

A woman with short dark hair, wearing sunglasses and a dark jacket, is looking out of the driver's side window of a car. The car's interior, including the steering wheel and dashboard, is visible in the foreground. The background shows a city street scene with buildings and a crowd of people, all reflected in the car's window. The overall image has a blue tint.

Shaftesbury PLC

Annual Report 2003

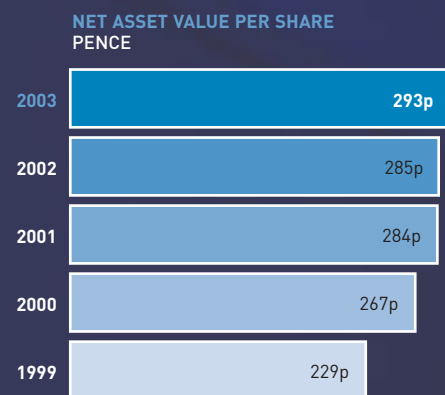
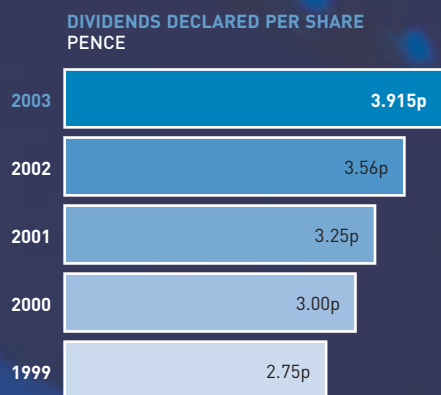
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KINGGALL
SHOP

Financial highlights | 2003

		2003	2002	% Change
Net property revenue	£'000	36,843	34,239	+7.6%
Profit before disposals and taxation	£'000	12,304	10,896	+12.9%
Profit after disposals and taxation	£'000	8,238	9,714	-15.2%
Basic earnings per share before disposals and taxation	pence	9.34	8.28	+12.8%
Basic earnings per share after disposals and taxation	pence	6.26	7.38	-15.2%
Dividends per share	pence	3.915	3.56	+10.0%
Gross property assets	£'000	728,143	698,195	
Shareholders' funds	£'000	386,420	375,563	
Net asset value per share	pence	293	285	+2.8%





After a year of extremely challenging conditions in London's West End, I am pleased to report growth in both our net assets and operating profit

After a year of extremely challenging conditions in London's West End, I am pleased to report growth in both our net assets and operating profit.

Shareholders' funds as at 30th September 2003 totalled £386.4 million, equivalent to an undiluted net asset value per share of £2.93. This compares with shareholders' funds of £375.6 million and an undiluted net asset value per share of £2.85 at the previous year end. This represents an increase of 8p per share, an uplift of 2.8% over the year.

Profit on ordinary activities before asset disposals and taxation for the year ended 30th September 2003 amounted to £12.3 million, compared with £10.9 million in 2002. Disposals of non-core investment assets during the year produced a small surplus over book value compared with last year's surplus of £2.1 million. As a result, this year's profit after disposals amounted to £12.3 million, compared with £13.0 million last year.

After provision for current and deferred taxation of £4.1 million (2002 - £3.3 million), profit after disposals and taxation amounted to £8.2 million (2002 - £9.7 million).

Your Directors are pleased to recommend an increased final dividend of 2.54p per share (2002 - 2.31p). Together with the interim dividend of 1.375p per share, this will bring the total dividend for the year to 3.915p, an increase of 10% over last year's total distribution of 3.56p per share. With our growing income stream we expect to maintain a progressive dividend policy.

The first half of the year saw a combination of exceptionally adverse external events. The closure of the Central Line, strikes in public services and concerns about terrorist activity significantly reduced the number of domestic and overseas visitors to the West End. These factors contributed to delays of four to five months in letting many of our new projects in Carnaby and Covent Garden, as we believe potential tenants postponed commitments until more settled conditions returned and visitor numbers and trading levels began to recover. Since conditions began to improve in the early summer letting activity has increased, demonstrating the resilience of occupier demand for our exceptionally well-located shops and restaurants.

Acquisitions during the year totalled £14.4 million, mainly in Covent Garden, an area in which we aim to increase our investment. Notwithstanding market conditions, it is clear that, in our areas, there has been a reluctance by owners to sell their property investments. However, we have taken advantage of the strength of demand in the investment market to sell our two remaining non-core predominantly office properties, realising £6.2 million, marginally above last year's valuation.

Our property portfolio has been externally valued at 30th September 2003 at £730.8 million, resulting in a revaluation surplus of £7.7 million. Of this total value, shops and restaurants account for approximately 72%, offices 20% and residential 8%. In some cases, yields have moved by between 0.25% and 0.5% in our favour, reflecting both the strong investment market and low interest rates. Our success in securing lettings of our retail and office schemes, particularly in Carnaby and Kingly Court, has removed much of the uncertainty reflected in last year's valuation. Our valuers' caution regarding short leases and vacant accommodation has contributed to write-downs totalling £8.0 million in the values of our investments at Wellington House and Thomas Neals.

The estimated total rental value of our portfolio at the year end was approximately £51.5 million per annum. Within this total, the estimated rental value of properties available to let and projects in hand but not let was £4.7 million per annum. Since the year end, this figure has reduced to £3.3 million. We currently have properties available to let with an estimated rental value of £1.7 million per annum (retail/restaurant £0.7 million; offices £1.0 million) and properties being refurbished with an estimated rental value of £1.6 million per annum (retail/restaurant £0.6 million; offices £1.0 million).

Our three "villages" of Carnaby, Seven Dials Covent Garden and Chinatown are an integral part of the unrivalled cluster of cultural attractions, historic sites, theatres, shops, restaurants, clubs and bars which embody the West End. Our present strategy is to invest only in those parts of London's West End where we identify areas of enduring popularity for domestic and overseas visitors and where rental levels are significantly below nearby prime streets, thereby providing significant growth potential.

Our portfolio of well-located investments has proved to be exceptionally resilient in spite of the unusually difficult conditions which affected the whole of Central London in the first half of the year

We use our specialist skills, expertise and local knowledge to develop and promote originality, creativity and flexibility within each village. By fostering and promoting the special characteristics of each village as well as creating exciting environments for our tenants and their customers, we believe occupier demand will move rental levels closer to established prime rents whilst still remaining competitive. Average rental values in our villages are still under 50% of those in neighbouring prime locations.

Our portfolio now includes 275 shops totalling 359,000 sq.ft. which provide 39% of current contracted income. The average unexpired lease term of our shops is 8½ years. Reflecting the difficult conditions and uncertainties in the first half of the year, rental values have increased only marginally over the year as a whole. Although there was much reduced letting activity in the first half, we have maintained our very selective policy regarding tenant mix which creates the distinctive nature of our villages.

We own 127 restaurants, bars and clubs totalling 336,000 sq.ft. Currently these provide 26% of contracted income and the average unexpired lease term of these uses is 14½ years. Rental values have changed little during the year. We have seen signs of a moderation in Westminster City Council's previously totally restrictive planning policy towards restaurants. However, both Westminster and the London Borough of Camden remain opposed to granting consents for new bars and clubs with late night licences.

