Registered No. 9379734

# Shaftesbury AV Limited

# Annual Report for the year ended 30 September 2021

## Shaftesbury AV Limited

## Annual Report
## For the year ended 30 September 2021

# Shaftesbury AV Limited

## Directors and Officers

**Directors**
B Bickell
S J Quayle
T J C Welton
C P A Ward

**Company Secretary**
D Martin

**Registered office**
22 Ganton Street
Carnaby
London
W1F 7FD
United Kingdom

# Shaftesbury AV Limited

## Strategic Report

The directors present their Strategic Report on Shaftesbury AV Limited (the "Company") for the year ended 30 September 2021.

**Business review**
At the heart of one of the world's great cities, the West End's long record of success reflects its domestic and global appeal to businesses, visitors and residents. In normal times, its flourishing commercial and leisure economy draws over 200 million visits annually, which supports its rich and unrivalled offer of cultural and historic attractions, hospitality choices and shopping. The bedrock of this footfall are Londoners, its huge working population, and daily domestic leisure visitors.

The year was dominated by pandemic disruption, with Government restrictions in place for over eight months, materially affecting our occupiers' businesses. Whilst we have seen a significant and sustained recovery in operations during the second half of the financial year, as restrictions were relaxed, macro conditions have inevitably had a material impact on the Company's results for the year.

Occupier financial support measures have been in place throughout the year and were increased when it became clear that footfall-reliant businesses had lost most of the valuable festive trading period at the end of last year, and were unlikely to resume operations until April 2021 at the earliest.

Financial support, tailored to individual occupiers' needs, was given through a mix of waiving and deferring rents, drawing against rent deposits, agreeing payment plans, restructuring and/or extending lease tenures, digital and (when permitted) physical marketing initiatives and providing additional al fresco seating capacity where possible. This support has been successful in mitigating vacancy across the portfolio, enabling the village to fully reopen with its popular hospitality and retail line-up largely intact, driving a strong and sustained revival in footfall and spending. This in turn has been a catalyst for the swift rebound in occupancy.

With conditions improving as restrictions were lifted, financial support began to taper and was largely withdrawn from October 2021. In the event of reimposition of extended restrictions, the Company will take appropriate action to further support its occupiers.

Loss after tax for the year was £49,989,000, £70,286,000 lower than last year (2020: £120,275,000). The decrease in loss after tax was largely due to the £74,790,000 reduction in valuation deficit to £50,883,000 (2020: £125,673,000).

The other main movements against last year were:
- a reduction in rental income, resulting from occupier pandemic support and higher vacancy levels throughout the year;
- an increase in property costs, particularly non-recoverable and vacancy-related expenses; and
- increased administrative expenses.

These factors were partly offset by:
- lower impairment charges, reflecting reduced tenant default risk.

The full results for the year are set out in the Statement of Comprehensive Income on page 13.

The Company's property portfolio, which includes a number of freehold and leasehold property interests in and around Carnaby Street in London's West End, are held for long-term investment. Refurbishment schemes continued during the year across the portfolio. Capital expenditure totalled £3,068,000 (2020: £3,038,000). The valuation of the Company's investment properties is now £574,000,000 (2020: £618,300,000). The net revaluation deficit was £50,883,000, largely due to decreases in rental values during the first six months of the year. During the second half of the year rental values have stabilised.

The Company is managed as part of the Shaftesbury PLC Group (the "Group"). The Group's Strategic Report is on pages 1 to 101 of the Group's 2021 annual report which is publicly available at www.shaftesbury.co.uk.

## Strategic Report (continued)

**Principal risks and uncertainties facing the business**
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 91 to 95 of the Group's 2021 annual report which does not form part of this report.

**Management of financial risks**
The Company is exposed to credit risk, liquidity risk, market risk and capital risk.

*Credit risk*
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company defines default as the failure to meet contractual obligations as such obligations fall due. Generally, default risk is managed through a diverse tenant base so that tenant credit risk is spread. Prior to entering into contractual arrangements, where appropriate, tenants are required to provide cash deposits to mitigate the potential loss in the event of default. Tenant deposits are referred to in note 10.

During the pandemic, the Company supported its occupiers through a package of measures, including waivers of rent obligations, which has been critical in mitigating tenant default risk, particularly for our hospitality, retail and leisure occupiers. Over the second half of the year, trading conditions have improved and rent collection rates are improving, although are not yet back at pre-pandemic levels. During this period, occupier demand has improved and available space in the Company's portfolio has now largely been absorbed. The Company's rental support has tapered and is now only being provided on an exceptional, case-by-case basis. However, occupiers face a number of headwinds including inflation, energy costs, staff shortages and the wind down of Government support, which could reduce profitability or their ability to service their debt. Whilst tenant default risk, and hence credit risk associated with our tenants, has decreased in the year, it remains one of the Group's principal risks.

In respect of tenant arrears, the Company identified risk factors associated with each use (hospitality, retail, leisure, office and residential) and calculated provisions taking into account the type of use, rent deposits held and rent collections, on a tenant-by-tenant basis. The Company assumed utilisation of £273,000 of the £2,240,000 tenant rent deposits held by the managing agent at 30 September 2021 to offset unpaid rent receivables. Absent the assumed use of tenant deposits held by the managing agent at 30 September 2021 as collateral against arrears at that date, the maximum exposure to credit risk for the Company was £1,054,000. Tenant arrears are derecognised when there is no longer a reasonable expectation of collection.

