Group statement of comprehensive income
For the year ended 30 September 2018

	Notes	2018 £m	2017 £m
Revenue	2	**122.1**	111.5
Property charges	3	**(28.3)**	(23.2)
Net property income		**93.8**	88.3
Administrative expenses	4	**(13.7)**	(14.1)
Operating profit before investment property disposals and valuation movements		**80.1**	74.2
Profit on disposal of investment properties	5	**4.6**	1.1
Net surplus on revaluation of investment properties	8	**123.1**	230.6
Operating profit		**207.8**	305.9
Finance income		**0.8**	0.1
Finance costs	6	**(32.0)**	(32.8)
Change in fair value of derivative financial instruments	16	**–**	22.0
Share of post-tax (loss)/profit from joint venture	10	**(1.1)**	6.4
Profit before tax		**175.5**	301.6
Tax charge for the year	7	**–**	–
Profit and total comprehensive income for the year		**175.5**	301.6
Earnings per share:	22		
Basic		**58.1p**	108.1p
Diluted		**58.0p**	107.9p
EPRA		**17.1p**	16.2p

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

Financial statements

Balance sheets
As at 30 September 2018

	Notes	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Non-current assets					
Investment properties	8	**3,714.8**	3,407.3	**–**	–
Accrued income	9	**9.9**	9.5	**–**	–
Investment in joint venture	10	**143.9**	148.0	**59.0**	59.0
Property, plant and equipment		**1.3**	1.2	**1.3**	1.2
Other receivables	13	**3.7**	3.7	**–**	–
Investment in subsidiaries	11	**–**	–	**1,160.9**	619.6
		3,873.6	3,569.7	**1,221.2**	679.8
Current assets					
Trade and other receivables	12	**30.3**	22.0	**51.2**	484.3
Cash and cash equivalents	13	**118.5**	45.6	**100.6**	25.8
Total assets		**4,022.4**	3,637.3	**1,373.0**	1,189.9
Current liabilities					
Trade and other payables	14	**40.8**	41.6	**6.6**	106.6
Non-current liabilities					
Borrowings	15	**948.6**	948.8	**(1.8)**	(0.8)
Total liabilities		**989.4**	990.4	**4.8**	105.8
Net assets		**3,033.0**	2,646.9	**1,368.2**	1,084.1
Equity					
Share capital	17	**76.8**	69.8	**76.8**	69.8
Share premium	18	**378.4**	124.9	**378.4**	124.9
Share-based payments reserve	18	**1.2**	3.0	**1.2**	3.0
Retained earnings	18	**2,576.6**	2,449.2	**911.8**	886.4
Total equity		**3,033.0**	2,646.9	**1,368.2**	1,084.1

The Company made a profit of £73.5 million (2017: £57.7 million) in the year.

On behalf of the Board who approved and authorised for issue the financial statements on pages 118 to 139 on 26 November 2018.

Brian Bickell
Chief Executive

Chris Ward
Finance Director

Cash flow statements
For the year ended 30 September 2018

	Notes	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Cash flows from operating activities					
Cash generated from operating activities	21	**76.5**	76.7	**(15.9)**	(13.8)
Interest received		**0.8**	0.1	**0.7**	0.1
Interest paid		**(31.0)**	(32.8)	**(1.8)**	(11.1)
Net cash generated from operating activities		**46.3**	44.0	**(17.0)**	(24.8)
Cash flows from investing activities					
Investment property acquisitions		**(167.8)**	(40.1)	**–**	–
Investment property disposals	5	**13.3**	13.4	**–**	–
Capital expenditure on investment properties		**(26.6)**	(41.5)	**–**	–
Purchase of property, plant and equipment		**(0.4)**	(0.1)	**(0.4)**	(0.1)
Dividends received from the joint venture		**3.0**	4.8	**3.0**	4.8
Increase in loans to the joint venture		**(3.0)**	–	**(3.0)**	–
Amounts received from subsidiaries		**–**	–	**73.0**	575.2
Amounts provided to subsidiaries		**–**	–	**(188.9)**	(82.4)
Acquisition of subsidiary		**–**	–	**–**	(9.8)
Net cash used in investing activities		**(181.5)**	(63.5)	**(116.3)**	487.7
Cash flows from financing activities					
Proceeds from exercise of share options		**0.1**	0.1	**0.1**	0.1
Proceeds from share placing	17	**265.2**	–	**265.2**	–
Share placing costs	17	**(4.8)**	–	**(4.8)**	–
Proceeds from borrowings	15	**72.0**	146.5	**72.0**	146.5
Repayment of borrowings	15	**(72.0)**	(437.2)	**(72.0)**	(437.2)
Proceeds from issue of mortgage bonds		**–**	493.2	**–**	–
Repayment of debenture stock		**–**	(10.4)	**–**	(10.4)
Loan issue costs		**(1.8)**	(6.1)	**(1.8)**	–
Termination of derivative financial instruments		**–**	(92.1)	**–**	(92.1)
Equity dividends paid	20	**(50.6)**	(44.5)	**(50.6)**	(44.5)
Net cash from financing activities		**208.1**	49.5	**208.1**	(437.6)
Net change in cash and cash equivalents		**72.9**	30.0	**74.8**	25.3
Cash and cash equivalents at 1 October	13	**45.6**	15.6	**25.8**	0.5
Cash and cash equivalents at 30 September	13	**118.5**	45.6	**100.6**	25.8

Statements of changes in equity
For the year ended 30 September 2018

	Notes	Share capital £m	Share premium £m	Share-based payments reserve £m	Retained earnings £m	Total equity £m
Group						
At 1 October 2016		69.7	124.8	3.6	2,189.0	2,387.1
Profit and total comprehensive income for the year		–	–	–	301.6	301.6
Transactions with owners:						
Dividends paid	20	–	–	–	(43.3)	(43.3)
Exercise of share options	17	0.1	0.1	–	(0.1)	0.1
Fair value of share-based payments	4	–	–	1.4	–	1.4
Release on exercise of share options		–	–	(2.0)	2.0	–
At 30 September 2017		**69.8**	**124.9**	**3.0**	**2,449.2**	**2,646.9**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**175.5**	**175.5**
Transactions with owners:						
Dividends paid	20	**–**	**–**	**–**	**(50.6)**	**(50.6)**
Share placing	17	**6.9**	**253.5**	**–**	**–**	**260.4**
Exercise of share options	17	**0.1**	**–**	**–**	**(0.1)**	**–**
Fair value of share-based payments	4	**–**	**–**	**0.8**	**–**	**0.8**
Release on exercise of share options		**–**	**–**	**(2.6)**	**2.6**	**–**
At 30 September 2018		**76.8**	**378.4**	**1.2**	**2,576.6**	**3,033.0**
Company						
At 1 October 2016		69.7	124.8	3.6	870.1	1,068.2
Profit and total comprehensive income for the year		–	–	–	57.7	57.7
Transactions with owners:						
Dividends paid	20	–	–	–	(43.3)	(43.3)
Exercise of share options	17	0.1	0.1	–	(0.1)	0.1
Fair value of share-based payments	4	–	–	1.4	–	1.4
Release on exercise of share options		–	–	(2.0)	2.0	–
At 30 September 2017		**69.8**	**124.9**	**3.0**	**886.4**	**1,084.1**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**73.5**	**73.5**
Transactions with owners:						
Dividends paid	20	**–**	**–**	**–**	**(50.6)**	**(50.6)**
Share placing	17	**6.9**	**253.5**	**–**	**–**	**260.4**
Exercise of share options	17	**0.1**	**–**	**–**	**(0.1)**	**–**
Fair value of share-based payments	4	**–**	**–**	**0.8**	**–**	**0.8**
Release on exercise of share options		**–**	**–**	**(2.6)**	**2.6**	**–**
At 30 September 2018		**76.8**	**378.4**	**1.2**	**911.8**	**1,368.2**

The Company's distributable reserves are disclosed in note 18 to the financial statements.