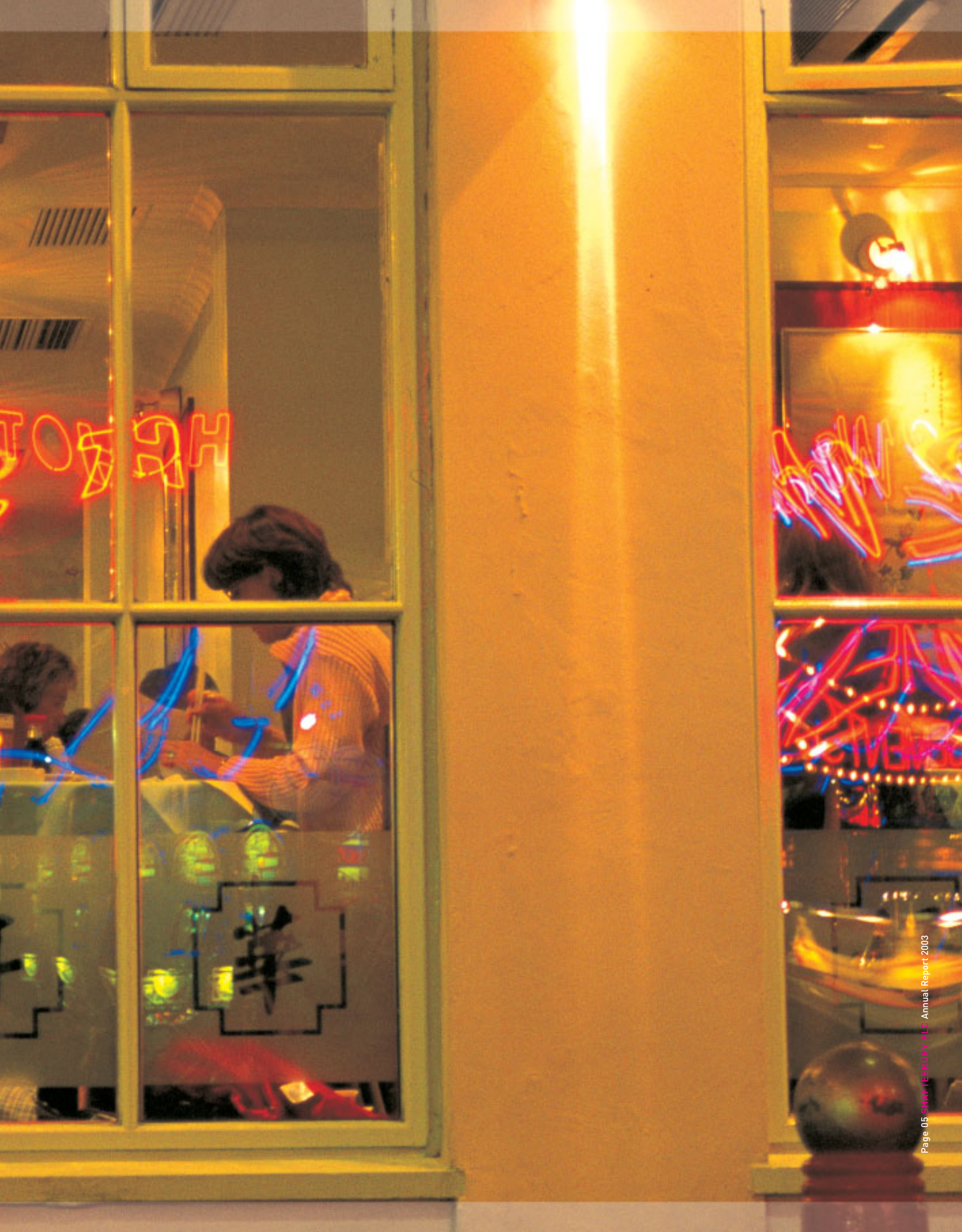
We own 446,000 sq.ft. of offices, which account for 29% of our contracted income. Office rents achieved this year have fallen by up to 10%, following falls of around 20% last year, but have now stabilised. Although occupier demand has been subdued throughout the year, we have had particular success in attracting fashion-related businesses to take offices in Carnaby. We have continued our programme of converting offices to other uses when profitable opportunities arise. The average unexpired lease term of our offices is 7½ years.

Our portfolio includes 209 flats and maisonettes on the upper floors of our mixed-use properties. They are generally let on annual assured shorthold tenancies and account for approximately 6% of current income. Our flats are in very popular residential locations and values have remained firm over the year.

Our revenue results clearly demonstrate improving net property revenue, a trend which we expect will continue as schemes currently in hand are completed and let. With an additional £30 million ten year bank facility signed in November 2003, we now have committed facilities of approximately £70 million to fund the expansion of our portfolio.

Our portfolio of well-located investments has proved to be exceptionally resilient in spite of the unusually difficult conditions which affected the whole of Central London in the first half of the year. Demand for our retail and restaurant accommodation, which account for 65% of our income, has largely returned to normal. We remain confident that, regardless of any further short term set backs, we will deliver accelerating growth in income and capital values over the medium and longer term and will continue to identify and exploit new opportunities.

Peter L Levy
Chairman
2nd December 2003



CARNABY, OUR LARGEST VILLAGE, HAS BEEN VALUED AT £306 MILLION AND NOW REPRESENTS 42% OF OUR ASSETS. AFTER CAPITAL EXPENDITURE OF £10 MILLION THIS YEAR, THIS REPRESENTS A 3.6% INCREASE OVER BOOK VALUE



Business review |

Carnaby

Carnaby, our largest village, has been valued at £306 million and now represents 42% of our assets. After capital expenditure of £10 million this year, this represents a 3.6% increase over book value.

When we purchased the bulk of Carnaby in 1997, we owned 116 shops and restaurants totalling 134,000 sq.ft. Since then we have changed over 90% of the retail and restaurant tenants and have materially increased the number and floor areas of shops and restaurants, mainly through refurbishment and re-configuration as well as through acquisitions. As a result of these changes the estate now includes 165 shops and restaurants, totalling 252,000 sq.ft., which currently represent 59% of Carnaby's rental value.

Our largest projects, which have been at the southern end of Carnaby Street, have been key elements of our whole strategy. In the past, this area had the greatest amount of offices and least retail space. Now it contains the greatest range of shop sizes, including our largest units, and, at Kingly Court, our smallest ones, which we are letting on flexible leases.

These changes have resulted in both prolonged periods of disruption and loss of income during refurbishment works. However, with the successful completion both of Kingly Court and the seven shops on the east side of Carnaby Street, we now have only two larger shops to let. Our next phase of works will include the reconfiguration of a number of smaller but prominent corner shops.

Recent shop lettings have increasingly been to European and American, as well as British retailers, eager to open concept stores or to launch entirely new brands in Carnaby, which has become synonymous with distinctive and different fashion styles. We encourage new independent retailers so that shoppers are attracted by a changing retail scene.