The Company generally holds minimal cash balances, with any surplus cash being used to repay borrowings due to the ultimate parent undertaking.

*Liquidity risk*
The directors keep under review the Company's funding requirements to ensure it has sufficient resources available to meet its existing and planned commitments.

The Group's policies regarding finance and its current financial position are set out on pages 83 to 84 in the Group's 2021 annual report.

*Market risk*
Interest rate risk arises from the 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. The Group's interest rate risk policies are set out on page 182 in the Group's 2021 annual report. The Company's term loans are fixed rate, whilst amounts payable to the ultimate parent undertaking are variable.

*Capital risk*
The capital structure of the Company consists of equity and net borrowings. The Company's borrowings comprise secured term loans and unsecured funding from the Company's ultimate parent undertaking, as set out in notes 12 and 13. The Company's share capital and reserves are set out in note 14 and the Statement of Changes in Equity.

## Strategic Report (continued)

### Management of financial risks (continued)

*Capital risk (continued)*
The Company's capital management objectives are to continue as a going concern and to provide enhanced shareholder returns whilst maintaining an appropriate risk reward balance to accommodate changing financial and operating market cycles.

During the year, the Company obtained an extension of its interest cover covenant waivers from the lender for the period ending 21 January 2022. The Company continues to monitor the covenants and will take appropriate action if required. For further information see the going concern statement in note 1.

**Key performance indicators**
The directors of Shaftesbury PLC manage the Group's operations on a consolidated basis. For this reason, the Company's directors believe that a separate analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group, which includes the Company, are discussed on pages 1 to 101 of the Group's 2021 annual report, which does not form part of this report.

**Section 172 statement**
The Shaftesbury PLC Group operations are managed on a consolidated basis. The actions of the Company form part of the statements made by the Group in respect of stakeholder engagement and its Section 172 statement, which are set out on pages 70 to 75 and 115 to 119 of the Group's 2021 annual report which does not form part of this report.

The directors confirm that during the year under review, the Board acted in a way it considered in good faith to be most likely to promote the long-term success of the Company for the benefit of members as a whole.

*Stakeholder and Board processes*
In making this statement, the directors consider that its key stakeholders include our shareholder and lender, occupiers, visitors, local authorities, community partners, and suppliers. Building and nurturing our relationships with these stakeholders for the long term is key to our success.

The directors' engagement with stakeholders, and decisions taken to promote the success of the Company as a whole for its members in response to Covid-19 are below:

*Supporting our occupiers for the long-term*
The Company's purpose is to curate a vibrant and thriving village in the heart of London's West End for the benefit of all its stakeholders. At its core is a holistic approach to patient, long-term curation of its village by providing distinctive and appealing experiences for visitors, occupiers, their customers and residents.

From the outset of the pandemic in early March 2020, the Company's focus has been to support its occupiers and local community through this unprecedented period of disruption. For businesses which relied on the West End's year-round, seven-days-a-week footfall, trading and global attraction, the sudden loss of revenue posed an existential threat to their survival. The Company did all it could to give them the financial support and confidence for as long as necessary to ensure they could restart trading and repair their businesses as soon as Government restrictions allowed. The Company's financial support is summarised on page 4.

From October 2020, the Company offered most commercial tenants the option to pay rent and service charges monthly, rather than quarterly in advance, in order to align its revenue collection with the cash flows of its occupiers. The Company's support has been successful in mitigating vacancy across the portfolio, enabling the village to fully reopen with its popular hospitality and retail line-up largely intact, driving a strong and sustained revival in footfall and spending. This in turn has been a catalyst for the swift rebound in occupancy, as businesses and residents seek space with us, which has led to a stabilisation in the rental values during the second half of the year.

## Strategic Report (continued)

### Section 172 statement (continued)

*Supporting our occupiers for the long-term (continued)*
The Company aims to use its expertise, resources and influence to benefit the local community. Many in our local community continue to face particular challenges as a result of the pandemic and we have maintained our efforts and financial support for those in need. In addition to addressing current to pandemic-related issues, we particularly focus on help for younger people, supporting agencies such as the Young Westminster and Young Camden Foundations, as well as educational initiatives. At the Group's annual community breakfast in September, we brought together 34 charities and stakeholder organisations, which indicates the breadth of our local engagement. We work with a range of partners including not-for-profit organisations, charities, schools and colleges, and other local community groups. Our support is provided in a variety of ways, from financial and in-kind donations, provision of free or subsidised space to promoting their causes.

The directors were kept informed of other engagement and initiatives undertaken across the business with our local authorities, adjoining landowners and Business Improvement Districts to help support occupiers, and drive footfall across the portfolio.

*Engaging with our finance provider*
We maintain a dialogue with our finance provider throughout the year. This year, we have engaged in a variety of ways including virtual and in person meetings and, with the easing of restrictions, taking our finance provider on a tour of the portfolio. Discussions throughout the year continued to focus on the impact of the pandemic and interest cover covenant waivers.

**Prospects**
Last year, pandemic uncertainties led the Company to place a moratorium on new schemes and acquisitions, other than by exception. Existing schemes have continued to completion, and where space has become vacant, the Company has continued to ensure it is refurbished appropriately to enhance letting prospects. This has been an important factor in enabling us to satisfy the recovery in demand for space across the village, leading to the continuing reduction in vacancy towards more-normal levels.

