheet and the Group's share of the joint ventures or associates' post-tax profit or loss for the period is also presented separately in the consolidated income statement.

Where there is an indication that the Group's investment in a joint venture or associate may be impaired, the Group evaluates the recoverable amount of its investment, being the higher of the joint venture or associate'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 consolidated statement of comprehensive income.

If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture or associate.

Dividends received or receivable from joint ventures or associates are recognised as a reduction in the carrying amount of the investment.

1 Principal accounting policies continued

Revenue recognition

Rental receivable arises from operating leases granted to tenants and is recognised as revenue on a straight-line basis over the lease term.

Tenant lease incentive payments, and in certain instances surrender premium payments which are directly linked to new leases, are amortised on a straight-line basis over the non-cancellable period of the lease, being the earlier of its expiry date or the date of the first break option as a reduction in net rental income. Surrender premiums received for early termination of leases are reflected in gross profit.

Lease modifications are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. On entering into a lease modification any initial direct costs associated with the lease, including surrender premia previously paid, are derecognised through costs in the year.

When a concession is provided for rent receivables past due the concession is accounted for as an impairment through the expected credit loss model in accordance with IFRS 9.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews and turnover rent, are recorded as income in the periods in which they are earned.

Service charge income in the ordinary course of business is recorded as income over time in the year in which the services are provided. As the Group acts as a principal, service charge income and costs are shown gross in the financial statements.

Where revenue is obtained by the sale of property, it is recognised when the buyer obtains control of the property. This will normally take place on legal completion.

Other income

Other income includes management fees charged to joint ventures and associates for services associated with the management of properties and other general expenses as defined by management agreements. These fees are recognised over time, using time elapsed as the input method which measures the benefit simultaneously received and consumed by the customer, over the period the services are provided.

Dividend income is included in other income and recognised when the right to receive payment is established.

Income taxes

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided for using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities. However, temporary differences are not recognised to the extent that they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss (except leases); or are associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary difference can be controlled by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable group or different taxable entities where there is an intention to settle balances on a net basis.

Tax is included in the consolidated income statement except when it relates to items recognised directly in equity, in which case the related tax is also recognised directly in equity.

Share-based payment

The Group administers a long-term incentive plan and a legacy Sharesave scheme (SAYE). The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the consolidated income statement with reference to the fair value of the instrument at the date of grant.

The cost of granting share options to employees is charged to the consolidated income statement over the vesting period of the options with a corresponding increase in equity. An option pricing model is used in calculating the fair value of the long-term incentive plan, applying assumptions around expected yields, forfeiture rates, exercise price and volatility.

The fair value of the Sharesave scheme is calculated using a modified binomial pricing model.

Upon eventual exercise, a reserves transfer occurs with no further charge reflected in the consolidated income statement.

Own shares held in connection with employee share plans and other share-based payment arrangements are treated as treasury shares and deducted from equity.

Investment property

Investment property is owned or leased by the Group and held for long-term rental income and capital appreciation.

The Group has chosen to use the fair value model. Property and any related obligations are initially recognised when the significant risks and rewards attached to the property have transferred to the Group. Payments made in respect of the future acquisition of investment property are initially recognised as prepayments until the recognition criteria outlined above have been met. Investment property is recorded at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value.

The fair value of property is arrived at by adjusting the market value as above for directly attributable tenant lease incentives, deferred letting fees and fixed head leases.

Property held under leases is stated gross of the recognised lease liability.

The valuation is based upon assumptions as outlined within the property portfolio note. These assumptions conform to the RICS Valuation Professional Standards.

When the Group redevelops a property for continued future use, that property is classified as investment property during the redevelopment period and continues to be measured at fair value. Gains or losses arising from changes in the fair value of investment property are recognised in the consolidated income statement in the period in which they arise. Depreciation is not provided in respect of investment property including plant and equipment integral to such investment property. Investment properties cease to be recognised as investment property when they have been disposed of or when they cease to be held for the purpose of generating rental income or for capital appreciation.

Disposals are recognised on completion. Gains or losses arising are recognised in the consolidated income statement. The gain on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period, plus capital expenditure in the period.

When the use of a property changes from trading property to investment property, the property is transferred at fair value with any resulting gain or loss recognised in the consolidated income statement.

Trading property

Trading property comprises those properties that in the Directors' view are not held for long-term rental income or capital appreciation and are expected to be disposed of within one year of the balance sheet date or to be developed with the intention to sell.

Such property is constructed, acquired, or if transferred from investment and development property, transferred at fair value which is deemed to represent cost. Subsequently trading property is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs. This approximates market value as determined by professionally qualified external valuers at the balance sheet date. Details of the valuation methodology are set out in note 14 'Property Portfolio'.

The amount of any write down of trading property to market value is recognised as an expense in the period the write down occurs. Should a valuation uplift occur in a subsequent period, the amount of any reversal shall be recognised as a reduction in the previous write down in the period in which the uplift occurs. This may not exceed the property's cost.

The sale of trading property is recognised as revenue when the buyer obtains control of the property. Total costs incurred in respect of trading property are recognised simultaneously as an expense.

1 Principal accounting policies continued

Owner-occupied property

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

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract.

As a lessee the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Investments and other financial assets

On initial recognition, a financial asset is classified as either measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

For assets measured at fair value through profit or loss, gains and losses will be recorded in profit or loss.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss comprise listed equity investments and included the Group's investment in Shaftesbury till the date of the all-share merger. The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains or losses in the consolidated income statement.

Financial assets at amortised costs include amounts receivable from joint ventures and associates.

Derivative financial instruments

The Group uses non-traded derivative financial instruments to manage exposure to interest rate risk. They are initially recognised on the trade date at fair value and subsequently remeasured at fair value based on market price. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Instruments that have not been designated as qualifying for hedge accounting are classified as fair value through profit and loss. Changes in the fair value of these instruments are split into interest (calculated as the accrued and realised cash flows) and other changes in fair value. Interest is recognised in finance income or costs and changes in fair value are recognised in change in fair value of financial instruments in the consolidated income statement.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. The methodology for assessment of impairment is defined in the following paragraph.

Impairment of financial assets

The Group applies the IFRS 9 expected credit loss model in order to calculate a lifetime expected loss allowance for all financial assets. To measure the expected credit loss, receivables are reviewed on an individual contract basis. The expected loss rates are based on forward-looking information as well as historical evidence of collection.

For rent receivables, all tenants are allocated a risk rating, as determined by management, and provided a rating of maximum, high, medium and low risk. The classification is developed by taking into consideration information on the tenant's credit rating, current financial position, historical trading performance, historical default rate and the operational performance of the business. In assessing the provision the Group identifies risk factors associated by sector (food and beverage, retail, hospitality, office and residential) and the type of rent receivable outstanding (rent arrears, service charge, other). In determining the provision on a tenant by tenant basis, the Group considers both recent payment history and future expectations of the tenant's ability to pay or possible default in order to recognise an expected credit loss allowance. Based on sector and rent receivable type a provision is provided in addition to a full provision for maximum risk tenants or tenants with significant financial issues.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the original impairment was recognised, the impairment reversal is recognised in the consolidated statement of comprehensive income on a basis consistent with the original charge.

Tenant lease incentives are impaired based on an assessment of tenant affordability.

For amounts receivable from joint ventures and associates, impairment is assessed by comparing the carrying amount of the loans and receivables to the discounted present value of the estimated future cash flows from the joint ventures and associates.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, certain tenant deposits and other short-term highly liquid investments with original maturities of three months or less.

Tenant deposits held against tenants' rent payment obligations in bank accounts administered by the Group are classified as cash and cash equivalents. Tenant deposits held against tenants' rent payment obligations in bank accounts administered by the Group's managing agent are not included within the consolidated balance sheet.

The Group holds cash on deposit as security for certain secured term loans and secured bank facilities, and where there are certain conditions restricting their use. Cash held on deposit which has conditions restricting its use and is not available on demand, liquid or readily convertible, is classified within other receivables.

Trade and other payables

Trade payables are obligations for goods or services acquired in the ordinary course of business. Trade and other payables are recognised at fair value and subsequently measured at amortised cost until settled.

Borrowings

Borrowings comprise bank loans, secured loan facilities, loan notes and compound financial instruments.

Bank loans, secured loan facilities and loan notes are ordinarily recognised initially at their net proceeds as an approximation of fair value. If the transaction price is not an approximation of fair value at initial recognition, the Group determines the fair value as evidenced by a quoted price in an active market for an identical instrument or based on a valuation technique that uses data from observable markets. Bank loans and loan notes are subsequently carried at amortised cost. Any transaction costs, premiums or discounts are capitalised and recognised over the contractual life of the loan using the effective interest rate method, or on a straight-line basis where it is impractical to do so.

In the event of early repayment, transaction costs, premia or discounts paid and unamortised costs are recognised immediately in the consolidated income statement.

Compound financial instruments issued by the Group comprise exchangeable bonds that are convertible into shares. The exchangeable bonds were bifurcated into a liability and embedded derivative option component on initial recognition. The carrying value of the liability at initial recognition is the difference between the fair value of the entire instrument as a whole and the embedded derivative's fair value. Any directly attributable transaction costs are allocated to each component in proportion to their initial carrying amounts. The issue costs apportioned to the embedded derivative are recognised immediately in the consolidated income statement.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. Any transaction costs apportioned to the liability are included in the carrying amount and recognised over the contractual life of the liability using the effective interest rate method.

When a facility has been modified an assessment of modification and extinguishment is performed reviewing both quantitative and qualitative factors.

Interest related to the financial liability is recognised in the consolidated income statement. The embedded derivative is measured at fair value with the fair value adjustment accounted for in the consolidated income statement.

1 Principal accounting policies continued

Pensions

The costs of the defined contribution scheme and the Group's personal pension plans are charged against profits or losses in the year in which they are incurred.

Contingent liabilities and capital commitments

Contingent liabilities are disclosed where there are present or possible obligations arising from past events, but the economic impact is uncertain in timing, occurrence or amount. A description of the nature and, where possible, an estimate of the financial effect of contingent liabilities are disclosed.

Capital commitments are disclosed when the Group has a contractual future obligation which has not been provided for at the balance sheet date. Amounts are only provided for where such obligations are onerous.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2 Segmental reporting

IFRS 8 requires operating segments to be reported in a manner consistent with the internal financial reporting reviewed by the chief operating decision maker. The chief operating decision maker of the Group is the Executive Committee. The Executive Committee is responsible for regularly reviewing the Group's internal reporting in order to assess performance and for allocation of resources, and consists of the Chief Executive, Chief Financial Officer and the two Executive Directors.

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

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

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

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

3 Performance measures

The Group has applied the European Securities and Markets Authority guidelines on alternative performance measures (“APMs”) in these annual results. An APM is a financial measure of historical or future financial performance, position or cash flow of the Group which is not a measure defined or specified in IFRS. Details of all APMs used by the Group are set out in the APM section on page 214.

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

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

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

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

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

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

Number of shares

	2023 Weighted average million	2023 In issue million ¹	2022 Weighted average million	2022 In issue million
Ordinary shares	1,757.0	1,953.2	851.3	851.5
Own shares – employee benefit trust	(2.6)	(3.1)	-	-
Own shares – collateral for exchangeable bond	(105.5)	(128.4)	-	-
Number of shares – basic²	1,648.9	1,821.7	851.3	851.5
Dilutive effect of contingently issuable share option awards ³	6.5	6.5	0.8	0.8
Dilutive effect of contingently issuable deferred share awards ³	0.6	0.6	-	-
Number of shares – diluted⁴	1,656.0	1,828.8	852.1	852.3

1. The settlement of share options under the employee benefit scheme prior to the merger, and the all-share merger completing on 6 March 2023, resulted in 1,101.7 million shares issued in the year.
2. Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.
3. Further information on these potential ordinary shares can be found in note 32 ‘Share-based payments’.
4. Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings and net assets per share.