Traditionally offices in Carnaby have been mainly occupied by media companies but recently most of our new office lettings have been to fashion-related retailers and businesses. We believe these companies are attracted both by the quality of space and the opportunity to locate in this exciting fashion district.

Whilst a priority for the immediate future is to let our vacant offices of 19,000 sq. ft. and the 20,000 sq. ft. of offices currently under refurbishment, we remain alert to any opportunities to convert office space to other more profitable and less cyclical uses.

A mannequin in a black suit with a red sash stands in a store. A red safety light beam cuts across the scene. In the background, there are rows of red jackets hanging on a rack. To the right, another mannequin in a black t-shirt and red cargo pants is visible. At the bottom, a red football helmet with 'ENGLAND' written on it is on the floor.

COVENT GARDEN NOW REPRESENTS 30% OF OUR PROPERTY ASSETS AND HAS BEEN VALUED AT £218 MILLION WITH TWO EXCEPTIONS, THERE HAS BEEN A GENERAL 2% INCREASE OVER BOOK VALUE DURING THE YEAR.

NEW SEASON



Business review | continued

Covent Garden

Covent Garden now represents 30% of our property assets and has been valued at £218 million. With two exceptions, there has been a general 2% increase over book value during the year. The exceptions are the Wellington House block, held for redevelopment, and the Thomas Neals Centre, where values of these assets have fallen by around 12%, resulting in a write down totalling £8.0 million in the year.

The value of our Wellington House office block has continued to decline in part due to the general fall in office rents but also because of our requirement to offer only short leases, so as to give us essential flexibility until we have settled our plans for reconstruction. We have identified potentially profitable opportunities for reconfiguring the block and changing uses and we expect to be able to advance these ideas during 2004. As a preliminary step, we have made a planning application for new shops (13,500 sq.ft.) and residential accommodation (11,500 sq.ft.) on that part of the site which fronts Mercer Street and is presently used as a car park.

In May we reported that, having obtained vacant possession of key areas at the Thomas Neals Centre, we had decided to make changes, with the purpose of improving visibility and access into the Centre from Neal Street. This work is now in hand and in addition, we are refurbishing 8,000 sq.ft. of offices which became vacant during the year. Consequently, rental income has fallen and outgoings have temporarily increased. However we remain confident that this phased programme of works will lead to greater rental growth at the Centre, to levels of rent which we are experiencing at other investments in adjoining streets.

Two of the three new shops in Shorts Gardens which were completed in August have been let. We have pre-let a large corner shop at the junction of Earlam Street and Mercer Street in Seven Dials, which is currently being reconstructed. Completion is anticipated in January 2004.

Covent Garden is an area of particular interest to us for further expansion. During the year, we purchased additional retail and leisure properties at a total cost of £13.3 million.

Business review | continued

Chinatown

This village has been valued at £194 million, representing an increase of 2% after expenditure. This village now represents 26% of our assets.

As we reported in May, Chinatown, where we own 104 restaurants and shops, has experienced a reduction in trade due not only to the extensively publicised problems with public transport, safety concerns and the SARS health scare, but also to local difficulties, especially the installation of a new gas main.

These depressed conditions continued into the summer. However, since October, and for the first time for over eighteen months, we have started to see a return of business confidence. Consequently, two further restaurants which became vacant over the summer are now under offer and we expect to let our other vacant restaurant at the corner of Shaftesbury Avenue and Wardour Street on completion of our improvement works in January 2004.

As we had hoped, in September Westminster City Council approved its Action Area Plan for Chinatown. Having started to implement improvements which we initiated for the collection of refuse and in highway cleaning, we are now encouraging the Council to be equally determined in advancing other elements of the plan, which include resurfacing the streets, improving lighting, providing better facilities for the Chinese community and most importantly introducing a special planning policy for Chinatown.

New Opportunities

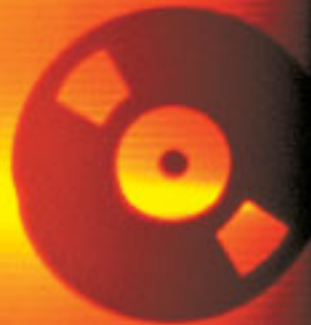
We have identified further areas in the West End where we are keen to invest. Most of our activity in the last two years has been in new locations within Covent Garden and we expect this to continue. In addition we have identified the Charlotte Street area as being of particular interest. Located north of Oxford Street and west of Tottenham Court Road, this is reputed to be the oldest restaurant district in London and we now own properties which include seven restaurants and shops.



**CHINATOWN HAS BEEN VALUED AT
£194 MILLION, REPRESENTING A 2%
INCREASE AFTER EXPENDITURE. THIS
VILLAGE NOW REPRESENTS 26% OF
OUR ASSETS.**







Business review | continued

Portfolio Analysis at 30th September 2003		Carnaby	Covent Garden	Chinatown	Charlotte Street	Total
Capital value (see note below)	£million	£306m	£218m	£194m	£13m	£731m
Shops	Number	133	91	49	2	275
	Area – sq.ft*	185,000	121,000	50,000	3,000	359,000
	% of current passing rent	43%	43%	28%	10%	39%
Restaurants and leisure	Number	32	35	55	5	127
	Area – sq.ft*	67,000	104,000	150,000	15,000	336,000
	% of current passing rent	9%	25%	53%	50%	26%
Offices	Area – sq.ft*	248,000	138,000	55,000	5,000	446,000
	% of current passing rent	44%	23%	13%	23%	29%
Residential	Number	47	90	57	15	209
	Area – sq.ft**	37,000	65,000	40,000	9,000	151,000
	% of current passing rent	4%	9%	6%	17%	6%

* Net lettable area

** Gross internal area

Basis of Valuation

Equivalent yield (see note)		6.7%	6.6%	6.5%
Tone of retail and restaurant equivalent yields		6.0-8.0%	5.75-8.0%	6.25-7.5%
Tone of retail estimated rental values	ITZA £ per sq.ft.	£120-225***	£100-275	£135-230
Tone of restaurant estimated rental values	£ per sq.ft.	£50-60	£55-75	£64-80
	ITZA (part)	-	-	£105-263
Tone of office yields		6.25-8.0%	5.7-8.0%	7.5-8.5%
Tone of office estimated rental values	£ per sq.ft.	£35-42	£20-32.50	£25-35
Tone of residential estimated rental values		£11,000 - £26,000p.a.	£10,000 - £24,000p.a.	£10,000 - £24,000p.a.

* Kingly Court £30 - £100 overall

Note: The capital values shown in these tables in respect to the three Villages are, in each case, the aggregate of the market values of several different property interests located within close proximity which, for the purpose of this analysis are combined to create each Village. The different interests in each Village were not valued as a single lot.

The Equivalent Yield shown for each Village has been calculated by merging together the cash flows and Market Values of each of the different interests within each Village and represents the average Equivalent Yield attributable to each Village from this approach.