Notes to the financial statements
For the year ended 30 September 2018

1 Accounting policies

Basis of preparation

Shaftesbury PLC (the Company) is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is given on page 109. The Company is the ultimate parent company of the Shaftesbury PLC Group (the Group). The Company has not presented its own Statement of Comprehensive Income, as permitted by Section 408 of the Companies Act 2006. The Company made a profit of £73.5 million (2017: £57.7 million) in the year.

These financial statements have been prepared in accordance with IFRS as adopted by the European Union, IFRS Interpretations Committee (IFRIC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in Pounds Sterling and under the historical cost convention as modified by the revaluation of investment properties and derivative financial instruments.

Going concern

The Group's business activities, together with the factors affecting performance, financial position and future development are set out in the Strategic Report on pages 1 to 61. The financial position of the Group including cash flow, liquidity, borrowings, undrawn facilities and debt maturity analysis is set out on pages 54 to 56. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date these financial statements were approved. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Significant judgements, assumptions and key estimates

The preparation of the financial statements in accordance with IFRS requires the directors to make judgements and estimates about the carrying amounts of assets and liabilities, in applying the Group's accounting policies. The judgements and estimates are based on historical experience and other relevant factors, including expectations of future events, and are reviewed on a continual basis. Although the estimates are made using the directors' best knowledge of the amount, event or actions, actual results may differ from the original estimates.

Significant area of estimation uncertainty
The investment property portfolio is valued by independent third party valuers. Cushman & Wakefield value the properties owned by the Group, and Knight Frank LLP value the properties owned by the Longmartin joint venture.

The valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. Cushman & Wakefield and Knight Frank LLP make a number of assumptions in forming their opinion on the valuation of our investment properties, which are detailed in the Basis of Valuation on pages 142 to 143. These assumptions are in accordance with the RICS Valuation - Global Standards. However, if any assumptions made by the external valuers prove to be incorrect, this may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. See note 8 for further information.

The directors did not make any significant judgements in the preparation of these financial statements.

New accounting standards and interpretations

a) The following amendment to an existing standard was relevant to the Group and mandatory for the first time for the financial year ended 30 September 2018. It did not have an impact on the amounts reported in the financial statements, however it did require additional disclosures, as set out in note 15.
- IAS 7 (amendment) - Statement of cash flows (disclosure initiative)

b) The following new standards and amendments to existing standards are relevant to the Group, are not yet effective in the year ended 30 September 2018 and are not expected to have a significant impact on the Group's financial statements:
- Annual Improvements 2014-2016
- IFRS 2 (amendment) - Classification of share-based payment transactions
- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contracts with customers
- IFRS 16 - Leases

IFRS 9 – Financial Instruments (effective from 1 January 2018)
This standard deals with, amongst other things, the classification and measurement of financial instruments. Having carried out an assessment of the standard, the Group believes the main impact will be the measurement and presentation of trade receivables in the Group financial statements, and balances due from subsidiaries in the Company financial statements. Having considered expected credit losses and sources of forward-looking data, we do not currently expect any impact will be material.

IFRS 15 – Revenue from contracts with customers (effective from 1 January 2018)
This standard is based on the principle that revenue is recognised when control passes to a customer. In our case, the standard is most applicable to the recognition point for service charge income and disposals of investment properties. As the standard excludes rental income, which falls within the scope of IFRS 16 – Leases, it is not expected that IFRS 15 will have a significant impact on the Group's financial statements. There may be changes to presentation and disclosure.

1 Accounting policies continued

IFRS 16 – Leases (effective from 1 January 2019)
For operating leases in excess of one year, this standard requires lessees to recognise a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually and is amortised on a straight-line basis. The lease liability is amortised using the effective interest method. Lessor accounting is substantially unchanged from current accounting. Therefore, since the Group is primarily a lessor, this standard does not significantly impact the Group's financial statements. However, for the Company, it will result in the recognition of a right-to-use asset and corresponding lease liability, which we estimate at approximately £3 million, in the year when the standard becomes effective.

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

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries.

Subsidiaries are those entities controlled by the Company. Control exists when the Company is exposed to variable returns and has the ability to affect those returns through its power over the entity. All intercompany transactions and balances are eliminated on consolidation. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

In the Company's Balance Sheet, investments in subsidiaries are included at cost less any provision in respect of impairment loss.

Net property income

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

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

The cost of any incentives given to lessees to enter into leases is spread on a straight-line basis over the non-cancellable period of the lease, being the earlier of its expiry date or the date of the first break option. Lease incentives are usually in the form of rent-free periods.

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

Employee benefits

Share option schemes
The Company administers a long-term incentive plan (LTIP) and a sharesave scheme (SAYE). The cost of granting share options to employees under these schemes is recognised in the Statement of Comprehensive Income based on the fair value at the date of grant. The expense is recognised on a straight-line basis over the vesting period based on the number of options that are expected to vest.

The fair value of the long-term incentive plan is calculated using the modified binomial pricing model and the Monte Carlo simulation pricing model for the non-market based and market based conditions respectively. At each reporting period, the non-market based condition is reassessed and the impact, if any, of a revision to original estimates is recognised in the Statement of Comprehensive Income.

The fair value of the sharesave scheme is calculated using a modified binomial pricing model.

Deferred share bonus scheme
Under the Company's annual bonus scheme, employees have the option to take their annual bonus in either cash, or shares. Where employees opt to take the bonus in cash, it is expensed to the Statement of Comprehensive Income in the year in which it relates.

Where employees opt to take all, or part, of their bonus in shares, the Company offers a matching award of up to 50%, subject to continued employment throughout the performance period. The cost of the matching award is recognised on a straight-line basis over the performance period. The remaining expense is recognised in the year in which it relates. Provisions for leavers during the performance period are set out on page 95.

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

Investment properties

Investment properties are initially recognised on acquisition at cost, including related acquisition costs, and are revalued annually to reflect fair value. Fair value is determined either by external professional valuers or by the directors in the case of properties sold shortly after the period end. The fair value, as determined by the valuers, is reduced for any unamortised lease incentive balances.

Gains or losses arising on the revaluation of investment properties are included in the Statement of Comprehensive Income. Depreciation is not provided in respect of investment properties.

1 Accounting policies continued

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in future economic benefits which are expected to accrue to the Group. All other property expenditure is written-off in the Statement of Comprehensive Income as incurred.

Premiums payable to tenants in connection with the surrender of their lease obligations are capitalised if they arise in connection with a value-enhancing project, otherwise they are recognised immediately in the Statement of Comprehensive Income.

Amounts received by way of compensation for dilapidations from tenants vacating properties are credited against the cost of reinstatement works. Where the Group has no intention of carrying out such works, the amounts received are credited to the Statement of Comprehensive Income.

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

All of the Group's leases to its tenants are operating leases except where the Group grants long leasehold interests to tenants, in which case, as substantially all the risks and rewards of ownership are transferred to the tenant, the property is not recognised as an investment property.

Acquisitions

Where properties are acquired through corporate acquisitions and there are no significant assets (other than investment property) and liabilities, and without a business being acquired, the acquisition is treated as an asset acquisition. In all other cases, the acquisition is treated as a business combination.