3 Performance measures continued

Earnings per share – IFRS

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

Earnings per share – EPRA and Underlying earnings

	Note	2023 £m	2022 £m
Basic earnings/(loss)		750.4	(211.8)
<i>EPRA Group adjustments:</i>			
Loss on revaluation and profit on sale of investment property	7	65.0	0.8
Change in value of investments and other receivables	8	12.5	7.9
Change in fair value of financial assets at fair value through profit or loss	17	(52.0)	239.5
Change in fair value of financial instruments – interest rate derivatives	18	7.4	(11.0)
Gain on bargain purchase	13	(805.5)	-
Accelerated unwind of unamortised finance costs and interest on early close out of debt ¹	10	26.8	6.0
Merger-related transaction costs	6	35.8	14.6
Deferred tax adjustments		(0.1)	(0.1)
<i>EPRA joint venture and associate adjustments:</i>			
Profit on sale and transfer of trading property		(5.1)	-
Loss on revaluation of investment property		3.3	(0.9)
Write down of trading property		6.6	12.3
Deferred tax adjustment		(0.1)	-
EPRA earnings		45.0	57.3
EPRA earnings per share (pence)		2.7	6.7
<i>Underlying earnings adjustments:</i>			
Impact of change in accounting policy on gross profit	1	5.1	-
Other finance costs ²		5.2	0.5
Merger-related integration and other non-underlying administration costs	6	8.7	-
Change in fair value financial instruments – exchangeable bond option	18	3.9	(28.8)
Taxation		-	4.7
Joint venture adjustment – Lillie Square ³		(7.5)	(14.9)
Other		-	(0.2)
Underlying earnings		60.4	18.6
Underlying earnings per share (pence)		3.7	2.2

1. On early redemption of the Carnaby and Chinatown bonds in April 2023 the unamortised fair value adjustment of £24.6 million that arose on completion of the merger was accelerated. In addition, the unamortised costs on the loan facility of £2.2 million was accelerated on early repayment during the year. The prior year adjustment relates to the non-recurring costs in connection with the early repayment of £75 million of private placement notes and the repayment of the £125 million secured loan.
2. Includes the unwind of the fair value adjustments on the remaining debt facilities acquired on merger (including the fair value unwind of our share of the Longmartin debt of £0.7 million). £4.5 million is recorded through other finance costs included in note 10 ‘Finance costs’ and £0.6 million within the profit from Longmartin as per note 16 ‘Investments in joint ventures and associates’. The prior year adjustment related to the cost of entering the loan facility during the prior year.
3. The Lillie Square joint venture is not considered part of the core underlying business of the Group and therefore its results are excluded from underlying earnings. The adjustment includes £3.7 million (2022: £3.5 million) interest receivable by the Group on the interest-bearing loans issued to the joint venture and £3.8 million (2022: £1.4 million) of adjustments made to EPRA earnings for profit on sale and transfer of trading property, loss on revaluation of investment property and write down of trading property.

Net assets per share

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

1. IFRS total equity of 190.3 pence per share (2022: 183.2 pence per share).
2. This relates to the fair value of interest rate derivatives. Further details are disclosed within note 18 ‘Derivative financial instruments’.
3. Adjustment to remove the exchangeable bond option fair value and include the exchangeable bond liability at nominal value of £275 million.
4. Excludes fair value of exchangeable bond option component included under derivative liabilities as disclosed in note 18 ‘Derivative financial instruments’.

3 Performance measures continued

Headline earnings per share

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

	2023 £m	2022 £m
Basic earnings/(loss)	750.4	(211.8)
<i>Group adjustments:</i>		
Gain on bargain purchase	(805.5)	-
Loss on revaluation and profit on sale of investment property	65.0	0.8
Headline earnings/(loss)	9.9	(211.0)
Basic headline earnings/(loss) per share (pence)	0.6p	(24.8)p
Diluted headline earnings/(loss) per share (pence)¹	0.6p	(24.8)p

1. Further information on these potential ordinary shares can be found in note 32 'Share-based payments'.

4 Gross profit

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

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

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

5 Other income

	2023 £m	2022 £m
Dividend income ¹	2.6	13.5
Management fee income	0.1	-
Other income	2.7	13.5

1. Dividend income earned from the Group's investment in Shaftesbury prior to the all-share merger.

6 Administration expenses

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

1. Costs relate to transaction fees and expenses in respect of the merger and subsequent costs of integrating the combined business. Details of transaction costs are set out in note 13 'Gain on bargain purchase'.

6 Administration expenses continued

(a) Employee costs (including Executive Directors)

	Note	2023 £m	2022 £m
Wages and salaries		19.9	12.4
Social security costs		2.6	2.0
Other pension costs		1.5	0.9
Share-based payment ¹	32	1.1	2.4
Employee costs		25.1	17.7

1. Includes £0.1 million credit (2022: £0.1 million charge) for national insurance on share options due to changes in vesting and forfeiture assumptions. Details of the share option schemes, and principal assumptions made at the last grant and measurement dates are set out in note 32 'Share-based payments'.

Share-based payment charges are calculated based on the expected fair value of share awards as calculated using the Black-Scholes option pricing model. Details of the share option schemes, and principal assumptions made at the last grant and measurement dates are set out in note 32 'Share-based payments'.

(b) Employee numbers

Average monthly number of people (including Executive Directors) employed	2023	2022
Total average headcount	105	67

The details of individual Directors' remuneration and pension benefits as set out in the tables contained in the Directors' remuneration report on pages 127 to 152 form part of these consolidated financial statements.

(c) Auditors' remuneration

	2023 £m	2022 £m
Remuneration to the principal auditors in respect of audit fees:		
Company and Group consolidated financial statements	1.1	0.5
Audit of the financial statements of the Company's subsidiaries	0.2	0.2
Audit of the financial statements of the Company's joint ventures and associates	0.1	-
Fees related to the audit of the Company, subsidiaries, joint ventures and associates	1.4	0.7
Audit related assurance services including interim review	0.2	0.1
Total fees for audit and audit related services	1.6	0.8

The Group's auditors, PricewaterhouseCoopers LLP, have engaged on assignments in addition to their audit engagement duties where their expertise and experience of the Group are important. 2023 non-audit fees, including the interim review, represented 11.0 per cent of the total audit fee (2022: 12.0 per cent). Further details on the Audit Committee's non-audit services policy can be found on page 124.

7 Loss on revaluation and profit on sale of investment property

	2023 £m	2022 £m
Loss on revaluation of investment property	(68.5)	(0.8)
Profit on sale of investment property	3.5	-
Loss on revaluation and profit on sale of investment property	(65.0)	(0.8)

8 Change in value of investments and other receivables

The change in value of investments and other receivables relates to amounts receivable from the Lillie Square joint venture. The investment and other receivables in Lillie Square consist of the equity investment, interest bearing loans and a working capital facility.

Due to the joint venture being in a net liability position, and incurring losses in the year, the equity investment is held at nil (2022: nil).

As at the balance sheet date, prior to impairment, the Group held an interest-bearing loan at £90.1 million (2022: £86.4 million) and working capital facility of £29.0 million (2022: £28.2 million).

As required by IFRS 9, an impairment assessment was performed comparing the carrying amount of the interest-bearing loans and working capital facility to the present value of the estimated future cash flows from the joint venture.

The key assumptions made in the impairment assessment were the expected cash flows to be generated over the project life and the timing thereof. In terms of IFRS 9 requirements the Group applied a discount rate of 4.25 per cent (being the effective interest rate on the loan to the joint venture) to the cash flows which are in line with the strategic plan of the joint venture.

As a result, the Group has booked an impairment of £12.5 million during 2023 leading to a cumulative impairment of £43.1 million (2022: £30.6 million cumulative impairment). The cumulative impairment takes into consideration the losses from the joint venture.

Factoring in the impairment, the interest-bearing loan is held at a net book value of £76.0 million (2022: £84.0 million) and working capital facility at nil (2022: nil). The balances are included within Trade and other receivables at the balance sheet date. Further details are set out in note 19 'Trade and other receivables'.

9 Finance income

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

10 Finance costs

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

1. On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The notes were originally exchangeable into cash or ordinary shares of Shaftesbury but following the all-share merger are convertible into Shaftesbury Capital shares. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component. The debt component is accounted for at amortised cost and, after taking into account transaction costs, accrues interest at an effective interest rate of 3.1 per cent, of which 2 per cent (£5.5 million) represents the cash coupon on the bond.

2. Interest incurred on the £575 million Chinatown and Carnaby bonds from 6 March 2023 up to their redemption in April 2023.

3. Non-underlying finance charges have been excluded from the calculation of underlying earnings as these are non-recurring costs and do not represent the underlying performance of the business. The current year charge relates to the unwind of the fair value adjustment of the debt on completion of the merger as discussed in note 13 'Gain on bargain purchase'. It is comprised of £24.6 million for the unwind on the early redemption of the Chinatown and Carnaby bonds and £4.5 million on the remaining facilities. The current year amount further includes £2.2 million accelerated amortisation on the early settlement of the loan facility during the year. In the prior year the costs were in connection with the early repayment of £75.0 million of private placement notes, the repayment of the £125.0 million secured loan and the cost of entering the loan facility.

11 Taxation

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

Factors affecting the tax charge for the year

The tax charge for the year is £0.2 million (2022: £6.0 million) against a profit before tax of £750.6 million (2022: £205.8 million loss). A reconciliation against the standard rate of corporation tax in the United Kingdom ("UK") is set out below:

	2023 £m	2022 £m
Profit/(loss) before tax	750.6	(205.8)
Profit/(loss) on ordinary activities multiplied by the standard rate in the UK of 23.5% (2022: 19%)	176.4	(39.1)
Revaluation losses attributable to REIT business	3.9	45.6
Expenses disallowed	18.4	3.9
Non-taxable items	(0.2)	(0.2)
Non-taxable items: Gain on bargain purchase	(189.3)	-
REIT tax-exempt rental profits	(6.5)	(8.3)
Share of partnership loss	(1.0)	(0.6)
Other temporary differences not provided	(0.1)	-
Utilisation of losses not recognised for deferred tax	(1.4)	-
Unwind deferred tax on prior period group losses	-	4.7
Total taxation charge in the consolidated income statement	0.2	6.0

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

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

Pillar Two legislation was substantively enacted in the UK on 20 June 2023 in Finance (No. 2) Act 2023. As the legislation will be effective for the Group's financial year beginning 1 January 2024 the Group has performed an assessment of its potential exposure to Pillar Two income taxes. Based on an assessment of the most recent information available regarding the financial performance of the constituent entities in the Group, we do not expect to be within the scope of Pillar Two legislation. Although, the current year's consolidated revenue ("revenue") inclusive of the gain on bargain purchase of £805.5 million (2022: nil) exceeds the revenue threshold, this is an exceptional item recognised as a result of the merger and is non-recurring. In the normal course of business, the Group's revenue is not expected to exceed the revenue threshold for at least two out of the last four years. We will continue to monitor the Group's revenue against the threshold to assess the applicability of the Pillar Two legislation to the Group.

12 Dividends

Group and Company	PID	Non-PID	Date paid	2023	2022
	Pence per share			£m	£m
Ordinary shares					
For the year ended 31 December 2021:					
Final dividend of 1.0 pence per share	0.5	0.5	8 July 2022	-	8.5
For the year ended 31 December 2022:					
First interim dividend of 0.8 pence per share	0.8	-	19 Sept 2022 (SA) and 20 Sept 2022 (UK)	-	6.8
Second interim dividend of 1.7 pence per share	0.7	1.0	20 March 2023	14.5	-
For the year ended 31 December 2023:					
Interim cash dividend of 1.5 pence per share	-	1.5	18 September 2023	29.3	-
Dividend expense¹				43.8	15.3

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

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

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

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

13 Gain on bargain purchase

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

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

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

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

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

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

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

- Investment properties and trade and other receivables – The carrying value of investment properties and trade and other receivables has been adjusted to derecognise £42.0 million of tenant lease incentives and deferred letting fees held prior to completion of the merger.
- Investment in associate – The fair value of the investment in associate includes investment property and borrowings at fair value. The Group's £60.0 million (our share) fixed rate debt held in the associate, was fair valued at £56.6 million, resulting in a £3.4 million fair value adjustment of the debt due to the current interest rate environment. An offsetting tax adjustment of £0.8 million was recognised on this fair value adjustment. Capitalised issue costs associated with the debt of £0.2 million (our share) were derecognised on completion and the fair value of the debt and corresponding deferred tax adjustment will be amortised over the remaining term of the debt facility.

13 Gain on bargain purchase continued

- Borrowings – Fixed rate debt with a nominal value of £959.8 million was fair valued at £889.0 million, a £70.8 million difference due to the current interest rate environment. The fair value adjustment is offset by £5.8 million of capitalised issue costs associated with the debt which were derecognised on completion. The fair value adjustment will be amortised to other finance costs over the remaining term of the debt facilities. Following completion of the merger and the redemption of the Carnaby and Chinatown bonds in April 2023, £24.6 million of the amortisation of the fair value adjustment relating to the bonds was accelerated and recognised in other finance costs in the period. £41.7 million of the £70.8 million (wholly-owned) adjustment remains at 31 December 2023, which will be amortised over the remaining term of the debt facilities.