We have continued our strategy of securing long and medium term finance together with hedging the interest rate exposure on a substantial portion of our floating rate debt.

Finance

Our profit on ordinary activities before asset disposals and tax for the year ended 30th September 2003 of £12.3 million shows an improvement of £1.4 million over the previous year, reflecting our growing rental stream. Net interest costs were covered 1.60 times (2002 - 1.56 times) by operating profits.

The net book value of borrowings at the year end totalled £322.1 million, an increase of £20.5 million over the previous year end. Cash outflows on acquisitions less disposals of investment properties amounted to £8.2 million and expenditure on refurbishments totalled £17.1 million.

Gearing at the year end, calculated by reference to the nominal rather than book value of our debt was 82% (2002 - 79%), comfortably within our self-imposed gearing limit of 100% of shareholders' funds. The ratio of the nominal value of net debt to property assets was 43% (2002 - 42%).

The Board regularly monitors the level of current and forecast debt and keeps under review the Company's strategies regarding the appropriate levels of debt and equity finance, the maturity profile of loan facilities and interest rate exposure and hedging.

We have continued our strategy of securing long and medium term finance together with hedging the interest rate exposure on a substantial portion of our floating rate debt. This finance strategy is intended to match our funding with our assets, which are held for long term investment, and provide certainty of finance costs whilst protecting the Company against adverse movements in interest rates.

In November 2002, we completed a £25 million increase in our long term bank loan, drawing down these additional funds in December 2002. In September 2003 we extended the maturity of a £75 million bank facility by a further two years to August 2010. At the year end we had committed undrawn facilities of £41 million which were increased in November 2003 when we completed an additional £30 million ten year facility with a UK bank. We now have total committed facilities totalling £255 million with a weighted average maturity of 8 years of which approximately £70 million is currently unutilised and available to finance future investment opportunities.

By mid-2003, once all of our existing hedging agreements had commenced, we had hedged £120 million, representing 65% of our floating rate debt, at an average fixed rate of 5.27% (excluding margin) for an average of 11 years. These hedging agreements can be extended for a maximum of a further 10 years at the banks' option. At the year end the weighted average cost of our borrowings including margin was 6.65% (2002 - 6.62%).

In October 2003, each of the Company's hedging agreements was restructured to provide greater exposure to currently lower short term rates, whilst capping the Company's exposure to interest rate increases to a maximum of 6.50% during the remaining fixed terms of the agreements. Details of the individual hedging agreements are set out in note 16 to the financial statements.

At 30th September 2003, the fair value of the Company's debt and interest rate hedges compared with book value gave rise to a deficit of £28.8 million (2002 - £30.7 million) or £20.2 million (2002 - £21.5 million) after tax relief. This is equivalent to a reduction in net assets per share of 22p (2002 - 23p) or 15p (2002 - 16p) after tax. The Company has no legal obligation nor present intention to crystallise this theoretical liability by the early repayment of its fixed rate debt or the early termination of its interest rate hedges.

Jonathan S Lane - Chief Executive

Brian Bickell - Finance Director

2nd December 2003



Brian Bickell, FCA
Finance Director.

Joined in 1986 and appointed a Director in 1987. His responsibilities include finance strategy, accounting, taxation and all company secretarial and compliance matters.
Age: 49 years.

Jonathan S Lane, MA, FRICS
Chief Executive.

Joined in 1986 as managing director. Overall responsibility for the Group's strategy and day-to-day operations.
Age: 58 years.

Thomas J C Welton, MRICS
Director.

Joined in 1989 and appointed a Director in 1997. Responsible for strategy and management in Chinatown and parts of the Covent Garden estate.
Age: 42 years.

Directors, Officers and Advisors



Simon J Quayle, BSc, MRICS
Director.

Joined in 1987 and appointed a Director in 1997. Responsible for strategy and management in Carnaby and parts of the Covent Garden estate. Age: 45 years.

Non-executive Directors



1 Peter L Levy, OBE, FRICS

Non-executive Director and Chairman. Founder of Shaftesbury PLC and formerly executive Chairman. Age: 64 years.



2 P John Manser, CBE, DL, FCA.

Senior non-executive Director (appointed 1997) and Chairman of the Audit Committee. Chairman of Intermediate Capital Group PLC. Deputy Chairman of Fitzhardinge PLC. Non executive director of South African Breweries PLC. Age: 63 years.



3 John R K Emly, FCIS.

Non-executive Director (appointed 2000) and Chairman of the Remuneration Committee. Investment director of the Civil Aviation Authority Pension Fund. Director of the JP Morgan Fleming Mid-Cap Investment Trust plc and the F&C Income Growth Investment Trust plc. Member of the investment committees of the P&O and Balfour Beatty pension funds. Age: 62 years



4 Alastair W MacDonald

Non-executive Director (appointed 2001). Formerly a director of and adviser to a number of private property investment companies and funds. Age: 57 years

Secretary and Registered Office

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e-mail: shaftesbury@shaftesbury.co.uk

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Stockbrokers

Dresdner Kleinwort Wasserstein
Merrill Lynch International

Merchant Bankers

Dresdner Kleinwort Wasserstein

Principal Bankers

Bradford & Bingley plc
Clydesdale Bank PLC
Lloyds TSB Bank Plc
Bank of Scotland

Debenture Stock Trustee

Prudential Trustee Company Limited

Auditors

PricewaterhouseCoopers LLP

Solicitors

Lovells
Eversheds LLP

Valuers

DTZ Debenham Tie Leung Limited

Web sites

Corporate: www.shaftesbury.co.uk

Includes Annual and Interim Reports library from 1998 and recent corporate announcements. News Alert Service allows registered users to receive E-mail alerts of any new announcements.

Carnaby: www.carnaby.co.uk

Seven Dials: www.sevendials.net

Extensive information on tenants and events in Carnaby and Seven Dials, Covent Garden.



Directors' report |

The Directors present their report and the financial statements for the year ended 30th September 2003.

A review of the development of the Company's business during the year and future prospects is included in the Chairman's Statement and Business Review which should be read in conjunction with this report.

Principal Activity

The Company is engaged in investment in properties with primarily commercial uses and their improvement through refurbishment and active management.

Results and Dividends

The results for the year ended 30th September 2003 are set out in the Group Profit and Loss Account on page 35.

An interim dividend of 1.375p per Ordinary Share was paid on 27th June 2003.

The Directors recommend a final dividend in respect of the year ended 30th September 2003 of 2.54p per Ordinary Share, making a total dividend for the year of 3.915p per Ordinary Share (2002 – 3.56p). If authorised at the Annual General Meeting, the dividend will be paid on 6th February 2004 to members on the register at the close of business on 9th January 2004.

Share Capital

During the year, 64,275 Ordinary Shares of 25p each were issued fully paid at prices in the range £1.065 to £1.085 pursuant to the exercise of share options granted under the Company's Share Option Schemes.