Joint ventures

Joint ventures are those entities over which the Group has joint control, established by contractual agreement. The Group has one joint venture, the investment in which is accounted for using the equity method. On initial recognition the investment was recognised at cost. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of, and dividends from, the joint venture. The Group's investment in the joint venture is presented separately on the Balance Sheet and the Group's share of the joint venture's post-tax profit or loss for the year is also presented separately in the Statement of Comprehensive Income.

Where there is an indication that the Group's investment in its joint venture may be impaired, the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the Statement of Comprehensive Income.

If the Group's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

In the Company's Balance Sheet, the investment in its joint venture is stated at cost less any provision for impairment loss.

Trade receivables and payables

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

Tenant lease incentives are included in current trade and other receivables when the amounts to be charged against rental income fall within one year of the Balance Sheet date. Amounts which will be charged against rental income in more than one year are included in non-current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on-demand bank deposits.

Cash held on deposit which has certain conditions restricting its use and is not available on demand, liquid or readily convertible, is classified within other receivables.

Borrowings and costs of raising finance

Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently held at amortised cost. Issue costs and premiums are written-off to the Statement of Comprehensive Income using an effective interest rate method.

Derivative financial instruments

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

Segmental information

IFRS 8 requires operating segments to be reported in a manner consistent with the internal financial reporting reviewed by the chief operating decision maker. The chief operating decision maker of the Group is the Board. The Board is responsible for reviewing the Group's internal reporting in order to assess performance.

The information reviewed by the Board is prepared on a basis consistent with these financial statements. That is, the information is provided at a Group level and includes both the IFRS reported results and EPRA measures (see page 140 for an explanation on the EPRA measures used in these financial statements).

The Group's properties are all located in London's West End, and are all of a similar type. The properties are typically mixed-use buildings with restaurants, leisure and retail on the lower floors and small offices and apartments on the upper floors. As the properties share similar economic characteristics we consider them to be one operating segment. As such, no further segmental information is presented.

2 Revenue

	2018 £m	2017 £m
Rents receivable	**112.8**	103.4
Recoverable property expenses	**9.3**	8.1
	122.1	111.5

Rents receivable includes a credit of £0.5 million from amortisation of accrued income in respect of lease incentives (2017: charge of £0.5 million).

3 Property charges

	2018 £m	2017 £m
Property operating costs	**7.6**	5.7
Vacant property costs	**1.4**	1.1
Fees payable to managing agents	**2.6**	2.4
Letting, rent review, and lease renewal costs	**3.6**	3.3
Marketing and events expenditure	**3.8**	2.6
Property outgoings	**19.0**	15.1
Recoverable property expenses	**9.3**	8.1
	28.3	23.2

Following a review of the Group's property charges, the amounts included in the table above have been reclassified between the different types of property expenses, to provide a better representation of the underlying expenditure. The 2017 figures have been restated accordingly. This had no impact on the total property charges for that year.

4 Administrative expenses

Group and Company

	2018 £m	2017 £m
Employee costs	**8.5**	9.9
Depreciation	**0.4**	0.3
Other head office costs	**4.9**	4.0
	13.8	14.2
Less: administrative fees received from the joint venture	**(0.1)**	(0.1)
	13.7	14.1

Employee costs (including the directors)	2018 £m	2017 £m
Wages and salaries	**6.6**	6.9
Social security costs	**0.8**	1.3
Other pension costs	**0.3**	0.3
Equity-settled remuneration	**0.8**	1.4
	8.5	9.9

Included within equity-settled remuneration is a charge of £0.6 million (2017: £1.4 million) for the LTIP and SAYE schemes. Note 19 includes a summary of the principal assumptions made at the last grant dates for these schemes. Details of the employee costs for the Group's key management personnel are set out in note 24.

Within the table above, amounts for social security costs were previously included within each of the respective employee costs. These have been reclassified and presented together in their entirety. The 2017 figures have been restated accordingly.

Average monthly number of employees	2018 number	2017 number
Executive directors	**4**	4
Head office and property management	**25**	22
Estate management	**1**	1
	30	27

4 Administrative expenses continued

Auditor remuneration	2018 £000	2017 £000
Audit of the Company	**61**	60
Audit of the Group	**116**	128
Total fees for audit services	**177**	188
Audit related assurance services – half year review	**22**	22
Other assurance services	**10**	27
Non-audit services	**–**	29
Total fees for non-audit services	**32**	78
Total fees	**209**	266

The auditor provided no taxation services to the Group in 2018 (2017: nil). Total fees for non-audit services represented 18% (2017: 41%) of the total fees for audit services. The audit fees are relatively low due primarily to the simple Group corporate structure.

5 Profit on disposal of investment properties

	2018 £m	2017 £m
Net sale proceeds	**13.3**	13.4
Book value at date of sale	**(8.7)**	(12.3)
	4.6	1.1

6 Finance costs

	2018 £m	2017 £m
Debenture stock interest and amortisation	**–**	0.1
Mortgage bond interest	**13.9**	7.4
Bank and other interest	**16.5**	23.8
Issue cost amortisation	**1.6**	1.5
	32.0	32.8

7 Tax charge for the year

The Group's wholly-owned business is subject to taxation as a REIT. Under the REIT regime, income from its rental business (calculated by reference to tax rather than accounting rules) and chargeable gains from the sale of its investment properties are exempt from corporation tax.

8 Investment properties

	2018 £m	2017 £m
At 1 October	**3,407.3**	3,111.6
Acquisitions	**167.8**	37.1
Disposals	**(8.7)**	(12.3)
Refurbishment and other capital expenditure	**25.3**	40.3
Net surplus on revaluation of investment properties	**123.1**	230.6
Book value at 30 September	**3,714.8**	3,407.3
Fair value at 30 September:		
Core properties valued by Cushman & Wakefield	**3,724.6**	3,416.5
Non-core properties valued by Cushman & Wakefield	**2.4**	2.4
Less: unamortised lease incentives (note 9)	**(12.2)**	(11.6)
Book value at 30 September	**3,714.8**	3,407.3

The investment properties valuation comprises:

	2018 £m	2017 £m
Freehold properties	**3,495.3**	3,133.0
Leasehold properties	**231.7**	285.9
	3,727.0	3,418.9

8 Investment properties continued

Investment properties were valued at 30 September 2018 by professionally qualified external valuers. The Group's wholly-owned portfolio is valued by Cushman & Wakefield, members of the Royal Institution of Chartered Surveyors (RICS).

All properties were valued on the basis of fair value and highest and best use, in accordance with IFRS 13 and the RICS Valuation - Global Standards, which incorporate the International Valuation Standards and the RICS UK Valuation Standards edition current at the valuation date. When considering a property's highest and best use, the valuer considers its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer considers the use a market participant would have in mind when formulating the price it would bid and reflects the cost and likelihood of achieving that use.

The fair value of the Group's investment properties has primarily been determined using a market approach, which provides an indication of value by comparing the subject asset with similar assets for which price information is available. The external valuer uses information provided by the Group, such as tenancy information and capital expenditure expectations. In deriving fair value, the valuer also makes a series of assumptions, using professional judgement and market observations. The key assumptions are the equivalent yields and estimated future rental income, (ERVs), as set out in the Basis of Valuation on pages 142 to 143. Equivalent yields are based on current market prices, depending on, inter alia, the location and use of the properties. ERVs are calculated using a number of factors which include current rental income, market comparatives and occupancy levels. Whilst there is market evidence for these inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable.

Since the key inputs to the valuation are unobservable, the Group considers all its investment properties fall within Level 3 of the fair value hierarchy in IFRS 13. The Group's policy is to recognise transfers between hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There have been no transfers during the year (2017: none).