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

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

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

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

14 Property Portfolio

	Note	2023 £m	2022 £m
At 1 January		1,715.1	1,705.6
Investment property acquired on merger at 6 March 2023 fair value	13	3,141.0	-
Additions from acquisitions		17.4	-
Additions from subsequent expenditure		35.1	10.3
Disposals		(81.5)	-
Transfer to owner-occupied property	15	(18.4)	-
Loss on revaluation	7	(68.5)	(0.8)
Carrying value of investment property		4,740.2	1,715.1
Adjustment in respect of fixed head leases	23	(3.0)	(6.1)
Adjustment in respect of tenant lease incentives and deferred letting fees	19	37.9	34.7
Market value of investment property		4,775.1	1,743.7

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

14 Property Portfolio continued

Market value of property portfolio

	Note	2023 £m	2022 £m
Market value of investment property	14	4,775.1	1,743.7
Market value of owner-occupied property	15	20.2	-
Market value of wholly-owned property portfolio		4,795.3	1,743.7

Revaluation (loss)/gain of property portfolio

	Note	2023 £m	2022 £m
Revaluation loss reported in consolidated income statement	14	(68.5)	(0.8)
Revaluation gain reported in consolidated statement of comprehensive income	15	1.8	-
Total revaluation loss of wholly-owned property portfolio		(66.7)	(0.8)

Valuation process

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

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

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

Net Zero Carbon and EPC compliance

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

The Net Zero Carbon Pathway also highlights the aim for 75 per cent of commercial units to have a "B" or above EPC compliance rating by 2027 and for all commercial units to have a "B" or above and residential units a "C" or above rating by 2030. Any committed capital expenditure has been included in note 28 'Capital commitments'.

Valuation techniques

Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property-by-property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in use in arriving at its valuation.

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuers use information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. These assumptions include, but are not limited to, market yields, ERVs and void periods. The critical key assumptions are the equivalent yields and estimated future rental income (ERVs), as set out within the Analysis of Property Portfolio on page 223. Equivalent yields are based on current market prices, depending on, inter alia, the location, condition and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and local occupancy levels. Whilst there is market evidence for the key inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable.

14 Property Portfolio continued

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

The different valuation levels are defined as:

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

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

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

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

Sensitivity to changes in key assumptions

As noted in the critical accounting judgements and key sources of estimation and uncertainty section in note 1, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

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

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

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

The methodology for the combined portfolio has been aligned and is based on the effective annual yield to a purchaser on the gross market value, assuming rent is receivable annually in arrears, and that the property becomes fully occupied and that all rents revert to the current market level (ERV as at 31 December 2023) at the next review date or lease expiry. Shaftesbury previously reported the equivalent yield based on quarterly rents in advance, reflecting reversions to current market rent. On that basis, the equivalent yield for the combined portfolio would have been 4.5 per cent (pro forma Dec 2022: 4.2 per cent).

At 31 December 2023, the Group was contractually committed to £24.8 million (31 December 2022: £1.7 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Refer to note 28 'Capital commitments' for further information on capital commitments.

15 Property, plant and equipment

	Note	Owner-occupied property £m	Other £m	Total £m
Net carrying value at 1 January 2022		-	0.6	0.6
Additions		-	0.2	0.2
Depreciation		-	(0.2)	(0.2)
Net carrying value at 31 December 2022		-	0.6	0.6
Additions		-	3.4	3.4
Property, plant and equipment acquired on merger at 6 March 2023 fair value	13	-	0.2	0.2
Transfer from investment property	14	18.4	-	18.4
Depreciation		-	(0.4)	(0.4)
Revaluation		1.8	-	1.8
Net carrying value at 31 December 2023		20.2	3.8	24.0

16 Investments in joint ventures and associates

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

Longmartin

Longmartin is a joint venture arrangement with The Mercers' Company. This 50:50 investment owns a long leasehold interest in a number of mixed-use buildings, centred on St Martin's Courtyard in Covent Garden, which offers a range of hospitality, leisure and retail concepts, alongside over 100,000 square feet of office space and 75 apartments.

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

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

	6 March 2023 to 31 December 2023 £m
Summarised income statement	
Revenue	14.9
Gross profit	10.6
Administration expenses	(0.2)
Loss on revaluation of investment property	(1.9)
Net finance costs	(7.5)
Taxation	(0.6)
Profit for the period after taxation	0.4
Dividends paid	3.0
	2023 £m
Summarised balance sheet	
Investment property	327.2
Cash and cash equivalents	3.8
Other non-current assets	2.4
Other current assets	1.6
Non-current borrowings	(114.4)
Amounts payable to partners ¹	(23.1)
Other non-current liabilities	(21.9)
Other current liabilities	(8.8)
Net assets	166.8
Capital commitments	0.1

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

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

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

16 Investments in joint ventures and associates continued

LSJV

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

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

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

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

	2023 £m	2022 £m
Summarised balance sheet		
Investment property	46.8	8.8
Trading property	80.3	131.0
Cash and cash equivalents	15.9	11.8
Other non-current assets	5.6	5.5
Other current assets	1.5	1.9
Amounts payable to joint venture partners ¹	(224.9)	(217.5)
Other current liabilities	(1.7)	(3.1)
Net liabilities	(76.5)	(61.6)
Capital commitments	-	1.6
Carrying value of investment and trading property	127.1	139.8
Unrecognised surplus on trading property ²	3.3	14.2
Market value of investment and trading property²	130.4	154.0

1. Amounts payable to joint venture partners include working capital facilities advanced by the Group and KFI of £29.0 million (2022: £28.2 million) and an interest bearing loan of £163.0 million (nominal value) advanced by the Group and KFI to the joint venture. The carrying value of the loan before impairment, including accrued interest was £180.2 million (2022: £172.9 million). Recoverable amounts receivable by the Group, net of impairments, are recognised on the consolidated balance sheet within non-current trade and other receivables.

2. The unrecognised surplus on trading property and the market value of LSJV’s property portfolio are shown for informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

16 Investments in joint ventures and associates continued

Reconciliation of investments in joint ventures and associates

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

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

1. The loss from the Lillie Square joint venture for the year of £7.6 million has been restricted in accordance with the requirements of IAS 28. Restricted losses represent the Group’s share of loss in LSJV in the year of £7.6 million (31 December 2022: £15.2 million) allocated to the cumulative losses which exceed the Group’s investment in the joint venture. Cumulative losses of £38.4 million have been restricted to date (31 December 2022: £30.8 million) and as a result the carrying value of the investment in LSJV is nil (31 December 2022: nil). The Group holds £76.0 million (2022: £84.0 million) of recoverable loans from LSJV within note 19 ‘Trade and other receivables’.

17 Financial assets at fair value through profit or loss

Financial assets mandatorily measured at fair value through profit or loss include the following:

	2023 £m	2022 £m
Non-current assets		
Listed equity securities ¹	-	356.9

1. Listed equity securities comprised 97.0 million shares in Shaftesbury held until completion of the all-share merger on 6 March 2023.

During the year, the following was recognised in the consolidated income statement:

	2023 £m	2022 £m
Profit or loss		
Fair value gain/(loss) on financial assets at fair value through profit or loss	52.0	(239.5)

The gain recognised during 2023 is based on the fair valuation movement until 3 March 2023, being the closing Shaftesbury PLC share price prior to completion of the merger.

18 Derivative financial instruments

	2023 £m	2022 £m
Derivative financial assets		
Non-current		
Interest rate derivatives	1.4	12.1
Current		
Interest rate derivatives	8.3	-
Derivative financial assets	9.7	12.1

	2023 £m	2022 £m
Derivative financial liabilities		
Non-current		
Derivative liability – exchangeable bonds ¹	7.2	3.3
Derivative financial liabilities	7.2	3.3

1. On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The notes were originally exchangeable into cash or ordinary shares of Shaftesbury but following the all-share merger are convertible into Shaftesbury Capital shares. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component, representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury Capital. The debt component is accounted for at amortised cost at the effective interest rate method and the derivative liability is accounted for at fair value through profit or loss.

During the year, the following movements on derivative financial instruments were recognised in profit or loss:

	2023 £m	2022 £m
Profit or loss		
Fair value (loss)/gain on interest rate derivatives	(7.4)	11.0
Fair value (loss)/gain on derivative liability – exchangeable bonds	(3.9)	28.8
Change in fair value of derivative financial instruments	(11.3)	39.8

19 Trade and other receivables

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

1. Includes tenant lease incentives and deferred letting fees of £37.9 million (2022: £34.7 million).

2. Amounts receivable from joint ventures represents an interest-bearing loan of £90.1 million (31 December 2022: £86.4 million) provided to LSJV. The loan bears interest at 4.25 per cent per annum and is repayable on demand. As it is not the intention of the Group to call on the loan in the next 12 months it has been presented as non-current. The loan has been impaired by £14.1 million (31 December 2022: £2.4 million) to date. Included within current trade and other receivables is working capital funding of £29.0 million due from LSJV (31 December 2022: £28.2 million) that has been fully impaired.

3. Amounts receivable from associates represents a loan of £11.6 million (31 December 2022: nil) provided to Longmartin. As it is not the intention of the Group to call on the loan in the next 12 months it has been presented as non-current.

4. Rent receivable is shown net of an expected credit loss provision of £4.8 million (31 December 2022: £4.0 million).

5. Other receivables include £7.0 million of restricted cash held on deposit as security for the secured term loans and bank facilities with certain conditions restricting the use.

20 Cash and cash equivalents

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

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

21 Trade and other payables

	2023 £m	2022 £m
Rent in advance	17.7	15.4
Accruals	60.4	10.4
Other payables	10.4	14.7
Other taxes and social security	7.5	1.4
Trade and other payables	96.0	41.9

22 Borrowings

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

1. Fair value of exchangeable bonds includes the fair value of the option component of £7.2 million as disclosed in note 18 'Derivative financial instruments'.

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

1. Fair value of exchangeable bonds includes the fair value of the option component of £3.3 million as disclosed in note 18 'Derivative financial instruments'.

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

There are currently no restrictions on the remittance of income from investment properties.

Certain borrowing agreements contain financial and other covenants that, if contravened, could alter the repayment profile. Details of financial covenants are included in note 25 'Financial Risk management'. The Group has complied with the financial covenants of all its borrowings during both periods presented.

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

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

The fair value of the Group's borrowings has been estimated using the market value for floating rate borrowings, which approximates nominal value, and are classified as Level 2 fair values as defined by IFRS 13. The fair values of fixed rate borrowings have been determined by using a discounted cash flow approach, using a current borrowing rate. The loans are classified as Level 3 fair value measurements as defined by IFRS 13 due to the use of unobservable inputs, including own credit risk. The different valuation levels are defined in note 14 'Property Portfolio'.

22 Borrowings continued

	2023	
	Current borrowings £m	Non-current borrowings £m
Analysis of movement in borrowings		
Balance at 1 January	-	738.3
Borrowings assumed on completion of merger	-	889.0
Borrowing drawn	-	1,124.0
Borrowings repaid	-	(1,151.0)
Other net cash movements	-	(12.3)
Other non-cash movements	94.9	(53.2)
Balance at 31 December	94.9	1,534.8

	2022	
	Current borrowings £m	Non-current borrowings £m
Analysis of movement in borrowings		
Balance at 1 January	-	934.9
Borrowings repaid	-	(200.0)
Other net cash movements	-	(7.1)
Other non-cash movements	-	10.5
Balance at 31 December	-	738.3

The maturity profile of gross debt is as follows:

	2023 £m	2022 £m
Wholly repayable in one year but not more than two years	95.0	-
Wholly repayable in more than two years but not more than five years	887.5	582.5
Wholly repayable in more than five years	702.3	167.5
	1,684.8	750.0

23 Lease liabilities

Lease liabilities included within investment property

(a) Minimum lease payments under lease obligations

	2023 £m	2022 £m
Not later than one year	0.3	0.7
Later than one year and not later than five years	1.2	2.9
Later than five years	7.6	18.0
	9.1	21.6
Future finance charges on lease liabilities	(6.1)	(15.5)
Present value of lease liabilities	3.0	6.1

(b) Present value of minimum lease obligations

	2023 £m	2022 £m
Not later than one year	0.3	0.7
Later than one year and not later than five years	1.0	2.3
Later than five years	1.7	3.1
	3.0	6.1

Lease liabilities included under investment property are in respect of leasehold interests in investment property. Certain leases provide for payment of contingent rent, usually a proportion of rental income in addition to the minimum lease payments above. £0.3 million contingent rent has been paid during the year (2022: £0.3 million).