Authority to Issue Shares

A Special Resolution will be proposed at the Annual General Meeting to authorise the Directors to allot the Company's unissued Ordinary Shares for cash, or otherwise pro-rata to existing shareholders in connection with a rights issue and up to a maximum nominal amount of £1,645,000, which is equivalent to approximately 5% of the Company's issued Ordinary Share capital. The authority, if granted, would be valid only until the earlier of 15 months from the date of the passing of the resolution or the next Annual General Meeting. The Directors have no present intention of exercising this authority.

Purchase of Own Shares

The Company's Articles of Association contain a provision allowing the Directors to purchase the Company's own shares subject to the prior authority of the members having been obtained. A Special Resolution will be proposed at the Annual General Meeting for the purpose of seeking general authority to effect such purchases within the limits set out. The Directors are of the opinion that it would be advantageous for the Company to be in a position to purchase its own shares through the London Stock Exchange, should market conditions and price justify such action. The proposed authority would enable the Company to purchase up to a maximum of 13,172,000 Ordinary Shares, representing approximately 10% of the Ordinary shares currently in issue, with a stated upper limit on the price payable which reflects the requirements of the Listing Rules. Purchases would

only be made after the most careful consideration, where the Directors believed that an increase in earnings or net assets per share would result and where purchases were, in the opinion of the Directors, in the best interests of the Company and its shareholders. The Directors consider that it is prudent to obtain the proposed authority, although the Directors do not have any present intention of implementing this strategy.

Directors

The Directors of the Company who served during the year ended 30th September 2003, together with their interests in the Ordinary Share capital of the Company, were as follows:

	Ordinary Shares of 25p each		
	1.10.02	30.9.03	26.11.03
Beneficial interests:			
Peter L Levy	3,262,092	3,213,722	3,213,722
Jonathan S Lane	107,082	131,893	131,893
Brian Bickell	101,846	140,962	140,962
Simon J Quayle	101,792	125,993	125,993
Thomas J C Welton	5,041	17,329	17,329
Neil W Benson (retired 22.1.2003)	76,950	-	-
P John Manser	55,000	55,000	55,000
John R K Emly	10,000	15,000	15,000
Alastair W MacDonald	41,000	41,000	41,000

Non-beneficial interests:

Peter L Levy:			
As trustee of The Joseph Levy Charitable Foundation	500,000	500,000	500,000
As joint executor of the estate of Mrs N F Levy	-	1,958,246	1,958,246
Peter L Levy and Neil W Benson:			
As trustees of other trusts	44,058	44,058	44,058

Details of options granted to Executive Directors under the Company's Share Option Schemes are set out in the Remuneration Committee Report on pages 25 to 29.

At the forthcoming Annual General Meeting P L Levy, P J Manser and J R K Emly will retire by rotation and will offer themselves for re-election. The Board considers that each of these Directors have skills, knowledge and experience that allow them to properly discharge their duties and contribute to the effective operation of the Board. The Board therefore recommends their re-election.

None of these Directors have service contracts with the Company and there would be no compensation payable in the event that any of these Directors were not re-elected.

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

Directors' report | continued

Substantial Shareholdings

Other than Directors referred to above, at 26th November 2003 the Company had been notified that the following held, or were beneficially interested in, 3% or more of the Company's Ordinary Shares:

	Percentage of Ordinary Share Capital
Co-operative Insurance Society Limited	6.42
Aviva plc	4.94
Prudential plc	4.94
Legal & General Investment Management Limited	3.93
Sun Life Assurance Company of Canada (UK) Limited	3.10
Stichting Pensioenfondsb ABP	3.01

Payment of Suppliers

The policy of the Company is to settle suppliers' invoices within the terms of trade agreed with individual suppliers. Where no specific terms have been agreed, payment is usually made within one month of receipt of goods or services. At 30th September 2003, creditors in respect of invoiced supplies represented 17 days' purchases (2002 – 26 days).

Charitable Donations

During the year the Group made charitable donations in cash amounting to £56,000 (2002 - £62,000).

Auditors

During the year PricewaterhouseCoopers converted to a Limited Liability Partnership (LLP). Accordingly PricewaterhouseCoopers resigned as auditors on 19th February 2003 and the Directors appointed PricewaterhouseCoopers LLP as auditors on that date.

A resolution proposing the reappointment of PricewaterhouseCoopers LLP as auditors to the Company, will be proposed at the Annual General Meeting. Their reappointment has been considered and recommended by the Audit Committee.

By Order of the Board

Brian Bickell

2nd December 2003

Corporate governance |

The Board of Directors is responsible to shareholders for the management and control of the Company's activities and is committed to high standards of Corporate Governance. The Board confirms that the Company has complied with the recommendations of the Combined Code on Corporate Governance throughout the year. The application of the principles contained in the Combined Code is described below.

Following the publication of the revised Combined Code in July 2003, the Board is reviewing and amending existing corporate governance arrangements and implementing new procedures, where appropriate, to reflect the new Code's recommendations.

The Board of Directors

The Board comprised the non-executive Chairman, four executive Directors and three independent non-executive Directors (following the retirement of N W Benson on 22nd January 2003) during the year under review. Other than the Chairman (who had previously been an executive Director) each non-executive Director is considered to be independent of the executive team and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Each of the executive Directors is a member of a recognised professional body and is expected to act in accordance with the ethical principles of the relevant body. The non-executive Directors are of high calibre and contribute wide-ranging business and financial experience to the Board's decision making process. The Board considers that the present balance between executive and non-executive Directors allows it to exercise objectivity in decision-making and proper control of the Company's business.

Biographies of each member of the Board are set out on page 18 to 19. P J Manser has been senior non-executive Director throughout the year. All Directors are required to submit themselves for re-election at the Annual General Meeting following their appointment and thereafter at three yearly intervals.

The roles of Chairman and Chief Executive are split. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive has responsibility for the management of the Company's day-to-day operations.

The Board has met five times during the year ended 30th September 2003. Its function is to formulate strategy and monitor and control operating and financial performance. This is achieved through the regular review of operations and detailed reports on activity within the Company's property portfolio, quarterly financial reporting and budget up-dates, and regular reviews of risk and internal controls. In addition to Board meetings, there is regular communication with non-executive Directors to ensure they are fully aware of all aspects of the Company's operations.

There is a formal schedule of matters reserved to the Board for decision which includes, inter alia, approval of all investment property acquisitions and disposals, refurbishment and property management strategies and all significant aspects of finance. The schedule of matters reserved for the Board was reviewed and up-dated in November 2003 and is available on the Company's web site.

In addition to formal board meetings, non-executive Directors meet informally during the year. Arrangements are being put in place to provide for at least two formal meetings of non-executive Directors each year which will include a regular appraisal of the performance of executive Directors.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedure, corporate governance, statutory and compliance obligations are met. Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors.

The Company maintains Directors and Officers Liability insurance. In October 2003, cover was increased from £2 million to £5 million.

The Board has established three committees to deal with specific aspects of the Company's affairs. The terms of reference of these committees were reviewed and up-dated in November 2003 and are available on the Company's web site.