We are now relaxing our moratorium on new schemes and acquisitions.

Daily domestic visitor footfall has been recovering since the relaxation of pandemic restrictions. However, international tourist and business visitor numbers are currently not expected to reach pre-pandemic levels for several years and could also be further affected by environmental challenges in aviation and mass long-haul travel. For us, this has reinforced our view that, first and foremost, our hospitality and retail strategy should continue to focus on a mid-market, innovative offer that appeals to the West End's huge local and domestic audience.

Collaboration between local stakeholders, ranging from local and statutory authorities and neighbouring long-established estates to local community groups, has been an important aspect of the West End's success. The pandemic has seen even greater dialogue and co-operation, and as a major owner a popular and high-profile location, we have made an important contribution to addressing the many challenges which have arisen and in planning for recovery. Working closely with those who share our commitment to ensuring the West End has a sustainable and prosperous future as a global destination will be even more important in the years ahead.

The extent of disruption the pandemic is having on the institutions of Government, businesses and communities is challenging accepted certainties and norms, with long-term financial and other ramifications, which are only now beginning to become apparent. We are already seeing an acceleration of pre-pandemic trends in retail, spending habits, working practices and, perhaps, most importantly, how the priorities and aspirations of the younger generation are changing.

The global pandemic has been the most disruptive event we have experienced in generations, within a few months bringing unprecedented uncertainties and upheaval in the normal patterns of our lives. The availability of effective vaccines has radically improved the prospects of the crisis receding, but the pandemic may have a lasting effect on behaviours and individuals' expectations and aspirations.

## Strategic Report (continued)

**Prospects (continued)**
It is too soon to assume the pandemic is now firmly behind us, with the continuing risks of virus variants such as Omicron leading to renewed disruption, including most recently in December 2021, with the reintroduction of the Government's work-from-home guidance. In the UK and beyond, emerging concerns regarding inflation, shortages of labour, global supply chain issues, debt levels and government finances are now affecting the economic outlook. Meanwhile, the global climate crisis and the imperatives of decarbonisation and sustainability are now the priorities of governments, businesses and communities around the world.

The long-term success of London and the West End reflect their ability to embrace and adapt to challenges and change, drawing on their wealth of talent, creativity and diversity. Despite near-term challenges, they will continue to be a magnet for international businesses, tourists and investment, underpinned by their local and domestic appeal.

There has been great progress on our road to recovery in recent months, however, with a significant rise in Covid infections in December 2021, there is still further to travel before certainty and confidence fully return. We believe that the combination of our exceptional and adaptable portfolio, and the Group's culture, people and relationships will deliver a sustained return to growth and prosperity, and live up to the expectations of our stakeholders, for many years to come.

By order of the Board

**C P A Ward**
Director
17 December 2021

# Shaftesbury AV Limited

## Directors' Report

Registered No. 9379734

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2021.

**Business review**
A review of the Company's business during the year, the principal risks and uncertainties facing the Company, financial risk management and future prospects are included in the Strategic Report which should be read in conjunction with this report.

**Results and dividends**
The results for the year are set out in the Statement of Comprehensive Income on page 13.

The final dividend for the year ended 30 September 2020 of £5,411,862 (2020: £11,399,454 for the year ended 30 September 2019) was paid during the year.

The directors do not recommend the payment of a final dividend in respect of the year ended 30 September 2021.

**Directors**
The directors who served throughout the year were as follows:

B Bickell
S J Quayle
T J C Welton
C P A Ward

None of the directors who served during the year had any interests in the share capital of the Company. The interests of the directors in the share capital of Shaftesbury PLC, the ultimate parent undertaking, are disclosed in the financial statements of that company.

**Directors' indemnities and directors' and officers' liability insurance**
Shaftesbury PLC indemnifies each director against any liability incurred by the director in the course of their duties to the extent permitted by law. The third party indemnity was in force during the financial year and also up to the date of signing the financial statements. The Group maintains Directors' and Officers' Liability Insurance which covers subsidiary companies.

**Going concern**
The Company's going concern assessment is summarised in note 1 of the financial statements. It considers forecasts of the Company's available liquidity, committed expenditure, likely ongoing levels of costs, cash flows, income, debt covenants and other performance measures in a severe-but-plausible downside scenario. The assessment covers the period from the date of authorisation of these financial statements to 31 December 2022 (the "going concern period"). On the basis of this assessment, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the financial statements.

**Statement of directors' responsibilities**
The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

## Director's Report (continued)

**Statement of directors' responsibilities (continued)**
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

**Independent auditor**
Ernst & Young LLP have indicated their willingness to continue in office and a resolution to reappoint them as auditor will be proposed at the next annual general meeting.

***Disclosure of information to auditors***
The directors who were members of the Board at the time of approving the Directors' Report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

a. To the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware; and
b. Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

**D Martin**
Company Secretary
17 December 2021

# Independent auditor's report to the members of Shaftesbury AV Limited

**Opinion**
We have audited the financial statements of Shaftesbury AV Limited for the year ended 30 September 2021 which comprise Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).
In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 Company's ability to continue as a going concern for a period to 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

**Other information**
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

# Independent auditor's report to the members of Shaftesbury AV Limited (continued)

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006), the relevant tax regulations in the United Kingdom, including the UK REIT regulations. There are no significant industry specific laws or regulations that we considered in determining our approach.