The major inputs to the external valuation are reviewed by the senior management team. In addition, the valuer meets with the external auditor and the Audit Committee. Further details of the Audit Committee's responsibilities in relation to valuations can be found in the Audit Committee Report on pages 82 to 85.

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

Fees were agreed at fixed amounts in advance of the valuations being carried out. During the year, Cushman & Wakefield acted as letting agents for Shaftesbury Carnaby PLC and Shaftesbury Chinatown PLC, rent review surveyors for Shaftesbury CL Limited, and provided other advice to Shaftesbury PLC. Non valuation fees represented 53% of total fees for the valuation of the Group's investment properties. The fees payable by the Group to Cushman & Wakefield do not constitute a significant part of their fee income.

Sensitivity analysis

As noted in the significant judgements, assumptions and key estimates section on page 122, the valuation of the Group's property portfolio is inherently subjective. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The Group's properties are all located in London's West End and are virtually all multi-use buildings, usually configured with commercial uses on the lower floors and office and/or residential uses on the upper floors. Cushman & Wakefield value properties in their entirety and not by use. Consequently, the sensitivity analysis below has been performed on the Group's portfolio as a whole.

	Change in ERV				Change in equivalent yields			
	-5.0% £m	-2.5% £m	+2.5% £m	+5.0% £m	-0.50% £m	-0.25% £m	+0.25% £m	+0.50% £m
Increase/(decrease) in the fair value of investment properties	**(172.5)**	**(88.7)**	**83.1**	**170.4**	**682.8**	**308.9**	**(270.8)**	**(501.1)**

These key unobservable inputs are inter-dependent. All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation of a property, and an increase in the ERV would increase the capital value, and vice versa.

At 30 September 2018, the Group had capital commitments of £58.7 million (2017 as restated: £52.6 million). This included £39.0 million (2017 as restated: £39.0 million) relating to the forward purchase of a long leasehold interest and £19.7 million (2017: £13.6 million) relating to future capital expenditure for the enhancement of the Group's investment properties. The 2017 figure has been restated to include amounts relating to the forward purchase of a long leasehold interest. See pages 42 to 50 for a discussion of the Group's property activity during the year.

Details of the restrictions on the Group's investment properties are set out in note 15.

9 Accrued income

	2018 £m	2017 £m
Accrued income in respect of lease incentives	**12.2**	11.6
Less: included in trade and other receivables (note 12)	**(2.3)**	(2.1)
	9.9	9.5

10 Investment in joint venture

	2018 £m	2017 £m
Group		
At 1 October	**148.0**	146.4
Share of (loss)/profits	**(1.1)**	6.4
Dividends received	**(3.0)**	(4.8)
Book value at 30 September	**143.9**	148.0

	2018 £m	2017 £m
Company		
Shares at cost		
At 1 October and 30 September	**59.0**	59.0

The Company owns 7,782,100 B ordinary £1 shares in Longmartin Properties Limited, representing 50% of that company's issued share capital. The company is incorporated in Great Britain and registered in England and Wales and is engaged in property investment in London. Longmartin Properties Limited's principal place of business and registered office is the same as the Group, as set out on page 109. Control of Longmartin Properties Limited is shared equally with The Mercers' Company, which owns 50% of its issued share capital.

At 30 September 2018, the joint venture had capital commitments of £10.4 million (2017: £5.5 million) relating to future capital expenditure for the enhancement of its investment properties, of which, 50% relates to the Group.

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

	2018 £m	2017 £m
Statement of Comprehensive Income		
Rents receivable	**16.1**	17.7
Recoverable property expenses	**1.5**	1.5
Revenue from properties	**17.6**	19.2
Property outgoings	**(1.8)**	(1.7)
Recoverable property expenses	**(1.5)**	(1.5)
Property charges	**(3.3)**	(3.2)
Net property income	**14.3**	16.0
Administrative expenses	**(0.4)**	(0.2)
Operating profit before investment property valuation movements	**13.9**	15.8
Net (deficit)/surplus on revaluation of investment properties	**(10.0)**	5.3
Operating profit	**3.9**	21.1
Finance costs	**(6.8)**	(6.8)
(Loss)/profit before tax	**(2.9)**	14.3
Current tax	**(1.5)**	(1.7)
Deferred tax	**2.3**	0.2
Tax credit/(charge) for the year	**0.8**	(1.5)
(Loss)/profit and total comprehensive (loss)/income for the year	**(2.1)**	12.8
(Loss)/profit attributable to the Group	**(1.1)**	6.4

	2018 £m	2017 £m
Balance Sheet		
Non-current assets		
Investment properties at book value	**457.4**	462.6
Accrued income	**2.1**	3.1
Other receivables	**1.3**	1.3
	460.8	467.0
Cash and cash equivalents	**2.6**	1.2
Current assets	**3.9**	3.9
Total assets	**467.3**	472.1
Current liabilities	**15.5**	10.1
Non-current liabilities		
Secured term loan	**120.0**	120.0
Other non-current liabilities	**43.9**	46.1
Total liabilities	**179.4**	176.2
Net assets	**287.9**	295.9
Net assets attributable to the Group	**143.9**	148.0

11 Investment in subsidiaries

	2018 £m	2017 £m
Shares in Group undertakings		
At 1 October	**619.6**	754.7
Acquisition of subsidiary	**–**	9.8
Additional share capital issued by subsidiaries	**554.7**	–
Impairment of subsidiary	**(13.4)**	(144.9)
At 30 September	**1,160.9**	619.6

During the year Shaftesbury Charlotte Street Limited distributed £13.4 million to the Company following a capital reduction. Following this, the Company impaired its investment in this subsidiary. A number of subsidiaries issued share capital to the Company during the year. All transactions were settled through intercompany indebtedness.

In 2017, the Company acquired 100% of the share capital of Shaftesbury West End Limited. The Company also impaired its investment in Shaftesbury Chinatown PLC, following a capital reduction and distribution from that company.

The full list of the Company's subsidiary undertakings is presented below. Except where indicated otherwise, the Company owns, directly, all of the ordinary issued share capital:

Active subsidiaries:
Shaftesbury Carnaby PLC
Shaftesbury Covent Garden Limited
Shaftesbury Chinatown PLC
Shaftesbury Soho Limited
Shaftesbury AV Investment Limited
Shaftesbury AV Limited[1]
Shaftesbury CL Investment Limited
Shaftesbury CL Limited[1]
Helcon Limited[2]
Shaftesbury West End Limited

Dormant subsidiaries:
Carnaby Estate Holdings Limited
Carnaby Investments Limited
Carnaby Property Investments Limited[1]
Chinatown Estate Holdings Limited
Chinatown Property Investments Limited[1]
Covent Garden Estate Holdings Limited
Shaftesbury Covent Garden Property Investments Limited[1]
Shaftesbury Charlotte Street Limited
Charlotte Street Estate Holdings Limited
Chinatown London Limited
Shaftesbury Investments 1 Limited
Shaftesbury Investments 2 Limited
Shaftesbury Investments 4 Limited
Shaftesbury Investments 5 Limited
Shaftesbury Investments 6 Limited
Shaftesbury Investments 7 Limited
Shaftesbury Investments 8 Limited
Shaftesbury Investments 9 Limited
Shaftesbury Investments 10 Limited

1. 100% of the share capital of these subsidiaries is held by other Group companies.
2. This subsidiary is in the process of being voluntarily wound up in order to simplify the Group structure.

All of the companies are either engaged in property investment or dormant. They are incorporated in Great Britain and are registered in England and Wales. The registered office of the subsidiaries is the same as the Group, as set out on page 109.