Audit Committee

The Audit Committee comprises P J Manser as Chairman, J R K Emly and A W MacDonald. N W Benson was a member of the Committee until his retirement from the Board on 22nd January 2003.

The Committee has met four times during the year ended 30th September 2003. The Company's auditors and executives have attended by invitation. The principal responsibilities of the Committee are to monitor the framework of financial controls and review published financial information. In addition, it advises the Board on the appointment of external auditors and their remuneration for both audit and non-audit work.

A report by the Audit Committee is set out on page 30.

Remuneration Committee

The Remuneration Committee comprises J R K Emly as Chairman, P J Manser and A W MacDonald. N W Benson was a member of the Committee until his retirement from the Board on 22nd January 2003.

The Committee has met five times during the year ended 30th September 2003. The principal responsibilities of the Committee are to consider the employment terms and remuneration of executive Directors. Proposals in respect of matters relating to Directors' remuneration are submitted to the Board for approval before implementation.

A report by the Remuneration Committee is set out on pages 25 to 29.

Nomination Committee

The Nomination Committee comprises P L Levy (Chairman), J R K Emly, P J Manser and A W MacDonald. N W Benson was a member of the Committee until his retirement from the Board on 22nd January 2003.

No meetings of the Nomination Committee were convened during the year ended 30th September 2003 but one meeting has been held since that date. The Committee is responsible for the selection and nomination of candidates for directorship and in addition advises the Board on the orderly succession for appointment of Directors.

Corporate governance | continued

Attendance at Meetings

Directors' attendance at meetings at Board and Committee meetings convened in the year ended 30th September 2003 was as follows:

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Executive Directors								
J S Lane	5	5	-	-	-	-	-	-
B Bickell	5	5	-	-	-	-	-	-
S J Quayle	5	5	-	-	-	-	-	-
T J C Welton	5	4	-	-	-	-	-	-
Non-Executive Directors								
P L Levy	5	5	-	-	-	-	-	-
P J Manser	5	4	4	3	5	4	-	-
J R K Emlly	5	5	4	4	5	5	-	-
A W MacDonald	5	4	4	4	5	4	-	-
N W Benson (retired 22.1.2003)	2	2	2	1	2	2	-	-

Relations with Shareholders

The Company encourages dialogue with all shareholders at the Annual General Meeting and during the year. The Chairman and Committee Chairmen are present at the Annual General Meeting to deal with any matters raised by shareholders.

The Chief Executive and Finance Director meet investor representatives at least annually to discuss strategic and other issues within the constraints imposed to ensure the protection of price sensitive information which has not already been made available to all shareholders. The Board receives regular reports prepared by the Company's brokers on meetings held with investor representatives.

The senior non-executive Director is available to shareholders as an alternative channel of communication with the Board.

Internal Control

The Directors are responsible for the Company's systems of internal controls and for reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risks faced by the business and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the Company's systems of internal control which have been in place during the year and confirms that systems to identify, evaluate and manage the significant risks faced by the Company have been in place throughout the year under review and up to the date of approval of this Annual Report. The aim of these systems is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage.

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

- The close involvement of the executive Directors in all aspects of day-to-day operations, including regular meetings with senior staff to review all operational aspects of the business.
- Clearly defined responsibilities and limits of authority. The Board has responsibility for strategy and has adopted a schedule of matters which are required to be brought to it for decision.
- A comprehensive system of financial reporting and forecasting. Financial accounts are prepared quarterly and submitted to the Board. Profit and cash flow forecasts are prepared at least quarterly, approved by the Board and used to monitor actual performance.
- Regular meetings of the Board and Audit Committee at which financial information is reviewed and business risks are identified and monitored.

In view of the Company's controls structure summarised above, and on advice from the Audit Committee, the Board has resolved that at the present time there is no need to establish an internal audit function.

Going Concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By Order of the Board

Brian Bickell

2nd December 2003

Remuneration committee report |

This Report, which has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ("the Regulations"), outlines the membership and workings of the Remuneration Committee ("the Committee") and provides an explanation of the various elements of the Company's remuneration policy together with details of Directors' remuneration in respect of the year ended 30th September 2003. In accordance with the Regulations, a resolution to approve this Report will be proposed at the forthcoming Annual General Meeting.

The Regulations require the Auditors to report to shareholders on the information contained in the descriptions of the Company's Long Term Incentive Arrangements and Sharesave Scheme and in Tables 1, 2 and 3 in this Report ("the auditable parts") and to state whether, in their opinion, these parts of the Report have been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations).

The Board considers that the Company has complied throughout the year with the requirements of the Listing Rules of the Financial Services Authority. The Committee's recommendations during the period from 1st October 2002 to the date of this Report regarding Directors' remuneration have been accepted by the Board without amendment.

Membership

The Committee is comprised solely of independent non-executive Directors and has been chaired throughout the year by J R K Emlly. Other members of the Committee who served during the year were N W Benson (who retired on 22nd January 2003), P J Manser and A W MacDonald.

The Committee met five times during the year ended 30th September 2003 to consider the employment terms and remuneration of executive Directors. Proposals in respect of matters relating to Directors' remuneration are submitted to the Board for approval. No Director has any involvement in decisions regarding his own remuneration.

Policy

The key policy objective of the Committee is to secure and retain high calibre executive Directors with the skills, experience and motivation necessary to direct and manage the affairs of the Company so as to maximise shareholder value on a sustainable basis. The Committee aims to align its remuneration policies with the Company's medium and long term strategy. This is achieved by a combination of:

- a basic salary package, which recognises the responsibilities of individual Directors and reflects salary and benefit levels of comparable positions in the real estate sector;
- an Annual Bonus Scheme, which provides rewards which reflect the performance of the Company and the contribution of individual Directors in a particular year;
- long term incentives which allow executives to participate in increases in shareholder value delivered over time by the Company;
- a pension contribution, which funds retirement benefits.

In determining the components of total remuneration, the Committee seeks to incentivise Directors, placing emphasis on rewards for performance and delivery of shareholder value and recognises that under-performance should not be rewarded. Accordingly, the performance-related elements of annual bonus and long term incentives constitute a substantial proportion of the overall remuneration package.

New Bridge Street Consultants have provided independent external advice throughout the year to assist the Committee in formulating its recommendations to the Board to implement these remuneration policies. New Bridge Street Consultants were appointed by the Committee and only provide advice to the Company in respect of Directors' remuneration.

Terms of Employment

The executive Directors are employed under service contracts terminable by either party giving not less than 12 months' notice. In the case of J S Lane and B Bickell a maximum of 12 months' salary and benefits would be payable by the Company in the event of termination without notice although the Board would seek to reduce the amount payable by enforcing a Director's duty to mitigate his loss. In the case of S J Quayle and T J C Welton, their contracts can be terminated by the Company paying a sum equal to their basic salaries. The Company has no other financial obligations in the event of early termination of an executive Director's contract.

Executive Directors are allowed to accept external appointments with the prior approval of the Board. Any fees arising from such appointments may be retained by the executive where the appointment is unrelated to the Company's business.