- We understood how the Company is complying with those frameworks by enquiry with Management, and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and/or those charged with governance, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up. Our assessment included the tone from the top and the emphasis on a culture of honest and ethical behaviour.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by reviewing the risk register of the Company's parent, Shaftesbury PLC, and through enquiry with management during the planning and execution phases of our audit.

# Independent auditor's report to the members of Shaftesbury AV Limited (continued)

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved
  - Enquiry of members of senior management, and when appropriate, those charged with governance, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
  - Reading minutes of meetings of those charged with governance;
  - Assessing the appropriateness of dividend payments made during the period by reperforming the calculation of distributable profits available for distribution, comparing this to the dividends paid and auditing the roll-forward of distributable profits;
  - Obtaining electronic confirmations from the Company's banking providers to vouch the existence of cash balances and completeness of loans and borrowings;
  - Obtaining and reading correspondence from legal and regulatory bodies, including the FRC and HMRC, where applicable; and
  - Journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

**Daniel Saunders (Senior statutory auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 December 2021

# Shaftesbury AV Limited

## Statement of Comprehensive Income
## For the year ended 30 September 2021

| | Notes | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|---|
| Revenue | | **25,578** | 27,314 |
| Expected credit losses | | **(2,633)** | (2,829) |
| Impairment charges | | **(134)** | (1,172) |
| Property charges | | **(7,103)** | (5,474) |
| **Net property income** | 3 | **15,708** | 17,839 |
| Administrative expenses | 4 | **(4,090)** | (2,570) |
| **Operating profit before investment property valuation movements** | | **11,618** | 15,269 |
| Net revaluation deficit on investment properties | 8 | **(50,883)** | (125,673) |
| **Operating loss** | | **(39,265)** | (110,404) |
| Finance income | | **2** | 12 |
| Finance costs | | **(10,726)** | (9,883) |
| **Net finance costs** | 5 | **(10,724)** | (9,871) |
| **Loss before tax** | | **(49,989)** | (120,275) |
| Tax charge for the year | 6 | **-** | - |
| **Loss and total comprehensive loss for the year** | | **(49,989)** | (120,275) |

# Shaftesbury AV Limited

## Balance Sheet
## At 30 September 2021

Registered No. 9379734

| | Notes | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 8 | **567,925** | 615,740 |
| Accrued income | 9 | **4,138** | 1,528 |
| Other receivables | 11 | **2,221** | 2,219 |
| | | **574,284** | 619,487 |
| **Current assets** | | | |
| Trade and other receivables | 10 | **12,170** | 8,941 |
| Cash and cash equivalents | 11 | **4,371** | 2,015 |
| | | **16,541** | 10,956 |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **(54,949)** | (39,363) |
| **Net current liabilities** | | **(38,408)** | (28,407) |
| **Total assets less current liabilities** | | **535,876** | 591,080 |
| **Non-current liabilities** | | | |
| Borrowings | 13 | **(247,947)** | (247,750) |
| **Net assets** | | **287,929** | 343,330 |
| **Equity** | | | |
| Share capital | 14 | **287,865** | 287,865 |
| Retained earnings | 15 | **64** | 55,465 |
| **Total shareholder's equity** | | **287,929** | 343,330 |

On behalf of the Board who approved the financial statements on pages 13 to 26 on 17 December 2021.

**C P A Ward**
Director

# Shaftesbury AV Limited

## Statement of Changes in Equity
## For the year ended 30 September 2021

| | Notes | Share capital £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 October 2020 | | 287,865 | 55,465 | 343,330 |
| Loss and total comprehensive loss for the year | | - | (49,989) | (49,989) |
| Transactions with owners: | | | | |
| Dividends paid | 7 | - | (5,412) | (5,412) |
| **At 30 September 2021** | | **287,865** | **64** | **287,929** |
| | | | | |
| At 1 October 2019 | | 287,865 | 187,140 | 475,005 |
| Loss and total comprehensive loss for the year | | - | (120,275) | (120,275) |
| Transactions with owners: | | | | |
| Dividends paid | 7 | - | (11,400) | (11,400) |
| At 30 September 2020 | | 287,865 | 55,465 | 343,330 |

## Notes to the financial statements

### 1. Accounting policies

**Basis of preparation**
Shaftesbury AV Limited (the "Company") is a limited company and is incorporated and domiciled in the UK, and registered in England and Wales. The address of the registered office is given on page 2. The nature of the Company's operations is set out in the Strategic Report on page 3.

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the annual revaluation of investment properties. The financial statements are presented in Pounds Sterling.

The Company is a qualifying entity for the purposes of FRS 101. Note 17 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

Disclosure exemptions, as permitted by FRS 101, have been taken in respect of:

- Cash flow statement;
- Related party transactions between the parent and wholly-owned subsidiaries;
- Reconciliation of investment property and ordinary share capital movements for the comparative year;
- Management of financial risk disclosures including management of credit, liquidity, and market risk and interest rate sensitivity analysis;
- Capital management disclosures;
- Disclosures around financial instruments including related fair value disclosures;
- Disclosure of new accounting standards and interpretations that have been issued but are not yet effective; and
- Disclosures around the valuation techniques and inputs used in the revaluation of investment properties.