12 Trade and other receivables

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Amounts due from tenants	**16.2**	12.0	**–**	–
Provision for doubtful debts	**(1.2)**	(0.5)	**–**	–
	15.0	11.5	**–**	–
Accrued income in respect of lease incentives (note 9)	**2.3**	2.1	**–**	–
Amounts due from subsidiaries	**–**	–	**46.6**	482.7
Amounts due from joint venture	**3.9**	0.9	**3.9**	0.9
Prepayments	**9.0**	7.1	**0.7**	0.6
Other receivables	**0.1**	0.4	**–**	0.1
	30.3	22.0	**51.2**	484.3

At 30 September 2018, amounts due from tenants which were more than 90 days overdue totalled £2.6 million (2017: £1.1 million). Provisions against these overdue amounts totalled £1.0 million (2017: £0.4 million). The remaining balance is not considered to be impaired.

Cash deposits totalling £20.6 million (2017: £18.5 million) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Group's managing agents and are not included within the Group Balance Sheet.

13 Cash and cash equivalents

Cash and cash equivalents at 30 September 2018, comprising cash at bank, were £118.5 million (2017: £45.6 million) for the Group and £100.6 million (2017: £25.8 million) for the Company.

Non-current other receivables include £3.7 million at 30 September 2018 (2017: £3.7 million) which relate to cash held on deposit as security for certain secured term loans, and where there are certain conditions restricting their use.

14 Trade and other payables

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Rents and service charges invoiced in advance	**25.2**	22.8	**–**	–
Trade payables and accruals in respect of capital expenditure	**2.7**	4.0	**–**	–
Amounts due to subsidiaries	**–**	–	**2.8**	100.6
Other taxation and social security	**5.1**	5.2	**1.3**	2.0
Other payables and accruals	**7.8**	9.6	**2.5**	4.0
	40.8	41.6	**6.6**	106.6

15 Borrowings

Group

	2018			2017		
	Nominal value £m	Unamortised issue costs £m	Book value £m	Nominal value £m	Unamortised issue costs £m	Book value £m
Mortgage bonds	**575.0**	**(5.3)**	**569.7**	575.0	(5.8)	569.2
Secured bank facilities	**–**	**(1.8)**	**(1.8)**	–	(0.8)	(0.8)
Secured term loans	**384.8**	**(4.1)**	**380.7**	384.8	(4.4)	380.4
Total Group borrowings	**959.8**	**(11.2)**	**948.6**	959.8	(11.0)	948.8

Details of the Group's current financial position, including the refinancing activity during the year, are discussed on pages 55 to 56.

In the year ended 30 September 2017, two subsidiaries of the Company issued £575 million of Guaranteed First Mortgage Bonds. Following this, the Company redeemed its existing £61.0 million Debenture Stock.

At 30 September 2018, there were no drawings against the Group's secured bank facilities (2017: none). The Group is still able to benefit from these committed revolving facilities, and as such, unamortised issue costs of £1.8 million (2017: £0.8 million) continue to be carried in the Balance Sheet.

The Group's borrowings are secured by fixed charges over certain investment properties held by subsidiaries, with a carrying value of £3,151.4 million (2017: £3,015.4 million), and by floating charges over the assets of the Company and/or certain subsidiaries. To the extent there is a fixed charge over a property, consent is needed from the relevant lender for the fixed charge to be removed, for example, in the case of a disposal of that property. There are currently no restrictions on the remittance of income from investment properties.

Net debt reconciliation

		Cash flows			
	1.10.2017 £m	Inflows £m	Outflows £m	Non-cash items	30.9.2018 £m
Non-current borrowings					
Mortgage bonds	**575.0**	**–**	**–**	**–**	**575.0**
Secured bank facilities	**–**	**72.0**	**(72.0)**	**–**	**–**
Secured term loans	**384.8**	**–**	**–**	**–**	**384.8**
Loan issue costs	**(11.0)**	**–**	**(1.8)**	**1.6**	**(11.2)**
	948.8	**72.0**	**(73.8)**	**1.6**	**948.6**
Loan issue costs[1]	**11.0**	**–**	**1.8**	**(1.6)**	**11.2**
Cash & cash equivalents (note 13)	**(45.6)**	**(358.9)**	**286.0**	**–**	**(118.5)**
Net debt at 30 September 2018	**914.2**	**(286.9)**	**214.0**	**–**	**841.3**
Net debt at 30 September 2017	752.1	(95.1)	257.2	–	914.2

1. Loan issue costs are eliminated in the calculation of net debt.

The cash flows relating to secured bank facilities were drawings under revolving credit facilities and their subsequent repayments.

15 Borrowings continued

Availability and maturity of borrowings

	2018 facilities			2017 facilities		
	Committed £m	Drawn £m	Undrawn £m	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**–**	**225.0**	275.0	–	275.0
Repayable between 5 and 10 years	**290.0**	**290.0**	**–**	290.0	290.0	–
Repayable after 10 years	**669.8**	**669.8**	**–**	669.8	669.8	–
	1,184.8	**959.8**	**225.0**	1,234.8	959.8	275.0

Interest rate profile of interest bearing borrowings

	2018		2017	
	Debt £m	Interest rate	Debt £m	Interest rate
Fixed rate borrowings				
Secured term loans	**384.8**	**3.85%**	384.8	3.85%
Mortgage bonds 2027	**290.0**	**2.35%**	290.0	2.35%
Mortgage bonds 2031	**285.0**	**2.49%**	285.0	2.49%
Weighted average cost of drawn borrowings		**2.99%**		2.99%

The Group and Company also incur non-utilisation fees on undrawn facilities. At 30 September 2018, the weighted average charge on the undrawn facilities of £225.0 million (2017: £275.0 million) for the Group and Company was 0.66% (2017: 0.69%).

The weighted average credit margin on the Group and Company's secured bank facilities was:

	2018	2017
Drawn facilities	**–**	–
If facilities were fully drawn	**1.46%**	1.51%

Company

	2018			2017		
	Nominal value £m	Unamortised issue costs £m	Book value £m	Nominal value £m	Unamortised issue costs £m	Book value £m
Secured bank facilities	**–**	**(1.8)**	**(1.8)**	–	(0.8)	(0.8)
Total Company borrowings	**–**	**(1.8)**	**(1.8)**	–	(0.8)	(0.8)

At 30 September 2018, there were no drawings against the Company's secured bank facilities (2017: £Nil). The Company is still able to benefit from these committed revolving credit facilities, and as such, unamortised issue costs of £1.8 million (2017: £0.8 million) continue to be carried in the Balance Sheet.

Net debt reconciliation

		Cash flows			
	1.10.2017 £m	Inflows £m	Outflows £m	Non-cash items	30.9.2018 £m
Non-current borrowings					
Secured bank facilities	**–**	**72.0**	**(72.0)**	**–**	**–**
Loan issue costs	**(0.8)**	**–**	**(1.8)**	**0.8**	**(1.8)**
	(0.8)	**72.0**	**(73.8)**	**0.8**	**(1.8)**
Loan issue costs[1]	**0.8**	**–**	**1.8**	**(0.8)**	**1.8**
Cash & cash equivalents (note 13)	**(25.8)**	**(414.0)**	**339.2**	**–**	**(100.6)**
Net debt at 30 September 2018	**(25.8)**	**(342.0)**	**267.2**	**–**	**(100.6)**
Net debt at 30 September 2017	382.4	(580.2)	253.8	(81.8)	(25.8)

1. Loan issue costs are eliminated in the calculation of net debt.

Availability and maturity of borrowings

	2018 facilities			2017 facilities		
	Committed £m	Drawn £m	Undrawn £m	Committed £m	Drawn £m	Undrawn £m
Repayable between 1 and 5 years	**225.0**	**–**	**225.0**	275.0	–	275.0

16 Financial instruments

Fair value of derivative financial instruments (Group and Company)	2018 £m	2017 £m
Interest rate swaps		
At 1 October – deficit	–	(114.1)
Swap contracts terminated	–	92.1
Fair value movement credited to the Statement of Comprehensive Income	–	22.0
At 30 September – deficit	–	–

In 2017 the Group and Company terminated interest rate swap contracts with a notional principal of £180.0 million at a cost of £92.1 million.