These lease liabilities are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default.

24 Operating leases

The Group earns rental income by leasing its investment property to tenants under operating leases.

In the United Kingdom standard commercial leases vary considerably between markets and locations but typically are for a term of five to fifteen years at market rent with provisions to review every five years.

The Group is exposed to changes in the residual value of properties at the end of the current leases. This residual value risk is mitigated through the implementation of active asset management initiatives which aim to ensure the Group enters into new leasing deals prior to the expiry of current leases. The Group also offers lease incentives to encourage high quality tenants to remain in properties for longer lease terms. Expectations about the future residual values are reflected in the fair value of the properties.

The future minimum lease amounts receivable under non-cancellable operating leases are as follows:

	2023 £m	2022 £m
Not later than one year	159.5	57.0
Later than one year and not later than five years	418.9	176.3
Later than five years	329.2	212.0
	907.6	445.3

The consolidated income statement includes £0.4 million (2022: nil) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

25 Financial risk management

The Group's financial risk management strategy seeks to set financial limits for treasury activity to ensure they are in line with the risk appetite of the Group. The Group is exposed to a variety of risks arising from the Group's operations: market risk (including interest rate risk and price risk), liquidity risk and credit risk.

The following table sets out each class of financial asset and financial liability as at 31 December:

Categories of financial instruments

	Note	2023		2022	
		Carrying value £m	Gain/(loss) to income statement £m	Carrying value £m	Gain/(loss) to income statement £m
Derivative financial assets	18	9.7	(7.4)	12.1	11.0
Total held for trading assets		9.7	(7.4)	12.1	11.0
Cash and cash equivalents	20	200.2	-	129.9	-
Other financial assets ¹	19	113.2	-	94.6	-
Total cash and other financial assets		313.4	-	224.5	-
Investment held at fair value through profit or loss	17	-	52.0	356.9	(239.5)
Total investment held at fair value through profit or loss		-	52.0	356.9	(239.5)
Derivative financial liabilities	18	(7.2)	(3.9)	(3.3)	28.8
Total held for trading liabilities		(7.2)	(3.9)	(3.3)	28.8
Borrowings	22	(1,629.7)	-	(738.3)	-
Lease liabilities	23	(3.0)	-	(6.1)	-
Other financial liabilities ²	21	(78.5)	-	(26.5)	-
Total borrowings and other financial liabilities		(1,711.2)	-	(770.9)	-

1. Includes rent receivable, amounts due from joint ventures and associates, tax assets and other receivables.

2. Includes trade and other payables (excluding rents in advance) and tax liabilities.

The majority of the Group's financial risk management is carried out by the Group's treasury function under policies approved by the Board of Directors. The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised on the following pages.

25 Financial risk management continued

Market risk

Interest rate risk

Interest rate risk comprises both cash flow and fair value risks. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The Group's interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

It is Group policy, and often a requirement of our lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using fixed interest rate derivatives. Interest rate derivatives have the economic effect of converting borrowings from floating to fixed rates. Interest rate caps protect the Group by capping the maximum interest rate payable at the caps ceiling. Interest rate collars protect the Group by capping the maximum interest rate payable at the collar's ceiling but sacrifice the profitability of interest rate falls below a certain floor.

Group policy is to ensure that interest rate protection on Group external debt is greater than 25 per cent.

The Group has entered into various non-traded derivative instruments to manage its exposure to interest rate risk. These derivatives have not been designated as hedging instruments and therefore they are classified as financial derivatives at fair value through profit or loss.

The Group's drawn debt is at fixed rates or currently has interest rate protection in place until the end of 2025. Interest rate collars were already in place for £200 million of notional value through to December 2024, capped at 1.23 per cent. Additional interest rate hedging was put into place in April 2023, capping SONIA exposure at 3.75 per cent for a further £300 million of notional value for 2023 and £150 million of notional value for 2024 (resulting in £500 million of hedging for 2023 at an effective 2.7 per cent and £350 million for 2024 at an effective 2.3 per cent). In December 2023, further hedging was put in place for £250 million of notional value of SONIA exposure for 2025, which provides for a cap of 3.0 per cent and a floor of 2.0 per cent. The derivatives currently in place cover more than 100% (2022:100%) of the variable loan principal outstanding.

The derivative contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The sensitivity analysis below illustrates the impact of a 100 basis point ("bps") shift, upwards and downwards, in the level of interest rates on the movement in fair value of interest rate derivatives entered into by the Group.

	Increase in interest rates by 100 bps 2023 £m	Decrease in interest rates by 100 bps 2023 £m	Increase in interest rates by 100 bps 2022 £m	Decrease in interest rates by 100 bps 2022 £m
Effect on profit before tax (change in fair value of derivative financial instruments): Increase/(decrease)	4.9	(4.6)	3.5	(3.5)

The sensitivity analysis above is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur and represents management's assessment of possible changes in interest rates. 100 bps has been used in 2023 (2022: 100 bps) to reflect current macroeconomic conditions of increasing costs. The fixed rate derivative financial instruments are matched by floating rate debt, therefore such a movement would have a very limited effect on Group cash flow overall.

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due.

The Group's policy is to seek to minimise its exposure to liquidity risk by managing its exposure to interest rate risk and to refinancing risk. The Group seeks to achieve an appropriate balance between a number of factors, including tenor and costs.

Liquidity analysis is intended to provide sufficient headroom to meet the Group's operational requirements and investment commitments.

The Group's policy also includes maintaining adequate cash, as well as maintaining adequate committed and undrawn facilities.

A key factor in ensuring existing facilities remain available to the Group is the borrowing entity's ability to meet the relevant facility's financial covenants. The Group has a process to regularly monitor both current and projected compliance with the financial covenants.

The Group regularly reviews the maturity profile of its financial liabilities and will seek to avoid concentrations of maturities through the regular replacement of facilities and by staggering maturity dates. Refinancing risk may be reduced by reborrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk. This is subject to credit facilities being available at the time of the desired refinancing.

Liquidity risk continued

The tables below set out the maturity analysis of the Group's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal. The RCF is not included for 2022 and 2023 and the standby loan facility is not included for 2022 as these facilities were undrawn as at the respective balance sheet dates. Where interest payment obligations are based on a floating rate, the rates used are those implied by the par yield curve.

Group	2023										
	Carrying value	1 yr		Between 1-2 yrs		Between 3-5 yrs		Over 5 yrs		Total	
	£m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m
Non-derivatives											
Loan notes	474.1	13.0	95.0	10.2	-	16.2	212.5	18.1	167.5	57.6	475.0
Unsecured bank loans ¹	345.9	25.0	-	19.8	-	17.2	350.0	-	-	62.0	350.0
Secured loans	539.9	27.1	-	27.0	-	54.0	-	124.9	584.8	233.0	584.8
Exchangeable bonds	269.8	5.5	-	5.5	-	2.7	275.0	-	-	13.7	275.0
Other payables and tax liabilities	96.2	-	96.2	-	-	-	-	-	-	-	96.2
Total non-derivatives	1,725.9	70.6	191.2	62.5	-	90.1	837.5	143.0	752.3	366.3	1,781.0
Derivatives											
Interest rate derivatives	(9.7)	(7.0)	-	(1.2)	-	-	-	-	-	(8.2)	-
Total derivatives	(9.7)	(7.0)	-	(1.2)	-	-	-	-	-	(8.2)	-

1. £150 million nominal value of the unsecured bank loans have been repaid post year end. The unsecured bank loan has an initial maturity in December 2026 with the option to extend the tenor by a further two periods of one year each, subject to lender approval.

Group	2022										
	Carrying value	1 yr		Between 1-2 yrs		Between 3-5 yrs		Over 5 yrs		Total	
	£m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m
Non-derivatives											
Loan notes	473.9	13.0	-	13.0	95.0	26.5	212.5	18.1	167.5	70.6	475.0
Exchangeable bonds	266.9	5.5	-	5.5	-	8.2	275.0	-	-	19.2	275.0
Lease liabilities	6.1	-	0.7	-	-	-	2.3	-	3.1	-	6.1
Other payables	26.5	-	26.5	-	-	-	-	-	-	-	26.5
Total non-derivatives	773.4	18.5	27.2	18.5	95.0	34.7	489.8	18.1	170.6	89.8	782.6
Derivatives											
Interest rate derivatives	12.1	(6.3)	-	(6.5)	-	-	-	-	-	(12.8)	-
Total derivatives	12.1	(6.3)	-	(6.5)	-	-	-	-	-	(12.8)	-

Contractual maturities reflect the expected maturities of financial instruments.

The interest payments on variable interest rate loans and bonds issued in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts based on the current drawn facility balances.

The Group has an unsecured revolving credit facility, loan notes, secured loans and an unsecured corporate loan facility that contain loan covenants. Details of these loans are disclosed in note 22 'Borrowings'. A future breach of covenant may require the Group to repay the facilities earlier than indicated in the above table. Details of the loan covenants are set out below:

Financial covenants

	31 December 2023			
	Maturity	Nominal at 31 December 2023 ¹ £m	LTV covenant	Interest cover covenant
Private placements (loan notes)	2024-2037	475.0	60%	1.20x
Exchangeable bond	2026	275.0	N/A	N/A
Unsecured corporate facility ²	2026	350.0	60%	1.20x
Secured term loans	2029	134.8	60%	1.40x
Secured term loans	2030-2035	450.0	65%	1.35x
Revolving credit facility (undrawn)	2026	300.0	60%	1.20x

1. Balance sheet values of the loans include unamortised fees.
2. Unsecured corporate facility has an additional requirement that Group unencumbered assets are equal to or exceed 1.5x of Group unsecured debt

Under the various debt agreements, covenants are monitored on a regular basis and regularly reviewed by management to ensure compliance with the agreement.

25 Financial risk management continued

Credit risk

The Group's principal financial assets are trade and other receivables, amounts receivable from joint ventures and associates and cash and cash equivalents. Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the Group's undrawn commitments and holdings of assets such as cash deposits and loans with counterparties. The carrying value of financial assets recorded in the consolidated financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any deposits or guarantees obtained.

Trade and other receivables:

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, anticipating and wherever possible identifying and addressing risks prior to default. Tenants are managed through a large and diverse tenant base to reduce the credit risk to the Group. Trade receivables are less than one per cent of total assets at 31 December 2023 (2022: less than one per cent) and are £18.4 million as at 31 December 2023 (2022: £12.0 million).

Prospective tenants are assessed through an internally conducted review process, by obtaining credit ratings and reviewing financial information. As a result, deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2023 was £33.4 million (2022: £13.4 million). £18.9 million (31 December 2022: nil) of the cash deposits held against tenants' rent payment obligations are in bank accounts administered by the Group's managing agents which are not included within the consolidated balance sheet.

During the year tenant default risk, and as such credit risk, has reduced due to improved trading conditions.

Rent receivable balances are provided against by applying the IFRS 9 expected credit loss model which uses a lifetime expected loss allowance. In assessing the provision the Group identifies risk factors associated by sector and the type of rent receivable outstanding (rent arrears, service charge, other). In determining the provision on a tenant by tenant basis, the Group considers both recent payment history and future expectations of the tenant's ability to pay or possible default in order to recognise an expected credit loss allowance.

Trade receivable balances are written off when there is no reasonable expectation of recovery or when a rent concession is provided for past due rent. Indicators that there is no reasonable recovery include the failure of the debtor to engage in a repayment plan with the Group and a failure to make contractual payments.

The amounts of trade receivables presented in the consolidated balance sheet are net of impairment for doubtful receivables.

Ageing of gross trade receivables and loss allowances were as follows:

	2023 £m		2022 £m	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Not yet due	0.5	-	0.4	(0.1)
0-90 days	9.1	(1.3)	6.1	(0.6)
91-180 days	4.5	(0.7)	0.6	(0.3)
Over 180 days	4.3	(2.8)	4.9	(3.0)
Trade receivables	18.4	(4.8)	12.0	(4.0)

As at 31 December 2023 there is a provision for trade receivables of £4.8 million (2022: £4.0 million). The total provision for the year is £2.0 million (2022: a credit of £1.6 million), as shown in note 4 'Gross Profit', reflecting impairments during the year and movement in the provision.