Where required, equivalent disclosures are given in the consolidated financial statements of Shaftesbury PLC, in which the Company is consolidated.

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

A summary of the significant accounting policies and methods of computation, which have been applied and used consistently in all years presented, unless otherwise stated, is set out below.

**New standards adopted during the year**
The following standards and amendments to existing standards were relevant to the Company, adopted from 1 October 2020, and did not have a material impact on the financial statements.

IAS 1 and IAS 8 (amendments) – Definition of material
IFRS 3 (amendment) – Definition of a business
IFRS 9, IFRS 16, IAS 39 and IFRS 7 (amendments) – Interest rate benchmark reform
IFRS 16 (amendment) - Covid-19 related rent concessions

**Going concern**
The significant uncertainties resulting from the impact of the Covid-19 pandemic on the economic environment had improved in recent months, following the success of the vaccine programme and the recovery in footfall and occupier confidence in the markets in which the Company operates. There remains a continuing risk of virus variants such as Omicron leading to renewed disruption, including most recently in December 2021, with the reintroduction of the Government's work-from-home guidance.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

**Going concern (continued)**
In light of the remaining uncertainty, the Board has placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 30 September 2021.

The Company's going concern assessment covers the period from the date of authorisation of these financial statements to 31 December 2022 (the "going concern period"), and takes into account its liquidity, committed expenditure, and likely ongoing levels of costs.

In preparing the assessment of going concern, the Board has considered forecasts of the Company's available liquidity, committed expenditure, likely ongoing levels of costs, cash flows, income, debt covenants and other performance measures in a severe-but-plausible downside scenario. This scenario envisages, in the immediate future, the reimposition of Covid restrictions of a scale, duration and effect consistent with those imposed in winter 2020/21. By focusing on a resurgence of the virus, we have modelled the simultaneous confluence of the impacts of the principal risks the Company faces in a single plausible near-term scenario.

As a consequence, under the severe-but-plausible downside scenario, it is likely that the Company will not meet interest cover covenants within and immediately following the going concern period. However, the Company has secured interest cover covenant waivers from its term loan lender for the period ending 21 January 2022. From this date the interest cover covenant would be breached. Throughout the going concern period and the anticipated subsequent breaches, the Company can make up income shortfalls using cash deposits or the acquisition of additional assets with sufficient contractual income. The number of occasions on which cash cure rights may be used is limited but the directors expect to have sufficient use-rights to extend through the going concern period.

At 30 September 2021, the secured term loan's loan-to-value ratio was 43.6% and its covenant limit is 65.0%. The Company could withstand a 33.0% decrease in property valuations before reaching the limit of its loan-to-value covenant. The directors consider the likelihood of a decline of this magnitude to be remote in view of the 22.0% decline already experienced in the two years ended 30 September 2021 as a result of the pandemic and the prime nature of the assets in the portfolio. The Company has loan-to-value cure rights, including adding to the property security for the loan through acquisition.

The Company has an unsecured subordinated loan facility due to its parent undertaking, Shaftesbury PLC, which has no fixed repayment date and is repayable on demand. There are no other debt maturities until 2030. See notes 12 and 13.

The directors have received confirmation that Shaftesbury PLC will support the Company for the duration of the going concern period and that it will not make a demand for repayment of the unsecured loan within the going concern period and that it has sufficient reserves of liquidity to transfer to the Company to ensure that the Company is able to cure any breach of its interest cover covenant.

Whilst the severe-but-plausible downside scenario would present significant challenges over the going concern period, the directors' assessment is that, in view of the Company's cash reserves, its expected covenant compliance and cure rights, they can have a reasonable expectation that the Company has, with the support of Shaftesbury PLC, adequate resources to continue in operational existence for the going concern period. On this basis, the Board has continued to adopt the going concern basis in preparing the financial statements.

**Significant judgements, assumptions and key estimates**
The preparation of the financial statements in accordance with FRS 101 requires the directors to make judgements and estimates about the carrying amounts of assets and liabilities, in applying the Company's accounting policies. The judgements and estimates are based on historical experience and other relevant factors, including expectations of future events and are reviewed on a continual basis. Although the estimates are made using the directors' best knowledge of the amount, event or actions, actual results may differ from the original estimates.

The directors did not make any significant judgements in the preparation of these financial statements, which is consistent with the prior year.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

***Significant areas of estimation uncertainty***
The key estimates made in the current year financial statements are the valuation of investment property and the provisions for expected credit losses for trade receivables and impairment of lease incentives and deferred letting costs. This is consistent with the prior year.

***Investment property valuation***
The investment property portfolio is valued by independent third party valuers, Cushman & Wakefield.

Valuations are inherently subjective due to, among other factors, the individual nature of each property, its location, and the expected future rental income. As a result, the valuations the Company places on its property portfolio require estimates to be made including, but not limited to, market yields, ERVs, void periods and, currently, the likely short-term impact of rent concessions. These estimates are based on assumptions made by the valuers. The most significant assumptions are those in respect of market yields and ERVs, which are in accordance with the RICS Valuation - Global Standards. Given the inherent subjectivity, the valuations are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market. This may mean that the value of the Company's properties differs from their valuation reported in the financial statements, which could have a material effect on the Company's financial position.