Categories of financial instruments	2018 book value £m	As restated 2017 book value £m
Group		
Financial assets		
Trade and other receivables (note 12)	**15.0**	11.5
Amounts due from joint venture (note 12)	**3.9**	0.9
Other receivables (note 13)	**3.7**	3.7
Cash and cash equivalents (note 13)	**118.5**	45.6
	141.1	61.7
Financial liabilities		
Trade and other payables – due within one year (note 14)	**(10.5)**	(13.6)
Interest bearing borrowings (note 15)	**(948.6)**	(948.8)
	(959.1)	(962.4)
Net financial instruments	**(818.0)**	(900.7)
Company		
Financial assets		
Amounts due from subsidiaries (note 12)	**46.6**	482.7
Amounts due from joint venture (note 12)	**3.9**	0.9
Cash and cash equivalents (note 13)	**100.6**	25.8
	151.1	509.4
Financial liabilities		
Trade and other payables – due within one year (note 14)	**(2.5)**	(4.0)
Amounts due to subsidiaries (note 14)	**(2.8)**	(100.6)
Interest bearing borrowings (note 15)	**1.8**	0.8
	(3.5)	(103.8)
Net financial instruments	**147.6**	405.6

Other receivables relate to cash held on deposit, which have certain conditions restricting their use which are due between 2029 and 2035. The Group's trade and other payables are all due within one year (2017: all due within one year).

Net financial instruments for the Company at 30 September 2017 have been restated to include cash and cash equivalents in the above table. This has no impact on the net assets of the Company for that year.

Other financial instruments

The Group's mortgage bonds and secured term loans are held at amortised cost in the Balance Sheet. The fair value of these financial instruments is £955.2 million (2017: £975.9 million). The difference between the fair value and the book value is not recognised in the reported results for the year. The fair values have been calculated based on a discounted cash flow model using the relevant reference gilt and appropriate market spread. The valuation technique falls within Level 2 of the fair value hierarchy in IFRS 13.

The fair values of the Group's and Company's cash and cash equivalents, and those financial instruments included within trade and other receivables, interest bearing borrowings (excluding the mortgage bonds and the secured term loans), and trade and other payables are not materially different from the values at which they are carried in the financial statements.

16 Financial instruments continued

Contractual cash flows

The tables below summarise the undiscounted contractual cash flows arising on interest bearing financial liabilities based on conditions existing at the Balance Sheet date. The Group has no obligation to repay its mortgage bonds or secured term loans in advance of their maturities between 2027 and 2035.

Group

30 September 2018	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 15)	948.6	959.8	–	–	–	290.0	669.8
Interest	3.0	342.9	28.7	28.7	86.2	136.8	62.5
Total	951.6	1,302.7	28.7	28.7	86.2	426.8	732.3

30 September 2017	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 15)	948.8	959.8	–	–	–	290.0	669.8
Interest	3.6	371.6	28.7	28.7	86.2	143.6	84.4
Total	952.4	1,331.4	28.7	28.7	86.2	433.6	754.2

Company

30 September 2018	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 15)	(1.8)	–	–	–	–	–	–
Interest	0.1	–	–	–	–	–	–
Total	(1.7)	–	–	–	–	–	–

30 September 2017	Book value £m	Contractual cash flows £m	<1 year £m	1-2 years £m	2-5 years £m	5-10 years £m	>10 years £m
Financial liabilities							
Interest bearing borrowings:							
Principal (note 15)	(0.8)	–	–	–	–	–	–
Interest	0.2	–	–	–	–	–	–
Total	(0.6)	–	–	–	–	–	–

Management of financial risks (Group and Company)

An overview of the Group's risk management policies and the principal risks and uncertainties is set out on pages 57 to 60. The disclosure below provides further detail regarding financial risk management.

Credit risk

Credit risk refers to the risk that a counterparty will default on their contractual obligations resulting in financial loss to the Group.
The Group reviews the creditworthiness of potential tenants prior to entering into contractual arrangements. The Group has a large and diverse tenant base so that tenant credit risk is widely spread. Where appropriate, tenants are required to provide cash deposits to mitigate the potential loss in the event of default. Tenant deposits are referred to in note 12.

Provision is made in full where recovery of financial assets is, in the opinion of the directors, uncertain. The carrying amount of financial assets, net of provisions for impairment, represents the Group's maximum exposure to credit risk. Financial assets that are neither past due nor impaired are expected to be fully recoverable.

Where cash is deposited with banks or financial institutions, the Group considers the counterparty credit rating and places amounts with different banks or financial institutions to spread counterparty credit risk. Deposits and liquidity requirements are reviewed on a weekly basis.

16 Financial instruments continued

Liquidity risk
The Board keeps under review the Group's funding requirements, available facilities and covenant compliance to ensure it has sufficient funds available to meet its existing commitments and to extend its portfolio through investment and acquisition of additional properties. The Group's policies regarding finance and its current financial position are set out in the Strategic Report on pages 55 to 56.

Market risk
Interest rate risk arises from the Group's use of interest bearing financial instruments, and is the risk that future cash flows from financial instruments will fluctuate due to changes in interest rates and credit costs. The Group's policy is to minimise interest rate risk through long-term fixed rate debt. At 30 September 2018, the Group's drawn borrowings consisted entirely of fixed rate debt. Given this, the Group's exposure to changes in long-term interest rates and the potential impact on the Group's results and financial position is considered to be insignificant. The Board keeps under review the Group's interest rate risk, particularly in light of expectations of future interest rate movements.

Capital risk management
The capital structure of the Group consists of equity and net borrowings, including cash held on deposit. The type and maturity of the Group's borrowings is set out in note 15 and the Group's equity structure is set out in the Statement of Changes in Equity. The Group regularly reviews its loan covenant compliance.

The Group's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles. The Group's capital structure such as levels of gearing and loan-to-value ratio are discussed in the Strategic Report on pages 55 to 56.

17 Share capital

	2018 number million	2017 number million	2018 £m	2017 £m
Allotted and fully paid (ordinary 25p shares)				
At 1 October	**279.0**	278.6	**69.8**	69.7
Exercise of share options	**0.4**	0.4	**0.1**	0.1
Share placing	**27.9**	–	**6.9**	–
At 30 September	**307.3**	279.0	**76.8**	69.8

During the year, 27,855,508 ordinary 25p shares were issued at £9.52 per share, raising £265.2 million. Transaction costs in connection with the issue, which amounted to £4.8 million, have been charged against share premium in accordance with the Companies Act 2006.

In respect of the equity issue, Invesco Asset Management Limited and Orosi (UK) Limited were related parties of Shaftesbury PLC for the purposes of the Listing Rules and participated in the equity placing in respect of 1,050,000 and 6,864,368 placing shares respectively, for a total consideration of approximately £9.996 million and £65.349 million respectively. These transactions were disclosed via the Regulatory News Service on 6 December 2017, in accordance with LR11.1.10R, and Shaftesbury PLC received written confirmation from its sponsor that the terms of the transactions were fair and reasonable as far as Shaftesbury PLC's shareholders were concerned.

18 Reserves
The Statement of Changes in Equity is set out on page 121.

The following describes the nature and purpose of each of the reserves within equity.