As the Group operates predominantly in central London, it is subject to some geographical concentration risk. However, this is mitigated by the extensive range of tenants from varying business sectors and the credit review process as noted above.

Amounts receivable from joint ventures and associates:

Included within receivables, net of impairment is nil (2022: nil) working capital facility advanced to the Lillie Square joint venture and an interest bearing loan of £76.0 million (2022: £84.0 million). The carrying value of the investment in the joint venture is nil (2022: nil) as the Group's share of losses exceeds the cost of its investment. Total funding advanced to the joint venture, including the working capital facility and an interest bearing loan has been impaired by £43.1 million cumulatively. Details of the impairment are set out in note 8 'Change in value of investments and other receivables'.

Credit risk continued

The Lillie Square joint venture is in a net liability position due to carrying trading property at the lower of cost and net realisable value and the amortisation of the previously issued deep discount bonds. However, based on a market valuation undertaken by the Group's valuers JLL, there is an unrecognised surplus of £1.5 million (Group share) as at 31 December 2023. This surplus will only be evidenced on sale of trading property when significant risks and rewards have transferred to the buyer. Therefore, while Lillie Square demonstrates positive pricing evidence commercially and funding provided is not deemed to be at risk of default, for reporting purposes the Group is required to allocate losses against amounts advanced to the joint venture, to the extent that losses do not exceed the investment, until the unrecognised surplus on trading property is realised through sale.

Included within receivables, net of impairments, is an interest bearing loan of £11.6 million, (2022: nil) advanced to Longmartin. The carrying amount of the investment in Longmartin is £83.4 million (2022: nil).

Cash, deposits and derivative financial instruments:

The credit risk relating to cash, deposits and derivative financial instruments is actively managed by the Group's treasury function. Relationships are maintained with a number of institutional counterparties, ensuring compliance with Group cash investment policy relating to limits on the credit ratings of counterparties. The maximum exposure to cash and deposits, excluding tenant deposits, as at 31 December 2023 amounted to £195.6 million (2022: £122.6 million), including the Group's share of joint venture and associate cash. The maximum fair value exposure to derivative financial instruments is £9.7 million (2022: £8.8 million).

Gross carrying value and loss allowance of other receivables (excluding trade receivables) are set out in the table below:

	2023 £m		2022 £m	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Amounts receivable from joint ventures and associates	130.7	43.1	114.6	(30.6)
Other receivables ¹	58.5	(0.9)	44.4	(1.9)

1. £0.9 million (2022: £1.9 million) loss allowance relates to the provision against tenant lease incentives.

Capital structure

The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure appropriately. The Group uses a mix of equity, debt and other financial instruments, and aims to access both debt and equity capital markets efficiently.

The key ratios used to monitor the capital structure of the Group are loan-to-value and the interest cover ratio. The Group aims not to exceed a loan-to-value ratio of more than 40 per cent and to maintain interest cover above 125 per cent. These ratios are disclosed on a nominal value of debt and market value of investment properties. These metrics are discussed in the Financial review on page 48.

	Note	2023 £m	2022 £m
Loan-to-value			
Debt at nominal value	22	1,684.8	750.0
Less: cash	22	(185.7)	(116.5)
Net debt	22	1,499.1	633.5

Total property portfolio at market value	14	4,795.3	1,743.7
Loan-to-value		31.3%	36.3%

	Note	2023 £m	2022 £m
Interest cover			
Finance costs	10	(67.5)	(27.2)
Finance income	9	15.6	2.6
		(51.9)	(24.6)

Underlying operating profit:

Gross profit ¹	4	147.0	57.3
Other income	5	2.7	13.5
Administrative expenses	6	(83.8)	(40.6)
Less: non-underlying administrative expenses	6	44.5	14.6
		110.4	44.8
Interest cover		212.7%	182.1%

1. 2023 adjusted for the change in accounting policy as discussed in note 1 'Changes to accounting policies'.

25 Financial risk management continued

Fair value estimation

Financial instruments carried at fair value are required to be analysed by level depending on the valuation method adopted under IFRS 13. The different valuation levels are defined in note 14 'Property portfolio'.

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

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

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

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

26 Deferred tax

The change in corporation tax rate referred to in note 11 'Taxation' has been enacted for the purposes of IAS 12 'Income Taxes' ("IAS 12") and therefore has been reflected in these consolidated financial statements based on the expected timing of the realisation of deferred tax.

Deferred tax on investment property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Properties that fall within the Group's qualifying REIT activities will be outside the charge to UK corporation tax subject to certain conditions being met. The Group's recognised deferred tax position on investment property as calculated under IAS 12 is nil at 31 December 2023 (2022: nil).

A disposal of the Group's trading properties at their market value, before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £0.4 million (25 per cent of £1.7 million).

	Accelerated capital allowances £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Non-REIT group losses £m	Total £m
Provided deferred tax provision:					
At 31 December 2021	0.3	(0.1)	(1.6)	(4.7)	(6.1)
Recognised in income	-	-	1.3	4.7	6.0
Recognised directly in equity	-	0.1	-	-	0.1
Adjustment in respect of rate change	0.1	-	(0.1)	-	-
At 31 December 2022	0.4	-	(0.4)	-	-
Recognised in income	0.1	0.9	0.4	(1.4)	-
At 31 December 2023	0.5	0.9	-	(1.4)	-
Unrecognised deferred tax assets:					
At 31 December 2021	-	-	-	(17.4)	(17.4)
Income statement items	-	-	(0.3)	(6.8)	(7.1)
At 31 December 2022	-	-	(0.3)	(24.2)	(24.5)
Income statement items	-	-	(0.6)	2.8	2.2
At 31 December 2023	-	-	(0.9)	(21.4)	(22.3)

In accordance with the requirements of IAS 12, deferred tax assets are only recognised to the extent that the Group believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered. As at 31 December 2023, the Group has unrecognised deferred tax assets of £22.3 million in relation to £86.0 million of gross losses carried forward within its residual business and £3.5 million of other deductible temporary differences.

27 Share capital and share premium

Group and Company

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m ¹	Share premium £m
At 1 January 2022			851,272,672	212.8	232.5
Reinstatement of void shares	November	113	1,468,393	0.4	-
Share buyback	November	112	(1,468,393)	(0.4)	-
Share-based payment ²			177,966	-	-
At 31 December 2022			851,450,638	212.8	232.5
Issued to satisfy employee share scheme awards ²	March	25	6,170,629	1.5	-
Issued on completion of all-share merger ³	March	25	1,095,549,228	273.9	-
At 31 December 2023			1,953,170,495	488.2	232.5

1. Nominal value of share capital of 25 pence per share.

2. On 2 March 2023, 6,170,629 (2022: 177,966) new shares were issued to satisfy employee share scheme awards.

3. On completion of the all-share merger on 6 March 2023, 1,095,549,228 new shares were issued (including 128,350,793 shares issued to a Shaftesbury Capital controlled entity in respect of secured shares previously held as collateral for the exchangeable bonds). See note 13 'Gain on bargain purchase' for further details.

28 Capital commitments

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

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

29 Contingent liabilities

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

30 Cash flow information

(a) Cash generated from operations

	Note	2023 £m	2022 £m
Profit/(loss) before tax		750.6	(205.8)
Adjustments:			
Loss on revaluation and profit on sale of investment property	7	65.0	0.8
Gain on bargain purchase	13	(805.5)	-
Change in value of investments and other receivables	8	12.5	7.9
Change in fair value of financial assets at fair value through profit or loss	17	(52.0)	239.5
Depreciation	6	0.4	0.2
Amortisation of tenant lease incentives and other direct costs		0.1	(2.6)
Provision for/(reversal of) expected credit loss		2.0	(1.6)
Profit from joint ventures and associates	16	(0.2)	-
Share-based payment	32	7.9	2.4
Finance income	9	(15.6)	(2.6)
Other finance income	9	(4.1)	(3.5)
Finance costs	10	67.5	27.2
Other finance costs	10	31.3	6.5
Change in fair value of derivative financial instruments	18	11.3	(39.8)
<i>Change in working capital:</i>			
Change in trade and other receivables		(27.1)	2.0
Change in trade and other payables		(14.3)	2.9
Cash generated from operations		29.8	33.5

(b) Reconciliation of cash flows from financing activities

The table below sets out the reconciliation of movements of liabilities to cash flows arising from financing activities:

	Note	Long-term borrowings £m	Short-term borrowings £m	Derivative liability - exchangeable bond £m	Total liabilities from financing activities £m
Balance at 1 January		738.4	-	3.3	741.7
Cash flows from financing activities					
Repayment of bank loans	22	(1,151.0)	-	-	(1,151.0)
Drawdown of revolving credit facility and secured loan	22	1,126.0	-	-	1,126.0
Total cash flows used in financing activities		(25.0)	-	-	(25.0)
Non-cash movements from financing activities					
Debt acquired on completion of the merger	13	889.0	-	-	889.0
Reclassification from long term to short term at period end	22	(94.9)	94.9	-	-
Amortisation		27.3	-	-	27.3
Changes in fair value	18	-	-	3.9	3.9
Total non-cash flows from financing activities		821.4	94.9	3.9	920.2
Balance at 31 December		1,534.8	94.9	7.2	1,636.9

31 Related party transactions

(a) Transactions with Directors

	2023 £m	2022 £m
Key management compensation¹		
Salaries and short-term employee benefits	5.3	4.7
Share-based payment	0.7	1.8
	6.0	6.5

1. Key management comprises the Directors of the Company who have been determined to be the only individuals with authority and responsibility for planning, directing and controlling the activities of the Company.

Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2023 and 28 February 2024, being a date not more than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these consolidated financial statements, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2023.

(b) Transactions between the Group and its joint ventures and associates

Transactions during the year between the Group and its joint ventures, which are related parties, are disclosed in notes 16 'Investment in joint ventures and associates', 19 'Trade and other receivables' and 28 'Capital commitments'. During the year the Group received management fees of £0.1 million (2022: nil) that were charged on an arm's length basis.

Property purchased by Directors of the Company

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

- Each of Henry Staunton, Chairman of Capco up to 6 March 2023, and Situl Jobanputra, Chief Financial Officer of Shaftesbury Capital, either solely or together with family members, own apartments (and, where applicable, car park space) in the Lillie Square development. The disclosures in respect of these purchases were included in previous financial statements.
- As owners of apartments and car park space in the Lillie Square development, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. During 2023, £13,922.28 had been paid to a related party of the Shaftesbury Capital Group, Lillie Square GP Limited, in relation to these charges. Certain payments in relation to these charges were made in advance, equating to £54.35. A further £1,289 had been invoiced as at the date the Director retired from the Company but was not yet due for payment.

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

32 Share-based payments

The Group operates a number of share-based payment schemes relating to employee benefits and incentives. All schemes are equity settled with the increase in equity measured by reference to the fair value of the Group's equity instruments at the grant date of the share awards. The corresponding expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest. The total expense recognised in the consolidated income statement in respect of share-based payments for 2023 was £7.9 million (2022: £2.3 million) of which £6.8 million has been included in non-underlying merger related transaction costs as it relates to the vesting of the 2020, 2021 and 2022 share options on completion of the all-share merger.

All options have a vesting period of three years and a maximum contractual life of 10 years. The fair value of share awards is determined by the market price of the shares at the grant date.

Full details of the performance criteria, vesting outcomes and any additional holding periods for the performance share plan are set out within the Directors' remuneration report on pages 127 to 152.

32 Share-based payments continued

1. Performance share plan

Market value and nil cost options to subscribe for ordinary shares and conditional awards of free shares may be awarded under the Performance Share Plan ("PSP"). The Company may make a proportion of awards as HMRC approved market value options.

Share options outstanding at 31 December 2023 has an exercise price of nil and a weighted average remaining contractual life of six years and are exercisable between 2026 and 2033.