***Provisions for expected credit losses, impairment of lease incentives and deferred letting cost***
In preparing the financial statements, estimates are made in assessing expected credit losses in respect of trade receivables, lease incentives and deferred letting costs. In normal circumstances, these estimates draw on historical information, such as recent payment history. However, in the current market with greater uncertainty, the focus is more on forecast information, taking into account expectations about trading levels, footfall and tenants' ability to pay arrears, and, with respect to lease incentives and deferred letting costs, whether it is likely tenants will serve out the remainder of the contractual terms of their leases. In assessing provisions, the Company identifies risk factors associated with each use (hospitality and leisure, retail, office and residential).

The Company assesses the likely recovery of trade receivables for potential provisions, which are estimated using a forward-looking expected credit loss model for each receivable from an occupier. In determining the provision, the Company considers both recent payment history and future expectations of occupiers' ability to pay or possible default in order to recognise a lifetime expected credit loss allowance.

Where the credit loss relates to revenue already recognised in the Income Statement, the expected credit loss allowance is recognised in the Income Statement. Expected credit losses totalling £2,633,000 (2020: £2,829,000) were charged to the Income Statement in the year. The gross trade receivables subject to estimation uncertainty is £4,067,000.

Accrued income from lease incentives and deferred letting costs are subject to impairment review at each year end. In determining the impairment provision, the Company reviews leases on an individual basis, making a provision based on an expected credit loss model, using information available about the likelihood of a lease terminating earlier than the date of contractual break option or expiry. With trading conditions improving in the second half of the year, the risk of tenant default has lessened, which has led to reduced impairment provisions against lease incentive and deferred letting cost balances. Whilst occupiers' trading has improved, the prospect of recovering material amounts of arrears that built up during periods of Government restrictions still remain uncertain, which is reflected in the provision for expected credit losses. The gross accrued income balance from lease incentives which is subject to estimation uncertainty is £6,013,000.

For further information on expected credit losses and impairment charges see note 9 and note 10 respectively.

**Net property income**
Net property income comprises rental income, service charge income, property expenses, service charge expenses, expected credit losses on rent receivables and service charge receivables and impairment of lease incentives and deferred letting costs.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

**Net property income (continued)**
Rental income arises from operating leases granted to tenants. Rental income, including stepped rents, is recognised on a straight-line basis over the term of the lease. Rental income uplifts arising as a result of rent reviews are recognised when agreement of terms is reasonably certain.

The cost of lease incentives offered to tenants to enter into a lease, typically initial rent-free periods and sometimes capital contributions, is recognised on a straight-line basis over the non-cancellable period of the lease, being the earlier of its expiry date or the date of the first break option.

As lessor, the Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Payments received from tenants to surrender their lease obligations are recognised immediately in the Statement of Comprehensive Income.

Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are variable consideration and are recorded as income in the year in which they are earned.

The Company's revenue from contracts with customers, as defined in IFRS 15, includes service charge income. Service charge income is recognised as income over time in the year in which the services are rendered. Revenue is recognised over time because the tenants benefit from the services as soon as they are rendered by the Company. The actual services provided each reporting period are determined using costs incurred as the input method. As the Company acts as a principal, service charge income and costs are shown gross in the financial statements.

Irrecoverable property costs, including vacant costs and other property expenditure, are expensed to the Statement of Comprehensive Income in the year to which they relate. Initial direct costs incurred in arranging an operating lease are added to the carrying value of investment properties, and are subsequently recognised as an expense over the lease term on the same basis as the lease income.

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

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

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in future economic benefits which are expected to accrue to the Company. 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 Company has no intention of carrying out such works, the amounts received are credited to the Statement of Comprehensive Income.

Disposals of investment properties are recognised in the period when control of the property transfers to the buyer. Typically, disposal will either occur on unconditional exchange of contracts or completion. Where completion is expected to occur significantly after exchange, or where the Company continues to have significant outstanding obligations after exchange of contracts, control will not usually transfer until completion.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

**Investment properties (continued)**
Any gain or loss on disposal, being the difference between the net disposal proceeds and the carrying value of the property, is included in the Statement of Comprehensive Income in the period in which the property is derecognised.

All of the Company's leases to its tenants are operating leases except where the Company 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.

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

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

The Company assesses expected credit losses for trade receivables and impairment on lease incentives on a forward-looking basis. See note 3 and page 4 for further information.

Trade payables are recognised at fair value and subsequently held at amortised cost.

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

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

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

**Dividend distributions**
Interim dividends are recognised in the Company's financial statements when they are paid.

Final dividends are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholder.

### 2. 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 Company is the Board. The Board is responsible for reviewing the Company's internal reporting in order to assess performance. The information reviewed by the Board is prepared on a basis consistent with these financial statements.

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

## Notes to the financial statements (continued)

### 3. Net property income

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Rental income (excluding lease incentives) | **20,231** | 23,315 |
| Adjustment for lease incentives | **3,250** | 1,378 |
| **Rental income** | **23,481** | 24,693 |
| Service charge income | **2,097** | 2,621 |
| **Revenue** | **25,578** | 27,314 |
| Expected credit losses | **(2,633)** | (2,829) |
| Impairment charges | **(134)** | (1,172) |
| | **22,811** | 23,313 |
| Service charge expenses | **(2,097)** | (2,621) |
| Other property charges | **(5,006)** | (2,853) |
| **Property charges** | **(7,103)** | (5,474) |
| | **15,708** | 17,839 |

The Company's revenue is generated entirely from its principal activity of property investment located in London.