Reserve	Description and purpose
Share premium	Share premium is the amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.
Share-based payments reserve	The equity-settled remuneration expense charged to the Statement of Comprehensive Income is credited to the share-based payments reserve. Upon exercise of options, the expense previously recognised is transferred to retained earnings.
Retained earnings	Cumulative gains and losses recognised in the Statement of Comprehensive Income. Transfers from the share-based payments reserve are also credited to this account.

The Company's retained earnings at 30 September 2018 include amounts distributable of £222.2 million (2017: £218.0 million).

19 Share-based remuneration

The Group operates a long-term incentive plan (LTIP), sharesave scheme (SAYE) and a deferred annual share bonus scheme (DASBS). A summary of the rules of the schemes is set out in the Remuneration Policy on pages 90 to 96.

LTIP and SAYE schemes

The following share options granted to executive directors and employees were outstanding at 30 September 2018:

Date of grant	At 1.10.2017	Awarded	Exercised	Lapsed	At 30.9.2018	Exercisable 30.9.2018	Option exercise price	Weighted average price at exercise	Exercise period
SAYE									
2.7.2014	23,419	–	–	–	23,419	–	£5.38	–	2019
3.7.2015	17,974	–	(11,924)	–	6,050	1,296	£6.94	£9.29	2018-2020
1.7.2016	21,368	–	–	(728)	20,640	–	£7.41	–	2019-2021
30.6.2017	16,115	–	–	(1,162)	14,953	–	£7.74	–	2020-2022
29.6.2018	–	12,831	–	–	12,831	–	£7.57	–	2021-2023
LTIP 2006 scheme									
8.12.2014	402,426	–	(402,426)	–	–	–	Nil	£9.97	2017-2018
2.12.2015*	138,800	–	–	–	138,800	–	Nil	–	2018-2019
LTIP 2016 scheme									
8.2.2016*	224,225	–	–	–	224,225	–	Nil	–	2020-2021
12.12.2016	406,621	–	–	–	406,621	–	Nil	–	2019-2022
12.12.2017	–	400,195	–	–	400,195	–	Nil	–	2020-2023
	1,250,948	**413,026**	**(414,350)**	**(1,890)**	**1,247,734**	**1,296**			

* Following satisfaction of performance targets in respect of the three years ended 30 September 2018, 98,707 options over ordinary shares will vest in December 2018.

	At 1.10.2017	Awarded	Exercised	Lapsed	At 30.9.2018
Weighted average exercise price	£0.43	£0.24	£0.20	£7.61	£0.43
Weighted average remaining contractual life	2.1 years				2.6 years

The fair value of option grants is measured by Lane Clark & Peacock LLP, Actuaries & Consultants. For the grants made during the year, the main inputs and assumptions, and the resulting fair values, are as follows:

	SAYE 3 Year	SAYE 5 Year	LTIP
Grant date	29.6.18	29.6.18	12.12.17
Share price at date of grant	£9.325	£9.325	£9.985
Exercise price	£7.57	£7.57	Nil
Expected life of award	3	5	3
Share return volatility (per annum)	15%	16%	16%
Risk free discount rate per annum	0.8%	1.0%	0.5%
Index return volatility*	–	–	19%
Correlation between the Company's shares and those in the index*	–	–	82%
Dividend yield	1.8%	1.8%	–

* The index is the FTSE 350 REIT Index.

	SAYE 3 Year	SAYE 5 Year	LTIP (TSR)	LTIP (NAV)
Fair values:				
SAYE	£1.81	£1.95	–	–
No holding period	–	–	£3.97	£9.99
Contingent holding period	–	–	£3.89	£9.79
Two year holding period	–	–	£3.77	£9.49

The assumed volatility was determined taking into account factors including the historical volatility of the Company share price. Actual future volatility may differ, potentially significantly, from historic volatility.

The vesting conditions relating to options granted under the 2016 LTIP are described in the Annual Remuneration Report on page 101.

19 Share-based remuneration continued

Deferred annual share bonus scheme

	2018 Shares	2017 Shares
At 1 October	**597,351**	491,804
Awarded	**208,914**	221,283
Exercised	**(207,397)**	(115,736)
At 30 September	**598,868**	597,351

20 Dividends

	Pence per share			
	PID	Ordinary	2018 £m	2017 £m
Final dividend for:				
Year ended 30 September 2017	–	8.1p	**25.1**	–
Year ended 30 September 2016	5.2p	2.35p	**–**	21.3
Interim dividend for:				
Year ended 30 September 2018	8.3p	–	**25.5**	–
Year ended 30 September 2017	–	7.9p	**–**	22.0
Dividends paid in the year			**50.6**	43.3
Timing difference on payment of withholding tax			**–**	1.2
Dividends cash paid			**50.6**	44.5

A final dividend of 8.5p per share was recommended by the Board on 26 November 2018. Subject to approval by shareholders at the 2019 AGM, the final dividend will be paid as an ordinary dividend on 15 February 2019 to shareholders on the register at 18 January 2019. The dividend totalling £26.1 million will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2019. See page 53 of the Strategic Report for commentary on dividends.

The total distribution for the final dividend for the year ended 30 September 2017 of £25.1 million increased from £22.6 million, (the amount reported in the 2017 Annual Report), due to the increase in outstanding share capital as a result of the share placing in December 2017, prior to the payment of the dividend in February 2018.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 598,868 (2017: 597,351) ordinary shares during the year.

21 Cash flows from operating activities

	Group		Company	
Operating activities	2018 £m	2017 £m	2018 £m	2017 £m
Profit before tax	**175.5**	301.6	**73.5**	57.7
Adjusted for:				
Lease incentives recognised (note 2)	**(0.5)**	0.5	**–**	–
Equity-settled remuneration (note 4)	**0.8**	1.4	**0.8**	1.4
Depreciation (note 4)	**0.4**	0.3	**0.4**	0.3
Investment property valuation surplus (note 8)	**(123.1)**	(230.6)	**–**	–
Profit on disposal of investment properties (note 5)	**(4.6)**	(1.1)	**–**	–
Net finance costs	**31.2**	10.7	**1.7**	(12.0)
Administrative charges, finance charges, and dividends received from subsidiaries settled through intercompany indebtedness	**–**	–	**(100.0)**	(200.1)
Impairment of subsidiary (note 11)	**–**	–	**13.4**	144.9
Dividends received from the joint venture (note 10)	**–**	–	**(3.0)**	(4.8)
Share of (loss)/profit from the joint venture (note 10)	**1.1**	(6.4)	**–**	–
Cash flows from operations before changes in working capital	**80.8**	76.4	**(13.2)**	(12.6)
Changes in working capital:				
Change in trade and other receivables	**(5.1)**	(0.5)	**0.1**	(0.1)
Change in trade and other payables	**0.8**	0.8	**(2.8)**	(1.1)
Cash generated from operating activities	**76.5**	76.7	**(15.9)**	(13.8)

See note 15 for the cash flow movement in net debt.