(a) Market value option awards

	2023		2022	
	Number of market value options	Weighted average exercise price (pence)	Number of market value options	Weighted average exercise price (pence)
Outstanding at 1 January	408,234	-	691,022	216.5
Awarded during the year	-	-	183,587	164.9
Forfeited/lapsed during the year	(408,234)	-	(466,375)	(234.4)
Exercised during the year	-	-	-	-
Outstanding at 31 December	-	-	408,234	172.9

(b) Nil cost option awards

	Number of nil cost options	
	2023	2022
Outstanding at 1 January	8,382,021	6,933,460
Awarded during the year	7,409,650	3,094,396
Forfeited/lapsed during the year	(4,543,139)	(1,469,432)
Exercised during the year ¹	(4,771,818)	(176,403)
Outstanding at 31 December	6,476,714	8,382,021
Exercisable at 31 December	-	87,275

1. The weighted average share price at the date of exercise was 124.50 pence (2022: 102.8 pence).

(c) Deferred share awards

	Number of deferred share awards	
	2023	2022
Outstanding at 1 January	2,629,395	2,147,386
Awarded during the year	3,571,056	1,148,190
Forfeited/lapsed during the year	(1,571,493)	(664,618)
Exercised during the year ¹	(1,398,811)	(1,563)
Outstanding at 31 December	3,230,147	2,629,395
Exercisable at 31 December	-	-

1. The weighted average share price at the date of exercise was 124.50 pence (2022: 169.7 pence).

2. Fair value of share-based payment

The fair value of share awards is calculated using the Black-Scholes option pricing model for the half that is subject to the total return performance condition and using the stochastic pricing model for the half that is subject to the total shareholder return performance condition. Inputs to the models for share awards during the year are as follows:

Year of share award	2023
Closing share price at grant date	113p
Exercise price	0p - 113p
Expected option life	3 - 5 years
Risk-free rate	3.25%
Expected volatility	30.16 - 37.04%
Expected dividend yield	0%
Fair value per option	73p - 113.0p

33 Related undertakings

The Company's subsidiaries and other related undertakings at 31 December 2023 are listed below. All Group entities are included in the consolidated financial statements.

Unless otherwise stated, the Company holds 100 per cent of the voting rights and beneficial interests in the shares of the subsidiaries listed below. The share capital of each of the companies, where applicable, comprises ordinary shares unless otherwise stated.

Registered address: Regal House, 14 James Street, London, WC2E 8BU

Related undertakings	
20 The Piazza Limited	Covent Garden Management Services Limited ^{1,2}
20 The Piazza Management Limited ¹	Floral Court Collection Management Limited ¹
22 Southampton Street Limited	Floral Court Limited
22 Southampton Street Management Limited ¹	Innova Investment Group Holdings GP Limited ¹
34 Henrietta Street Limited	Innova Investment Group Holdings LP
34 Henrietta Street Management Company Limited ¹	Innova Investment Group Holdings Nominee Limited ¹
C & C Management Services Limited ²	Innova Investment Management Limited ¹
C&C Properties UK Limited ²	Lillie Square Clubhouse Limited (50%) ^{1,4}
Carnaby Estate Holdings Limited ¹	Lillie Square Developments Limited (50%) ⁴
Carnaby Investments Limited ¹	Lillie Square GP Limited (50%) ⁴
Carnaby Property Investments Limited ¹	Lillie Square LP (50%) ⁴
Capco Covent Garden Limited ²	Lillie Square Management Limited (50%) ⁴
Capco Covent Garden Residential Limited	Lillie Square Nominee Limited (50%) ^{1,4}
Capco Group Treasury Limited ²	Longmartin Investments Limited (50%) ⁴
Capco Investment London Limited ^{1,2}	Longmartin Properties Limited (50%) ⁴
Capco Investment London 2 Limited ^{1,2}	Shaftesbury AV Investment Limited
Capco Investment London (No.1) Limited	Shaftesbury AV Limited
Capco Investment London (No.2) Limited	Shaftesbury Carnaby PLC
Capco Investment London (No.3) Limited	Shaftesbury Charlotte Street Limited ¹
Capco Investment London (No.4) Limited	Shaftesbury Chinatown PLC
Capco Investment London (No.5) Limited	Shaftesbury CL Investment Limited
Capco London Limited ¹	Shaftesbury CL Limited
Capital & Counties CG Limited	Shaftesbury Covent Garden Limited
Capital & Counties CGP	Shaftesbury Covent Garden Property Investments Limited ¹
Capital & Counties CG Nominee Limited ¹	Shaftesbury Investments 2 Limited ¹
Capital & Counties Limited ^{2,3}	Shaftesbury Investments 4 Limited ¹
CG Treasury Limited ^{1,2,5}	Shaftesbury Investments 5 Limited ¹
Charlotte Street Estate Holdings Limited ¹	Shaftesbury Investments 6 Limited ¹
Chinatown Estate Holdings Limited ¹	Shaftesbury Investments 7 Limited ¹
Chinatown London Limited ¹	Shaftesbury Investments 8 Limited ¹
Chinatown Property Investments Limited ¹	Shaftesbury Investments 9 Limited ¹
Covent Garden Estate Holdings Limited ¹	Shaftesbury Investments 10 Limited ¹
Covent Garden (43 Management) Limited ¹	Shaftesbury PLC ²
Covent Garden (49 Wellington Street) Limited	Shaftesbury Soho Limited
Covent Garden Group Holdings Limited	Shaftesbury West End Limited ¹
Covent Garden Holdings (No.1) Limited ¹	St Martin's Courtyard Limited (50%) ^{1,4}
Covent Garden Holdings (No.2) Limited ¹	

1. Dormant entity.
2. Direct undertakings of the Company.
3. Ordinary and non-voting deferred shares.
4. Equity accounted joint ventures and associates.
5. With effect from 20 January 2024, the company changed its name to Covent Garden Holdings (No.3) Limited and ceased to be a direct undertaking of the Company.

Registered address: C/O Shepherd and Wedderburn LLP, 9 Haymarket Square, Edinburgh, Scotland, EH3 8FY

Related undertakings	
Capco Investment London (No.6) Limited ^{1,2}	Capco Investment London (No.7) Scottish Limited Partnership ²
1. Direct undertaking of the Company.	
2. Dormant entity.	
Registered address: 27 Esplanade, St Helier, Jersey, JE1 1SG	
Related undertakings	
Capital & Counties Properties (Jersey) 3 Limited ^{1,2}	Capvestco Limited ^{1,2}
Capvestco 2 Limited ^{1,2}	Innova Investment Group Holdings LP Limited ²
Capvestco 3 Limited ^{1,2}	Innova Investment Holdings Limited ²
Capvestco 3 Holdings Limited ²	Lillie Square LP Limited
Capvestco Earts Court Limited ²	
1. Direct undertakings of the Company.	
2. Dormant entity.	

34 Events after the reporting date

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

Shaftesbury Capital PLC Company balance sheet

As at 31 December 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investment in Group companies	II	2,129.4	516.4
		2,129.4	516.4
Current assets			
Trade and other receivables	III	1,616.8	1,798.1
		1,616.8	1,798.1
Total assets		3,746.2	2,314.5
Non-current liabilities			
Borrowings	IV	(616.6)	(265.7)
Derivative financial instruments	V	(7.2)	(3.3)
		(623.8)	(269.0)
Current liabilities			
Trade and other payables		(3.7)	(1.5)
		(3.7)	(1.5)
Total liabilities		(627.5)	(270.5)
Net assets		3,118.7	2,044.0
Equity			
Share capital	27	488.2	212.8
Other components of equity		2,630.5	1,831.2
Total equity		3,118.7	2,044.0

The loss for the year attributable to shareholders of the Company is £89.7 million (2022: £44.3 million profit). References in roman numerals refer to the notes to the Company financial statements, references in numbers refer to the notes to the Group financial statements.

These financial statements of Shaftesbury Capital PLC (registered number: 07145051) have been approved for issue by the Board of Directors on 28 February 2024 and signed on its behalf by:

Ian Hawksworth **Situl Jobanputra**
Chief Executive Chief Financial Officer

Shaftesbury Capital PLC Company statement of changes in equity

For the year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Own Shares ¹ £m	Capital redemption reserve £m	Merger Reserve ² £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
At 1 January 2022		212.8	232.5	-	1.5	293.7	7.7	1,264.7	2,012.9
Profit and total comprehensive income for the year		-	-	-	-	-	-	44.3	44.3
Ordinary shares issued	27	0.4	-	-	(0.4)	-	-	1.7	1.7
Share buyback	27	(0.4)	-	-	0.4	-	-	(1.7)	(1.7)
Dividends	12	-	-	-	-	-	-	(15.3)	(15.3)
Realisation of share-based payment reserve on issue of shares		-	-	-	-	-	(0.2)	-	(0.2)
Fair value of share-based payment		-	-	-	-	-	2.3	-	2.3
Balance at 31 December 2022		212.8	232.5	-	1.5	293.7	9.8	1,293.7	2,044.0
Loss and total comprehensive expenses for the year		-	-	-	-	-	-	(89.7)	(89.7)
Completion of all-share merger ³	13	273.9	-	-	-	930.2	-	-	1,204.1
Dividends	12	-	-	-	-	-	-	(43.8)	(43.8)
Issue of shares and realisation of share-based payment reserve on issue of employee share options ⁴	27	1.5	-	(0.8)	-	-	(9.8)	11.9	2.8
Fair value of share-based payment		-	-	-	-	-	1.3	-	1.3
Balance at 31 December 2023		488.2	232.5	(0.8)	1.5	1,223.9	1.3	1,172.1	3,118.7

1. Represents 3,146,886 shares held by the Group's Employee Benefit Trust in respect of employee share awards.

2. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. Current year amount represents non-qualifying consideration received following the all-share merger with Shaftesbury completed on 6 March 2023. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions.

3. Represents share capital issued and non-qualifying consideration received following the all-share merger with Shaftesbury completed on 6 March 2023.

4. Represents the issue of 6,170,629 new shares and subsequent realisation of the outstanding share-based payment reserve on the close out of the Capco share scheme prior to completion of the all-share merger. Following the vesting, 3,146,886 shares were purchased by the Group's Employee Benefit Trust.

Shaftesbury Capital PLC Company statement of cash flows

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash (utilised in)/generated from operations	VI	(278.9)	22.5
Interest paid		(27.3)	(7.2)
Net cash (outflow)/inflow from operating activities		(306.2)	15.3
Cash flows from financing activities			
Issue of shares		-	1.7
Share buyback		-	(1.7)
Borrowings drawn		926.0	-
Borrowings repaid		(576.0)	-
Cash dividends paid	12	(43.8)	(15.3)
Net cash inflow/(outflow) from financing activities		306.2	(15.3)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

Shaftesbury Capital PLC

Notes to the Company financial statements

I Principal accounting policies

General information

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

Basis of preparation

The Company's financial statements are prepared in accordance with IFRS and in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention as modified for the revaluation of derivative financial instruments.

The Directors have taken advantage of the exemption offered by section 408 of the Companies Act 2006 not to present a separate income statement or statement of comprehensive income for the Company.

In the current year, the Company has applied the amendments to IFRS Standards and Interpretations issued by the Board as set out in the accounting policies of the Group on page 169 that are effective for annual periods that begin on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Investment in Group companies

Investment in Group companies, which eliminates on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. Impairment losses are determined with reference to the investment's fair value less estimated selling costs and value-in-use calculations. Fair value is derived from the subsidiaries', and their subsidiaries', net assets at the balance sheet date. Value-in-use calculations which require the use of estimates, comprise discounted cash flows based on the latest strategic plan. On disposal, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

Other

All accounting policies have been applied consistently and are the same as those applied by the Group as set out on pages 169 to 177. No significant areas of estimation and uncertainty have been identified. The Directors did not make any significant judgements in the preparation of these financial statements.

The auditors' remuneration for audit and other services is disclosed in note 6 to the Group financial statements.

II Investment in Group companies

	2023 £m	2022 £m
At 1 January	516.4	516.4
Additions	1,613.0	-
At 31 December	2,129.4	516.4

Investments in Group companies are carried at cost less impairment losses, if any. An impairment test is performed on an annual basis. An impairment charge of nil was recorded in the current year (2022: nil).

III Trade and other receivables

	2023 £m	2022 £m
Current		
Amounts owed by subsidiaries	1,616.3	1,795.8
Prepayments and accrued income	0.5	2.3
Trade and other receivables	1,616.8	1,798.1

An impairment test is performed on an annual basis to determine the recoverability of amounts owed by subsidiaries. The expected credit loss was evaluated, and scenarios determined that may result in an impairment. An impairment of £96.9 million was raised against the amounts owed by subsidiaries.

IV Borrowings

	2023						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Non-current							
Bank loans	346.8	-	346.8	-	346.8	350.0	350.0
Exchangeable bonds	269.8	269.8	-	269.8	-	256.9	275.0
Borrowings	616.6	269.8	346.8	269.8	346.8	606.9	625.0
Total borrowings	616.6						

	2022						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Non-current							
Bank loans	(1.2)	-	(1.2)	-	(1.2)	-	-
Exchangeable bonds	266.9	266.9	-	266.9	-	228.9	275.0
Borrowings	265.7	266.9	(1.2)	266.9	(1.2)	228.9	275.0
Total borrowings	265.7						

The fair values of the Company's borrowings have been estimated using the market value for floating rate borrowings, which approximates nominal value, and discounted cash flow approach for fixed rate borrowings, representing Level 2 fair value measurements as defined by IFRS 13. The different valuation levels are defined in note 14 'Property portfolio'.