Impairment charges of £134,000 (2020: £1,172,000) include £205,000 (2020: £1,080,000) for tenant lease incentive balances and a £71,000 credit (2020: £92,000 charge) for deferred letting cost balances.

Property charges include £1,268,000 (2020: £190,000) in respect of investment properties that were vacant during the year.

### 4. Administrative expenses

Administrative expenses include a charge of £4,011,000 (2020: £2,510,000) by the ultimate parent undertaking in respect of administrative services provided to the Company.

Audit fees amounting to £34,500 (2020: £30,000) were borne and paid for by the ultimate parent undertaking.

The four directors (2020: four) who served during the year received no remuneration for services as director of the Company (2020: £nil). The directors, who are the Company's key management personnel, all served as directors of the Group during the year. Remuneration received for services to the Group is borne by the ultimate parent undertaking, as the directors do not believe it is practical to apportion an amount to the Company for qualifying services. This is disclosed on page 149 of the Shaftesbury PLC 2021 annual report.

The Company had no employees (2020: none).

### 5. Net finance costs

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Finance costs** | | |
| Interest payable on amounts due to ultimate parent undertaking | **1,749** | 930 |
| Interest payable on secured term loans | **8,977** | 8,953 |
| | **10,726** | 9,883 |
| **Finance income** | **(2)** | (12) |
| **Net finance costs** | **10,724** | 9,871 |

## Notes to the financial statements (continued)

### 6. Tax charge for the year

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| ***Factors affecting the current tax charge:*** | | |
| Loss before tax | **(49,989)** | (120,275) |
| Tax at standard corporation tax rate of 19% (2020: 19%) | **(9,498)** | (22,852) |
| REIT tax exempt losses | **9,498** | 22,852 |
| **Tax charge for the year** | **-** | - |

The Company, together with other members of the Group, is subject to taxation as a Real Estate Investment Trust (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. The Company continues to be subject to corporation tax on any other activities. The directors expect that future profits will be derived principally from the Company's rental business so that the tax charge in future years will be minimal.

### 7. Dividends paid

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Final dividend for: | | |
| Year ended 30 September 2020 at 1.88p per share | **5,412** | - |
| Year ended 30 September 2019 at 3.96p per share | **-** | 11,400 |
| | **5,412** | 11,400 |

The directors do not recommend the payment of a final dividend in respect of the year ended 30 September 2021.

### 8. Investment properties

| | 2021 £'000 |
|---|---|
| At 1 October 2020 | **615,740** |
| Refurbishment and other expenditure | **3,068** |
| Net revaluation deficit on investment properties | **(50,883)** |
| **Book value at 30 September 2021** | **567,925** |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Fair value at 30 September:** | **574,000** | 618,300 |
| Lease incentives and costs included in receivables | **(6,075)** | (2,560) |
| **Book value at 30 September:** | **567,925** | 615,740 |

Investment properties were valued at 30 September 2021 by professionally qualified external valuers. The Company's 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 in accordance with IFRS 13 and the RICS Valuation - Global Standards, which incorporate, the International Valuation Standards and the Valuation UK National Supplement (the "RICS Red Book") edition current at the valuation date.

## Notes to the financial statements (continued)

### 8. Investment properties (continued)

Investment properties include freehold properties valued at £565,200,000 (2020: £609,000,000) and leasehold properties valued at £8,800,000 (2020: £9,300,000). The historical cost of properties is £568,798,000 (2020: £565,730,000).

At 30 September 2021, the Company had £1,460,000 (2020: £1,254,000) of authorised and contracted capital commitments relating to future capital expenditure for the enhancement of the Company's investment properties.

**Sensitivity analysis**

As noted in the significant judgements, assumptions and key estimates section in note 1, the valuation of the Company's property portfolio is inherently subjective. As a result, the valuations the Company places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The sensitivity analysis below has been performed on the Company's portfolio as a whole.

| | **Change in ERV** | | | |
|---|---|---|---|---|
| | **-10%**<br>**£'000** | **-5%**<br>**£'000** | **+5%**<br>**£'000** | **+10%**<br>**£'000** |
| (Decrease)/increase in the fair value | (60,350) | (35,400) | 15,500 | 41,350 |

| | **Change in Yield** | | | |
|---|---|---|---|---|
| | **-0.5%**<br>**£'000** | **-0.25%**<br>**£'000** | **+0.25%**<br>**£'000** | **+0.5%**<br>**£'000** |
| Increase/(decrease) in the fair value | 85,600 | 39,700 | (34,800) | (65,500) |

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.

### 9. Accrued income

| | **2021**<br>**£'000** | 2020<br>£'000 |
|---|---|---|
| Accrued income in respect of lease incentives | **5,511** | 2,220 |
| Less: included in trade and other receivables (note 10) | **(1,373)** | (692) |
| | **4,138** | 1,528 |

At 30 September 2021, the Company held impairment provisions totalling £502,000 (2020: £1,080,000) against lease incentive balances. See note 1 for further information.