22 Performance measures

Earnings per share

	2018			2017		
	Profit after tax £m	Number of shares million	Earnings per share pence	Profit after tax £m	Number of shares million	Earnings per share pence
Basic	**175.5**	**302.1**	**58.1**	301.6	278.9	108.1
Dilutive effect of share options	**–**	**0.3**	**(0.1)**	–	0.7	(0.2)
Diluted	**175.5**	**302.4**	**58.0**	301.6	279.6	107.9

EPRA earnings per share

The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2018			2017		
	Profit after tax £m	Number of shares million	Earnings per share pence	Profit after tax £m	Number of shares million	Earnings per share pence
Basic	**175.5**	**302.1**	**58.1**	301.6	278.9	108.1
EPRA adjustments:						
Investment property valuation surplus (note 8)	**(123.1)**		**(40.7)**	(230.6)		(82.7)
Profit on disposal of investment properties (note 5)	**(4.6)**		**(1.5)**	(1.1)		(0.4)
Movement in fair value of derivatives	**–**		**–**	(22.0)		(7.9)
Adjustments in respect of the joint venture:						
Investment property valuation deficit/(surplus)	**5.0**		**1.6**	(2.6)		(0.9)
Deferred tax	**(1.1)**		**(0.4)**	(0.1)		–
EPRA earnings	**51.7**	**302.1**	**17.1**	45.2	278.9	16.2

EPRA adjusted earnings per share

	2018			2017		
	Profit after tax £m	Number of shares million	Earnings per share pence	Profit after tax £m	Number of shares million	Earnings per share pence
EPRA earnings	**51.7**	**302.1**	**17.1**	45.2	278.9	16.2
Charge for share options (note 4)	**0.6**		**0.2**	1.4		0.5
EPRA adjusted earnings	**52.3**	**302.1**	**17.3**	46.6	278.9	16.7

Net asset value per share

The calculations below are in accordance with the EPRA Best Practice Recommendations.

	2018			2017		
	Net assets £m	Number of ordinary shares million	Net asset value per share £	Net assets £m	Number of ordinary shares million	Net asset value per share £
Basic	**3,033.0**	**307.3**	**9.87**	2,646.9	279.0	9.49
Dilutive effect of share options	**0.5**	**0.4**		0.5	0.8	
Diluted	**3,033.5**	**307.7**	**9.86**	2,647.4	279.8	9.46
Deferred tax*	**16.7**		**0.05**	17.9		0.06
EPRA NAV	**3,050.2**	**307.7**	**9.91**	2,665.3	279.8	9.52
Deferred tax*	**(16.7)**		**(0.05)**	(17.9)		(0.06)
Excess of fair value over carrying value of debt:						
Secured term loans*	**(34.5)**		**(0.11)**	(40.0)		(0.14)
Mortgage bonds	**32.0**		**0.10**	15.5		0.05
EPRA NNNAV	**3,031.0**	**307.7**	**9.85**	2,622.9	279.8	9.37

* Includes our 50% share of deferred tax and fair value of secured term loans in the Longmartin joint venture.

The calculations of diluted net asset value per share show the potentially dilutive effect of share options outstanding at the Balance Sheet date and include the increase in shareholders' equity which would arise on the exercise of those options.

22 Performance measures continued

Net asset value return

	2018 pence	2017 pence
EPRA NAV at 1 October (A)	**952.00**	888.00
EPRA NAV at 30 September	**991.00**	952.00
Increase during the year	**39.00**	64.00
Dividends paid during the year	**16.40**	15.45
NAV return (B)	**55.40**	79.45
NAV return % (B/A)	**5.8%**	8.9%

Total investment property revaluation surpluses

	2018 £m	2017 £m
Wholly-owned portfolio revaluation surplus (note 8)	**123.1**	230.6
Longmartin joint venture revaluation (deficit)/surplus (note 10)	**(5.0)**	2.6
	118.1	233.2

Financing ratios

	2018			2017		
	Wholly-owned business £m	Share of joint venture £m	Total £m	Wholly-owned business £m	Share of joint venture £m	Total £m
Loan-to-value and gearing						
Nominal value of debt	**959.8**	**60.0**	**1,019.8**	959.8	60.0	1,019.8
Cash and cash equivalents	**(118.5)**	**(1.3)**	**(119.8)**	(45.6)	(0.6)	(46.2)
Net debt (A)	**841.3**	**58.7**	**900.0**	914.2	59.4	973.6
Fair value of investment properties (B)	**3,727.0**	**224.6**	**3,951.6**	3,418.9	227.8	3,646.7
Loan-to-value (A/B)	**22.6%**	**26.1%**	**22.8%**	26.7%	26.1%	26.7%
EPRA net assets (C)			**3,050.2**			2,665.3
Gearing (A/C)			**29.5%**			36.5%
Interest cover						
Operating profit before investment property disposals and valuation movements (A)	**80.1**	**7.0**	**87.1**	74.2	7.9	82.1
Finance costs	**32.0**	**2.8**	**34.8**	32.8	2.7	35.5
Finance income	**(0.8)**	**–**	**(0.8)**	(0.1)	–	(0.1)
Net finance costs (B)	**31.2**	**2.8**	**34.0**	32.7	2.7	35.4
Interest cover (A/B)	**2.6x**	**2.5x**	**2.6x**	2.3x	2.9x	2.3x

For the wholly-owned group, the blended cost of debt is 3.15% (2017: 3.19%). This is calculated using the cost of drawn borrowings of 2.99% (2017: 2.99%) plus the cost of commitment fees on undrawn bank facilities of 0.66% (2017: 0.69%). At 30 September 2018, the undrawn bank facilities totalled £225.0 million (2017: £275.0 million).

For total debt, the blended cost of debt is 3.22% (2017: 3.26%) and includes the impact of our share of debt in our joint venture of £60 million (2017: £60 million), upon which interest is charged at 4.43% (2017: 4.43%).

See page 51 in the Strategic Report for explanations of why we use these performance measures.

23 Operating leases

The Group as lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases based on contracted rental income at the year end:

	2018 £m	2017 £m
Not later than one year	**104.8**	96.1
Later than one year but not later than five years	**262.7**	241.5
Later than five years but not later than ten years	**155.9**	144.5
Later than ten years	**145.1**	107.8
	668.5	589.9

The Group has over 1,250 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Typical lease terms are set out in the Strategic Report on pages 23 to 29.

The Company as a lessee

Future aggregate minimum payments in respect of a non-cancellable operating lease based on annual amounts payable at the year end:

	2018 £m	2017 £m
Not later than one year	**0.4**	0.4
Later than one year but not later than five years	**1.6**	1.6
Later than five years but not later than ten years	**2.0**	2.0
Later than ten years	**0.2**	0.6
	4.2	4.6

The Company leases its head office accommodation from a wholly-owned subsidiary.

24 Related party transactions

During the year, the Company received administrative fees, dividends and interest from its subsidiaries. The Company leases its office accommodation from a subsidiary and paid interest on amounts due to subsidiaries. The Company also received interest on a loan and administrative fees from the joint venture. These transactions are summarised below:

	2018 £m	2017 £m
Transactions with subsidiaries:		
Administrative fees receivable	**10.5**	11.4
Dividends receivable	**83.8**	177.3
Interest receivable	**6.3**	12.8
Interest payable	**0.6**	1.4
Rents payable	**0.4**	0.4
Amounts due from subsidiaries	**46.6**	482.7
Amounts due to subsidiaries	**(2.8)**	(100.6)
Transactions with the joint venture:		
Administrative fees receivable	**0.1**	0.1
Dividends receivable	**3.0**	4.8
Interest receivable	**0.1**	–
Amount due from the joint venture	**3.9**	0.9

All amounts are unsecured, repayable on demand and bear a market rate of interest. Directors are considered the only key management personnel. Apart from the directors' remuneration set out in the Annual Remuneration Report on pages 97 to 107, and below, there were no other transactions with directors.

See note 17 for disclosure of related party transactions regarding the share placing during the year.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below. Further information regarding the remuneration of individual directors is given in the Annual Remuneration Report on pages 97 to 107.

Directors' emoluments	2018 £m	2017 £m
Short-term employee benefits	**2.9**	2.8
Other long-term benefits	**0.8**	0.8
Share-based payments	**0.4**	1.2
	4.1	4.8