The terms of appointment of non-executive Directors are documented in letters of appointment between the Company and the Director. Their term of appointment does not extend beyond the date on which they are next subject to re-election by shareholders. In November 2003 up-dated letters of appointment were completed for each non-executive Director other than the Chairman. Fees payable to non-executive Directors are determined and reviewed periodically by the Board, having taken advice from New Bridge Street Consultants.

Remuneration committee report | continued

Salaries and Benefits

The Committee's policy is to broadly align salaries with market medians. The salary for each executive Director is reviewed annually in November against market information provided by the Committee's independent advisor and taking into account the individual's performance and experience in their role.

The principal benefits provided to executive Directors include a fully expensed car, life assurance (including widow's pension) and permanent health insurance. The Company makes a pension contribution of 25% of basic salary in respect of each executive Director. Beyond this the Company has no further obligation in respect of funding Directors' pensions.

Annual Bonus Scheme

The Company operates an Annual Bonus scheme. Under this Scheme, executive Directors and staff may receive a bonus based on the achievement of a range of challenging Company and personal performance targets set by the Committee at the outset of each financial year. Unless there are exceptional circumstances, annual bonuses will not exceed 100% of basic salary. Annual bonuses are not pensionable.

A participant may elect to receive all or part of any bonus in the form of Ordinary Shares or cash. The value of the bonus is increased by 25% for that part taken in shares rather than cash. Shares will be awarded under a Deferred Annual Share Bonus Scheme, which allows participants to exercise their right to entitlement after a minimum period of two years and no later than seven years after the date of the award.

Long Term Incentive Arrangements (audited)

Long term incentives are provided by the grant of options at nil consideration over the Company's Ordinary Shares. Under the terms of the Discretionary Share Option Scheme approved by shareholders in 2001, options granted are subject to the satisfaction of performance conditions before they vest and become exercisable.

In order to align the long term interests of shareholders and executives, performance is measured in terms of growth in net assets per ordinary share, prior to distributions. The Company's performance over an initial three year period is compared to that of a Peer Group of quoted real estate companies selected by the Committee. The relevant performance period will commence on the first day of the financial year in which the options are granted.

The following performance targets will be applied:

Net Asset Value Performance	Proportion of options exercisable
Upper quartile	100%
Median	30%
Between median and upper quartile	Pro-rata between 30% and 100%
Below median	Nil

If the performance target is not met in full after three years, it will be retested at the end of the fourth and fifth financial years from the original base date and, to the extent the target has not been met by the end of the fifth year, the relevant option will lapse. The Committee considers the retesting of performance conditions is appropriate, since it reflects the long term nature of the Company's business and vesting only takes place if challenging performance targets are met. However, in the light of evolving corporate governance practice, the Committee will be consulting with the Company's major institutional shareholders to seek their views as to whether the re-testing provisions approved in 2001 are still appropriate.

These performance conditions are designed to motivate and incentivise management to perform at the highest level with no options exercisable for below median performance.

The Committee has selected a Peer Group of comparable listed real estate companies in respect of options granted since 2001.

The Peer Group currently comprises:

Benchmark Group PLC	Great Portland Estates plc
Brixton PLC	Helical Bar plc
Capital & Regional plc	Peel Holdings p.l.c.
Daejan Holdings PLC	Pillar Property PLC
Derwent Valley Holdings PLC	Minerva plc
Freepport plc	Quintain Estates and Development PLC

The Committee considers these 12 companies provide a Peer Group of adequate size and composition to provide a meaningful comparator against which to assess the Company's performance.

Other than in exceptional circumstances, the market value of shares subject to options granted to a participant in any financial year will not exceed three times their basic salary at the date of grant. In the year ended 30th September 2003, no Director received options over more than twice their basic salary.

The Committee expects to make grants of share options annually, following the preliminary announcement of annual results, usually in early December. A Peer Group will be established at the time of each grant which will be of sufficient size and composition to provide a genuine and representative comparator group. Calculations of performance will be reviewed by the Company's auditors prior to the vesting of any options.

Remuneration committee report | continued

Sharesave Scheme (audited)

The Company also operates an Inland Revenue approved Sharesave Scheme for all of the Company's employees, including executive Directors, subject to a qualifying service period. The Scheme allows employees to save each month with a building society over a three, five or seven year period up to a maximum of £250 per month. At the end of the period employees may use their savings, plus a tax free bonus, to buy Ordinary Shares in the Company at a 20% discount to the market price prevailing shortly before they commenced saving. An offer of new savings contracts was made in March 2003.

Table 1 – Remuneration (audited)

Directors' remuneration for the year ended 30th September 2003 was as follows:

		2003 £'000	2002 £'000
Aggregate emoluments	Executive Directors	1,521	1,345
	Chairman and other non-executive Directors	158	179
		1,679	1,524

Executive Directors

		J S Lane £'000 12.10.1987	B Bickell £'000 12.10.1987	S J Quayle £'000 8.10.1997	T J C Welton £'000 8.10.1997	Total £'000
Service Contract dated						
Basic Salary		282	207	173	157	819
	2002	272	190	165	140	767
Annual bonus		176	138	152	115	581
	2002	169	134	83	90	476
Benefits		57	16	27	21	121
	2002	43	17	24	18	102
Aggregate Emoluments		515	361	352	293	1,521
	2002	484	341	272	248	1,345
Pension Contributions		70	52	43	39	204
	2002	66	48	41	35	190

Chairman and other non-executive Directors

	2003 £'000	2002 £'000
P L Levy (Chairman)	75	75
P J Manser	25	25
J R K Emly	25	25
A W MacDonald	25	21
N W Benson (retired 22.1.2003)	8	25
C R Plummer	-	8
	158	179

Review of Salaries and Fees in November 2003

Executive Directors' basic salaries were revised with effect from 1 December 2003 to the following levels:

	£'000
J S Lane	320
B Bickell	225
S J Quayle	190
T J C Welton	175

In addition, fees payable to non-executive Directors other than the Chairman were increased to £32,500 per annum with effect from 1st December 2003.

Remuneration committee report | continued

Table 2 - Share Options (audited)

Directors' share options during the year ended 30th September 2003 granted under the Company's 1987 Employee Share Option Scheme (now closed), the unapproved 1997 Executive Share Option Scheme (now closed), the 2001 Discretionary Share Option Scheme and Sharesave Scheme were as follows:

Date of Grant	Exercise Price	Exercise Period	J S Lane	B Bickell	S J Quayle	T J C Welton
1987 Scheme						
10.1.94	£1.065	1997-2004	38,380	23,376	11,238	11,238
<i>Exercised in year</i>			-	(23,376)	(11,238)	(11,238)
4.1.95	£0.77	1998-2005	62,808	37,628	28,166	28,166
4.1.96	£1.085	1999-2006	18,423	-	-	28,085
<i>Exercised in year</i>			(18,423)	-	-	-
1997 Scheme						
8.12.97	£1.98	2000-2004	75,758	41,666	35,354	32,829
3.12.98	£1.665	2001-2008	96,096	54,054	45,045	42,042
29.11.99	£2.42	2002-2009	49,104	27,136	25,844	24,552
2001 Scheme*						
21.2.01	£2.945	2004-2011	164,000	99,830	99,830	89,135
13.12.01	£2.735	2004-2011	242,230	138,940	120,660	102,380
18.12.02	£2.00	2005-2012	265,000	190,000	165,000	140,000
Sharesave Scheme						
13.3.2001	£2.26	2006	7,466	7,466	7,466	7,466

* Performance conditions as described above apply to options granted under the 2001 Discretionary Share Option Scheme prior to vesting. Options may vest no earlier than three years after grant and no later than five years after grant. No options granted under the 2001 Scheme have yet vested.