### 10. Trade and other receivables

| | **2021**<br>**£'000** | 2020<br>£'000 |
|---|---|---|
| Trade receivables | **4,067** | 5,751 |
| Provision for expected credit losses | **(2,740)** | (3,238) |
| | **1,327** | 2,513 |
| Accrued income in respect of lease incentives (note 9) | **1,373** | 692 |
| Other receivables and prepayments | **9,470** | 5,736 |
| | **12,170** | 8,941 |

## Notes to the financial statements (continued)

**10. Trade and other receivables (continued)**
Trade receivables represent amounts due from tenants. Within this balance is £1,110,000 (2020: £1,203,000) owed for service charges.

In respect of tenant arrears, the Company identified risk factors associated with each use (hospitality, retail, leisure, office and residential) and calculated provisions taking into account the type of use, rent deposits held and rent collections, on a tenant-by-tenant basis. The Company assumed utilisation of £273,000 of the £2,240,000 tenant rent deposits held by the managing agent at 30 September 2021 to offset unpaid rent receivables. Absent the assumed use of tenant deposits held, by the managing agent, at 30 September 2021 as collateral against arrears at that date, the maximum exposure to credit risk for the Company was £1,054,000. Tenant arrears are derecognised when there is no longer a reasonable expectation of collection.

Cash deposits totalling £2,240,000 (2020: £2,697,000) were held against tenants' rent payment obligations. The deposits are held in bank accounts administered by the Company's managing agents and are not included within the Company Balance Sheet.

**11. Cash and cash equivalents**

| | **2021** | 2020 |
|---|---|---|
| | **£'000** | £'000 |
| Cash at bank | **4,371** | 2,015 |
| | | |
| Restricted cash (included in other receivables): | | |
| Non-current other receivables | **2,221** | 2,219 |
| Current other receivables | **8,780** | 4,390 |
| | **11,001** | 6,609 |

The Company secured an extension to the interest cover covenant waiver in respect of its secured term loans from April 2021 to January 2022. In consideration for this extension, the Company placed a further £4,390,000 on deposit with the lender for the duration of the waiver.

Restricted cash relates to cash held on deposit as security for the Company's secured term loan, and where there are certain conditions restricting its use. Holding cash in restricted accounts does not prevent the Company from earning returns by placing these monies in interest bearing accounts or on deposit.

**12. Trade and other payables**

| | **2021** | 2020 |
|---|---|---|
| | **£'000** | £'000 |
| Deferred rental income | **968** | 915 |
| Accruals and deferred service charge income | **1,007** | - |
| | **1,975** | 915 |
| Amounts due to ultimate parent undertaking | **49,104** | 35,641 |
| Trade payables and accruals in respect of capital expenditure | **598** | 617 |
| Other payables and accruals | **3,272** | 2,190 |
| | **54,949** | 39,363 |

Amounts due to the ultimate parent undertaking are unsecured, bear a commercial rate of interest, have no fixed date of repayment and are repayable on demand. The balance has increased in the year as transactions between the companies were settled through intercompany indebtedness.

All deferred service charge income of the prior year was recognised as income in the current year.

## Notes to the financial statements (continued)

### 13. Borrowings

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Secured term loans | **250,000** | 250,000 |
| Issue costs | **(2,053)** | (2,250) |
| | **247,947** | 247,750 |

The secured term loans incur interest at fixed rates of 3.20% and 3.85%. The term loans are secured by fixed charges over the properties held by the Company, with a carrying value of £574,000,000 (2020: £618,300,000) and floating charges over the assets of the Company. To the extent there is a fixed charge over a property, consent is needed from the 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.

The Company has no obligation to repay either secured term loan in advance of their maturities on 19 March 2030 and 31 July 2035.

### 14. Share capital

| | Number '000 | £'000 |
|---|---|---|
| **Allotted and fully paid ordinary shares of £1 each** | | |
| At 1 October 2020 and 30 September 2021 | **287,865** | **287,865** |

The Company has one class of ordinary shares which have equal voting rights, rights to dividends and rights on winding up of the Company.

### 15. Retained earnings

Retained earnings include unrealised revaluation deficits amounting to £873,000 (2020: £50,010,000 surplus) which are not available for distribution. Distributable reserves amount to £63,000 (2020: £5,456,000).

### 16. Operating leases

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Not later than one year | **19,435** | 19,724 |
| Later than one year but not later than five years | **45,990** | 50,029 |
| Later than five years | **32,151** | 27,919 |
| | **97,576** | 97,672 |

The Company has over 210 leases granted to its tenants. These vary depending on the individual tenant and the respective property and demise. Leases generally have a term of 3 to 25 years (break clauses may mean the actual term is shorter), at a market rent with provisions to review to market levels on a regular basis. For more details on typical lease terms, please refer to pages 24 to 40 in the Shaftesbury PLC 2021 annual report.

## Notes to the financial statements (continued)

### 17. Ultimate and immediate parent undertaking

The immediate parent undertaking is Shaftesbury AV Investment Limited (registered number 9379555).

The ultimate and immediate parent undertaking and controlling party is Shaftesbury PLC (registered number 1999238), which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the financial statements of Shaftesbury PLC are available from the Company Secretary at the registered office at 22 Ganton Street, Carnaby, London, W1F 7FD. They are also available on the Group's website at www.shaftesbury.co.uk.