	2023	
	Current borrowings £m	Non-current borrowings £m
Analysis of movement in net debt		
Balance at 1 January	-	265.7
Other net cash movements	-	339.2
Other non-cash movements	-	11.7
Balance at 31 December	-	616.6

IV Borrowings continued

	2022	
	Current borrowings £m	Non-current borrowings £m
Analysis of movement in net debt		
Balance at 1 January	-	264.1
Other net cash movements	-	(6.7)
Other non-cash movements	-	8.3
Balance at 31 December	-	265.7

The maturity profile of gross debt is as follows:

	2023 £m	2022 £m
Wholly repayable in more than two years but not more than five years	625.0	275.0
	625.0	275.0

V Derivative financial instruments

Derivative liabilities	2023 £m	2022 £m
Non-current		
Derivative liability - exchangeable bonds ¹	7.2	3.3
Derivative financial liabilities	7.2	3.3

1. On 30 November 2020 the Company issued £275 million of secured exchangeable bonds maturing in March 2026. The notes were originally exchangeable into cash or ordinary shares of Shaftesbury but following the all-share merger are convertible into Shaftesbury Capital shares. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component, representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury. The debt component is accounted for at amortised cost at the effective interest rate method and the derivative liability is accounted for at fair value through profit or loss.

VI Cash flow information

(a) Cash generated from operations

	2023 £m	2022 £m
(Loss)/profit before tax	(89.7)	44.3
Adjustments:		
Impairment of receivables	97.0	-
Finance costs	35.2	8.8
Other finance income	(79.0)	(40.8)
Change in fair value of derivative financial instruments	3.9	(28.8)
Change in working capital:		
Change in trade and other receivables	(248.5)	38.4
Change in trade and other payables	2.2	0.6
Cash (utilised in)/generated from operations	(278.9)	22.5

(b) Reconciliation of cash flows from financing activities

The table below sets out the reconciliation of movements of liabilities to cash flows arising from financing activities:

	Long-term borrowings £m	Derivative liability - exchangeable bond £m	Total liabilities from financing activities £m
Balance at 1 January	265.7	3.3	269.0
Cash movements from financing activities			
Borrowings drawn	926.0	-	926.0
Borrowings repaid	(576.0)	-	(576.0)
Total cash flows from financing activities	350.0	-	350.0
Non-cash movements from financing activities			
Amortisation	0.9	-	0.9
Changes in fair value	-	3.9	3.9
Total non-cash flows from financing activities	0.9	3.9	4.8
Balance at 31 December	616.6	7.2	623.8

VII Related party transactions

(a) Transactions between the Company and its subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

Significant transactions between the Company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	2023 £m	2022 £m
Funding activities			
Capco Group Treasury Limited	Interest on intercompany loan	79.0	40.8

Significant balances outstanding at 31 December between the Company and its subsidiaries are shown below:

Subsidiary	Amounts owed by subsidiaries	
	2023 £m	2022 £m
Capco Group Treasury Limited	1,615.8	1,795.8

The amount due from Capco Group Treasury Limited is unsecured, interest bearing and repayable on demand.

Alternative performance measures (unaudited)

For the year ended 31 December 2023

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

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

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

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	2023	2022 ¹
Underlying earnings	Profit/(loss) for the year excluding items deemed non-recurring or significant by virtue of size or nature	Profit/(loss) for the year	Note 3	£60.4m	£18.6m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	Basic earnings/(loss) per share	Note 3	3.7p	2.2p
EPRA earnings	Recurring earnings from core operational activity	Profit/(loss) for the year	Note 3	£45.0m	£57.3m
EPRA earnings per share	EPRA earnings/(loss) per weighted number of ordinary shares	Basic earnings/(loss) per share	Note 3	2.7p	6.7p
EPRA NTA	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Net assets attributable to shareholders	Note 3	£3,479.4m	£1,552.2m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 3	190.3p	182.1p
Market value of property portfolio	Market value of wholly-owned property portfolio	Investment properties	Note 14	£4,795.3m	£1,743.7m
Interest cover	Underlying operating profit divided by net underlying finance costs	N/A	Note 25	212.7%	182.1%
Loan-to-value ²	Net debt, at nominal value and excluding tenant deposits, divided by market value of property portfolio	N/A	EPRA measures Note 5	30.9%	36.3%
Gross debt with interest rate protection	Proportion of gross debt with interest rate protection	N/A	Note 25	100%	100%
Weighted average cost of debt ³	Cost of debt weighted by the drawn balance of external borrowings	N/A	Financial Review, page 48	4.2%	2.7%
Cash and undrawn committed facilities	Cash and cash equivalents, excluding tenant deposits, plus undrawn committed facilities	N/A	Financial Review, page 48	£485.7m	£416.5m

1. Prior period comparatives have been restated based on changes to the definition following the all-share merger with Shaftesbury and the Board focus on the wholly-owned portfolio. Due to the fair value exercise performed on merger, and the Shaftesbury debt accounted for at fair value, net debt metrics have been adjusted to be based on nominal value rather than carrying value.

2. The 31 December 2022 loan-to-value represents the Capco only calculation which excludes the £356.9 million 25.2 per cent shareholding held in Shaftesbury but includes the exchangeable bond which was secured by collateral on the shareholding. The net debt to gross assets ratio was 27.9 per cent.

3. As at 31 December 2023 the weighted average cost of debt reduces to an effective running cash cost of 3.4 per cent taking account of interest on cash deposits and interest rate caps and collars.

Where this report uses like-for-like comparisons, these are defined within the Glossary.

Pro forma information (unaudited)

For the year ended 31 December 2023

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

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

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

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

Table 1 – Pro forma balance sheet and EPRA NTA

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

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

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

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

Table 2 – Market value investment property

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

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

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

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

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

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

Table 3 – Net debt

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

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

Table 4 – Loan-to-value

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

Table 5 – Cash and undrawn facilities

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

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

Table 6 – Commitments

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

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

Table 7 – 2023 rental income

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

1. As reported in note 4 'Gross profit'. Represents the standalone results of Capco for the 1 January to 6 March 2023 and that of the combined Group from 6 March to 31 December 2023.
2. Reflects the rental income for Shaftesbury for the period 1 January to 5 March 2023 obtained from internal management accounts of Shaftesbury. The amounts have not been adjusted for accounting policy alignments or fair value adjustments.

Table 8 – 2022 rental income

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

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

EPRA measures (unaudited)

For the year ended 31 December 2023

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

The following is a summary of EPRA performance measures and key Group measures included within this Annual Report. The measures are defined in the Glossary.

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

1. EPRA Net initial yield and EPRA ‘topped-up’ net initial yield

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

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

2. EPRA vacancy rate

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

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

3. Property related capex

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

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

4. EPRA cost ratio

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

1. Company specific adjustment relates to non-underlying administrative expenses and do not represent the recurring, underlying performance of the Group. Details of non-underlying expenses are set out in note 6 ‘Administration expenses’.

2. Company specific adjustment relates to the impact on the change in accounting policies as discussed in note 1 ‘Changes in accounting policies’.

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

5. EPRA LTV

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

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

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

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

6. Like-for-like rental growth

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

	2023 £m
Rental income in current year	196.5
<i>Adjusted for impact of:</i>	
Change in accounting policy ¹	4.1
Acquisitions	(0.4)
Disposals	(4.1)
Like-for-like rental income in current year (A)	196.1
Rental income in previous year	178.2
<i>Adjusted for impact of:</i>	
Acquisitions	(0.1)
Disposals	(4.8)
Like-for-like rental income in prior year (B)	173.3
Like-for-like growth in rental income ((A-B)/B)	13.2%

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

Analysis of property portfolio (unaudited)

For the year ended 31 December 2023

Wholly-owned portfolio valuation by use

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

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

Wholly-owned portfolio valuation by location

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

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

Historical record (unaudited)

For the year ended 31 December 2023

Continuing and discontinued operations

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Consolidated income statement					
Gross profit	141.9	57.3	40.0	15.9	61.1
Other income/(costs)	2.7	13.5	3.0	(1.0)	1.8
Loss on revaluation and sale of investment property	(65.0)	(0.8)	(4.1)	(693.1)	(43.3)
Change in value of investments and other receivables	(12.5)	(7.9)	11.6	(28.2)	(20.9)
Revaluation of equity investment	52.0	(239.5)	44.6	50.9	-
Non-recurring costs	(44.5)	(14.6)	(2.8)	(6.2)	(8.4)
Administration expenses	(39.3)	(26.0)	(20.0)	(24.8)	(35.0)
Operating profit/(loss)	35.3	(218.0)	72.3	(686.5)	(44.8)
Net finance income/(costs)	(90.4)	12.2	(36.8)	(18.2)	(14.0)
Profit/(loss) after finance costs	(55.1)	(205.8)	35.5	(704.7)	(58.8)
Profit/(loss) on disposal and IFRS 5 impairment of discontinued operation	-	-	-	1.0	(195.0)
Gain on bargain purchase	805.5	-	-	-	-
Profit/(loss) from joint ventures and associates	0.2	-	-	-	(2.5)
Loss before tax	750.6	(205.8)	(46.7)	(684.9)	(256.3)
Taxation	(0.2)	(6.0)	(0.7)	1.0	0.1
Loss for the year	750.4	(211.8)	(47.4)	(683.9)	(256.2)

Consolidated balance sheet

Investment property	4,740.2	1,715.1	1,705.6	1,795.8	2,545.5
Other non-current assets	224.9	485.4	713.3	681.5	261.4
Cash and cash equivalents	200.2	129.9	331.1	365.1	153.1
Other current assets	51.0	20.8	48.9	65.7	139.4
Total assets	5,216.3	2,351.2	2,798.9	2,908.1	3,099.4
Non-current borrowings	(1,534.8)	(738.3)	(934.9)	(1,070.7)	(546.1)
Other non-current liabilities	(9.9)	(8.7)	(37.5)	(30.8)	(3.6)
Current borrowings	(94.9)	-	-	-	-
Other current liabilities	(96.5)	(42.6)	(39.7)	(46.9)	(63.0)
Total liabilities	(1,736.1)	(789.6)	(1,012.1)	(1,148.4)	(621.9)
Net assets	3,480.2	1,561.6	1,786.8	1,759.7	2,477.5

Per share information

	Pence	Pence	Pence	Pence	Pence
Basic (loss)/earnings per share	45.5	(24.9)	4.1	(82.6)	(22.4)
Underlying earnings/(loss) per share ¹	3.7	2.2	0.1	(0.7)	1.0
Basic net assets per share	190.3	183.2	209.7	210.4	290.0
EPRA NTA per share	190.3	182.1	213.0	212.1	292.9
Dividend per share	3.15	2.5	1.5	-	1.5

1. Underlying earnings as at 31 December 2023 is £60.4 million (2022: £18.6 million).

Board and advisers

Chairman

Jonathan Nicholls

Executive Directors

Ian Hawsworth, Chief Executive
Situl Jobanputra, Chief Financial Officer

Non-executive Directors

Richard Akers
Ruth Anderson
Charlotte Boyle

Company Secretary

Desna Martin
Ruth Pavay

General Counsel

Alison Fisher

Registered office

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14 James Street
London
WC2E 8BU
Telephone: 020 3214 9150

Registered number

7145051

Websites

www.shaftesburycapital.comwww.carnaby.co.ukwww.chinatown.co.ukwww.coventgarden.londonwww.thisissoho.co.uk

Independent auditors

PricewaterhouseCoopers LLP

Solicitors

Herbert Smith Freehills LLP

Financial adviser

Rothschild & Co.

Corporate brokers

Jefferies International Limited
Peel Hunt LLP
UBS AG London Branch

SA sponsor

Java Capital Trustees and Sponsors Proprietary Limited

Dividends

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

Dates

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

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

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

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

The above dates are proposed and subject to change.

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

Information for shareholders

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

UK shareholders – PIDs

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

South African shareholders

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

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

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

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

Other overseas shareholders:

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

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

Glossary

Alternative performance measure (APM)

A financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Annualised gross income

Total annualised actual and "estimated income" from leases at a valuation date. It includes sundry non-leased income and estimated turnover related rents. No rent is attributed to leases which were subject to rent free periods at that date. It does not reflect any head rents and estimated irrecoverable outgoings at the valuation date. "Estimated income" refers to gross ERVs in respect of rent reviews outstanding at the valuation date and, where appropriate, ERV in respect of lease renewals outstanding at the valuation date where the fair value reflects terms for a renewed lease.

BREEAM

Building Research Establishment Environmental Assessment Method is a method of assessing, rating and certifying sustainability of buildings.

Contracted income

Includes rent frees and contracted rent increases.

Capco

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

CDP

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

CRREM

Carbon Risk Real Estate Monitor. The leading global standard and initiative for operational decarbonisation of real estate asset.

Embodied Carbon

The total carbon emissions generated during the creation or refurbishment of a product. Including the extraction, manufacture, transportation, processing, assembly, replacement and deconstruction of the materials required to create or refurbish the product.

EPRA

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

EPRA cost ratio (including direct vacancy costs)

EPRA cost ratio (including direct vacancy costs) is a proportionally consolidated measure of the ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

EPRA cost ratio (excluding direct vacancy costs)

EPRA cost ratio (excluding direct vacancy costs) is the ratio defined above, but with direct vacancy costs removed from the net overheads and operating expenses balance.

EPRA earnings per share

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

EPRA loan-to-value (LTV)

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

EPRA net disposal value (NDV) per share

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

EPRA net initial yield

Annualised net rent (after deduction of revenue costs such as head rent, running void, service charge after shortfalls and empty rates) on investment and development property expressed as a percentage of the gross market value before deduction of theoretical acquisition costs.

EPRA net tangible assets (NTA) per share

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

EPRA net reinstatement value (NRV) per share

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

EPRA sBPR

European Public Real Estate Association Sustainability Best Practice Recommendations for Reporting, a guidance framework for reporting environmental performance. Capco publishes details of its environmental performance in line with the EPRA sBPR.

EPRA topped-up initial yield

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

EPRA vacancy

ERV of un-let units, including those under offer, expressed as a percentage of the ERV of the wholly-owned property portfolio excluding units under development.

ESC

Environment, Sustainability and Community.

Glossary continued

Estimated rental value (ERV)

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

FTSE4GOOD

FTSE4GOOD Index Series, hosted by FTSE Russell, a sustainability index in which Shaftesbury Capital participates.

F&B

Food and Beverage.

FRC

Financial Reporting Council.

GRESB

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

Gross income

The Group's share of passing rent plus sundry non-leased income.

FTSE 350 Real Estate Index

London Stock Exchange index derived from real estate companies in the FTSE 100 and FTSE 250 indices.

Headline earnings

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

LETI

The London Energy Transformation Initiative, a network of built environment professionals working to put London on the path to Net Zero Carbon.

Like-for-like property

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

Loan-to-value (LTV)

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

Longmartin

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

LSJV

The Lillie Square joint venture is a 50 per cent joint venture between the Group and KFI.

MSCI

Producer of an independent benchmark of property returns.

NAV

Net Asset Value.

Net initial yield

The net initial income at the valuation date expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at the valuation date.

Net debt

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

Net Zero Carbon

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

Nominal equivalent yield

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

Occupancy rate

The ERV of let and under offer units expressed as a percentage of the ERV of let and under offer units plus ERV of un-let units, excluding units under development. This is equivalent to 100 per cent less the EPRA vacancy rate.

Passing rent

Contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent-free periods or tenant lease incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income.

Property Income Distributions (PID)

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

Real Estate Investment Trust (REIT)

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

Real Estate Transfer Tax

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

Reversionary potential

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

RICS

Royal Institution of Chartered Surveyors.

S&P Global Corporate Sustainability Assessment

A sustainability index of Standard & Poor Global to which Shaftesbury Capital submits information.

Section 106

Section 106 of the Town and Country Planning Act 1990, pursuant to which the relevant planning authority can impose planning obligations on a developer to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

Shaftesbury

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

Shaftesbury Capital PLC

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

Sterling Overnight Interbank Average Rate (SONIA)

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

Tenant lease incentives

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

Task Force on Climate-related Financial Disclosure

The TCFD developed a framework to help companies more effectively disclose climate-related risks and opportunities through existing reporting processes.

Total accounting return (TAR)

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

Total property return (TPR)

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

Total shareholder return (TSR)

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

Underlying earnings

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

Underlying earnings per share (EPS)

Underlying earnings divided by the weighted average number of shares in issue during the year.

Valuation growth/decline

The valuation movement and realised surpluses or deficits arising from the Group's investment property portfolio expressed as a percentage return on the valuation at the beginning of the period adjusted, on a time weighted basis, for acquisitions, disposals and capital expenditure. When measured on a like-for-like basis, the calculation excludes those properties acquired or sold during the period.

Weighted average unexpired lease term (WAULT)

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

Whole Life Carbon

The total embodied and operational emissions that occur over the lifetime of a building, including the carbon associated with decommissioning at end of life.

Zone A

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

Shaftesbury Capital Greenhouse Gas emissions methodology 2023

Shaftesbury Capital monitors and reports our greenhouse gas emissions (“GHG”) and operational energy consumption in compliance with the requirements of the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013 and the extension of these regulations to include the Streamlined Energy and Carbon Emissions Reporting (“SECR”).

Our Scope 1, 2 and 3 emissions statements cover the reporting period 1 January 2023 to 31 December 2023 and are detailed on page 87 and 88.

The GHG emissions data is prepared by following the ‘Greenhouse Gas (“GHG”) Protocol: A Corporate Accounting and Reporting Standard’ published by the World Resources Institute (“WRI”). We use the GHG Protocol operational control approach as this reflects where Shaftesbury Capital has the ability to influence GHG emissions. 100 per cent of emissions and energy use reported are applicable for UK only, as Shaftesbury Capital does not have any other global operations.

Scope 1 emissions, defined as direct emissions including fuel combustion in owned or controlled boilers, backup generators and vehicles and fugitive emissions from air conditioning, are included where they are our responsibility within the managed portfolio.

Scope 2 is defined as indirect energy emissions which include purchased electricity throughout the Group’s operations within landlord-controlled parts. The figures relate to landlord controlled common parts such as lobbies, staircases or vacant units, including when small refurbishments are under way and are therefore minimal. Shaftesbury Capital are responsible for all Scope 1 and Scope 2 emissions disclosed on page 87 and 88.

For Scope 2 emissions, those arising from generated electricity usage are reported in two ways. Firstly, Shaftesbury Capital calculates the ‘location-based’ emissions which reflect emissions according to the energy mix of the National Grid. Secondly, Shaftesbury Capital reports ‘market-based’ emissions which reflect the energy mix provided by our energy suppliers. This helps Shaftesbury Capital to demonstrate the reduction in emissions as a result of purchasing energy from suppliers who generate renewable energy.

In addition, we report Scope 3 emissions comprising other indirect emissions from sources not owned or controlled by Shaftesbury Capital, including customer and supply chain emissions. This includes emissions relating to tenant consumption in our properties where the leasing arrangements put responsibility for energy operation and direct payment for supply on the tenants.

Where material (more than £250,000) refurbishments take place, electricity used in refurbishment projects is included as Scope 3, as this is part of the carbon cost of project delivery. The energy consumption at refurbishment projects below these criteria is captured within Scope 2 emissions as explained above.

Shaftesbury Capital has engaged Carbon Footprint Limited to provide independent verification of the 2022 Greenhouse Gas emissions assertion, in accordance with the industry recognised standard ISO 14064-3.

The energy and carbon statements disclosed in this report, on pages 87 and 88, have been calculated in accordance with the following standards:

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

We have applied the appropriate greenhouse gas conversion factors from UK Department for Energy Security and Net Zero Greenhouse gas reporting: conversion factors (June) 2023.

We have used accurate consumption data for reporting of the majority of Scope 1 and Scope 2 emissions. Where there have been data gaps, we have used reasonable estimations such as pro-rata extrapolation to ensure complete coverage for the reporting year.

For Scope 3 occupier emissions we have used various methods, including meter reads, proptech feeds and letters of authority from occupiers for approximately 35 per cent of the downstream leased assets and applied industry benchmarks for the remaining 65 per cent.

For Scope 3 embodied carbon, we use accurate embodied carbon data for all projects which are sufficiently material to warrant detailed whole life carbon assessments and monitoring. This covers c.43 per cent of our spend in 2023 and 18 per cent of our embodied carbon. For smaller projects, not yet covered by whole life carbon assessments, we use DEFRA conversion factors which covers 57 per cent of our spend and 82 per cent of our embodied carbon. We are committed to reducing the proportion of spend required to use benchmarks over time.

Shareholder information

Electronic communication

As part of our commitment to sustainability Shaftesbury Capital has adopted electronic communications. This means that shareholders will receive documents from the Company electronically unless they elect to receive hard copies.

All of Shaftesbury Capital’s annual results and interim results will be published on the Company’s website www.shaftesburycapital.com. If you are a shareholder who receives hard copies of documents and you wish to elect to receive electronic communications, please contact the appropriate Registrar.

Shareholders may revoke an election to receive electronic communications at any time.

Registrars

All enquiries concerning shares or shareholdings, including notification of change of address, queries regarding loss of a share certificate and dividend payments should be addressed to:

For shareholders registered in the UK:

Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Telephone: 0371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00 – 17.30, Monday to Friday excluding public holidays in England and Wales.

Email: shareholderenquiries@linkgroup.co.uk

Website: www.linkgroup.eu

For shareholders registered in South Africa:

Computershare Investor Services Proprietary Limited, Rosebank Towers, 1st Floor, 15 Biermann Avenue, Rosebank, 2196, South Africa

Postal address: Private Bag X9000, Saxonwold, 2132, South Africa

Telephone: +27 (0) 11 370 5000 or 086 1100 933 (lines are open 8.00 – 16.30 Monday to Friday)

Email: web.queries@computershare.co.za

Website: www.computershare.com

Web-based enquiry service for shareholders

Shareholders registered in the UK can register at www.signalshares.com to access a range of online services including:

- Updating your address details or registering a mandate to have your dividends paid directly to your bank account
- Online proxy voting
- Electing to receive shareholder communications electronically
- Viewing your holding balance, indicative share price and valuation
- Viewing transactions on your holding including any dividend payments you have received

- Accessing a wide range of shareholder information, including downloadable forms

To register to use this service, you will need your investor code (“IVC”), which can be found on your share certificate(s).

Share price information

The latest information on the Shaftesbury Capital PLC share price is available on the Company’s website www.shaftesburycapital.com.

The shares are traded on the LSE with LSE code SHC, SEDOL B62G9D3, ISIN GB00B62G9D36. The shares are traded on the JSE under the abbreviated name SHBCAP and JSE code SHC.

Share dealing services

Many banks, building societies and investment managers offer share dealing services. Additionally, UK shareholders may trade their shares using the online and telephone dealing service that Link Group provide. To use this service, shareholders should contact Link: info@linksharedeal.com or telephone 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider; calls outside the UK are charged at the applicable international rate. Lines are open 8.00 – 16.30 Monday to Friday, excluding public holidays in England and Wales). Alternatively, you can log on to www.linksharedeal.com. This service is only available to private individuals resident in the UK, the EEA, Channel Islands and the Isle of Man who hold shares in a company for which Link Group provides share registration services, or a nominee programme administered by Link Market Services Trustees Limited.

ShareGift

ShareGift is a charity share donation scheme for shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomical to sell on a commission basis. Further information can be found on its website www.sharegift.org, by telephoning 020 7930 3737 or by emailing help@sharegift.org.

Strate Charity Shares (SCS)

SCS is an independent non-profit and registered charity share donation scheme for shareholders who may wish to dispose of small holdings of shares that are too costly to sell via a stock broker on a commission basis. Further information can be found at www.strate.co.za, by emailing charityshares@computershare.co.za or by calling 0800 202 363 or +27 (0) 11 870 8207 if you are phoning from outside South Africa.

Investment scams

Shareholders are advised to be wary of any unsolicited calls, mail or emails that offer free advice, the opportunity to buy shares at a discount or to provide free company or research reports. Such approaches are often investment scams. Information on how to protect yourself from investment scams can be found at www.fca.org.uk/scams or by calling the FCA’s consumer helpline on 0800 111 6768.

This Report includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Shaftesbury Capital PLC to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any information contained in this Report on the price at which shares or other securities in Shaftesbury Capital PLC have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.



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