No options lapsed during the year. There have been no changes in options outstanding in the period from 1st October 2003 to 26th November 2003.

The Committee does not anticipate any changes to the conditions of the Schemes under which existing options have been granted.

The mid-market price of the Company's Ordinary Shares at 30th September 2003 was £2.225 and during the year then ended was quoted in the range £1.57 - £2.475.

	J S Lane £'000	B Bickell £'000	S J Quayle £'000	T J C Welton £'000
Gains realised on options exercised during year:				
Market price at date of exercise - £2.00	17	-	-	-
- £2.225	-	27	13	13

Table 3 - Share Entitlements (audited)

Certain Directors hold entitlements to Ordinary shares in respect of that part of awards granted under the Company's Executive Share Award Scheme (now terminated) and the Deferred Annual Bonus Scheme which they have elected to take by way of shares rather than cash. At 30th September 2003 and at 26th November 2003 the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 217,820 Ordinary Shares in respect of awards granted but not delivered to Directors as set out below:

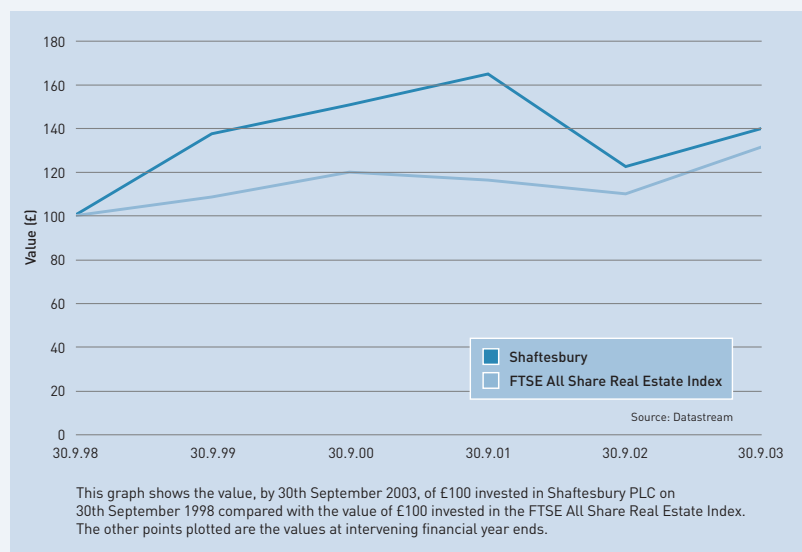
Date of Award	J S Lane	B Bickell	S J Quayle	T J C Welton
Executive Share Award Scheme				
24th December 1997	-	-	-	10,050
<i>Exercised in year</i>	-	-	-	(10,050)
7th January 1999	-	-	-	15,105
4th January 2000	10,388	5,740	5,463	5,204
<i>Exercised in year</i>	(10,388)	(5,740)	(5,463)	-
Deferred Annual Bonus Scheme				
5th December 2001	31,665	25,700	16,062	17,209
17th December 2002	25,000	50,000	-	31,875
	56,665	75,700	16,062	69,393

Table 3 – Share Entitlements (audited) continued

Each award of Ordinary Shares may be delivered to an individual at a consideration of £1 at any time between three and seven years after the date of grant of an award in the case of the Executive Share Award Scheme and between two and seven years in the case of the Deferred Annual Bonus Scheme. No long term performance conditions apply to these awards as the awards have been made after annual performance targets have already been met.

Total Shareholder Return

The graph below shows the total shareholder return for the Company for each of the last five financial years compared with the FTSE All-Share Real Estate Index. The Company is a constituent of the FTSE All-Share Real Estate Index and the Committee considers this is the most appropriate benchmark against which the relative performance of the Company should be measured.



Fees from external appointments

The Company has been advised that J S Lane received fees in the year ended 30th September 2003 in respect of his directorship of two private companies unconnected with the Company's business totalling £7,250. The other executive Directors did not hold any external appointments during the year.

On behalf of the Board

John R K Emly

Remuneration Committee Chairman

2nd December 2003

Audit committee report |

The Audit Committee (the "Committee") is established under terms of reference approved by the Board.

Principal Responsibilities

The principal responsibilities of the Committee, set out in its terms of reference, are as follows:

- To consider the appointment and independence of the external auditors and make appropriate recommendations to the Board;
- To recommend the audit fee to the Board and approve any fees in respect of non-audit services provided by the external auditors;
- To discuss with the external auditors the nature and scope of their audit and quality control procedures and review their management letter presented at the completion of the audit;
- To consider whether there is a need to establish an internal audit function and make a recommendation to the Board;
- To review the executive management's reports on risk management and the effectiveness of systems for internal financial control and financial reporting;
- To review and report to the Board on any financial information to be published by the Company.

The Committee's terms of reference were reviewed and up-dated by the Board in November 2003 and are available on the Company's web site.

Membership

The Committee comprises solely of independent non-executive Directors. P J Manser has chaired the Committee throughout the period since 1st October 2002. Other members of the Committee during this period were N W Benson (until his retirement from the Board on 22nd January 2003), J R K Emly and A W MacDonald. The Company Secretary acts as Secretary to the Committee.

P J Manser and N W Benson are Fellows of the Institute of Chartered Accountants in England and Wales. J R K Emly is a Fellow of the Institute of Chartered Secretaries.

Meetings

The Committee has met five times during the year ended 30th September 2003. The Finance Director and representatives of the external auditors have been invited to attend each meeting. The Committee considers some items of business without one or both of these invited parties present as appropriate.

Main activities of the Committee

In the year under review the Committee has undertaken:

- Detailed reviews of published annual and interim financial information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- Reviews of management's reports to the Board on risk management and internal controls and the Company's public statements on these matters;
- Reviews of the risk and control strategies of the Company's principal managing agents;
- A review of the performance and independence of the external auditors concluding in a recommendation to the Board on the reappointment of the auditor by shareholders at the Annual General Meeting;
- Monitoring fees paid to the external auditors in respect of non-audit services and considering the impact of such fees on the independence of the audit opinion;
- A review of the need to establish an internal audit function;
- Monitoring developments in accounting and reporting requirements and particularly the impact of International Financial Reporting Standards to be applied from 2005.

On behalf of the Board

P John Manser

Audit Committee Chairman

2nd December 2003

Corporate social responsibility |

The Board recognises the importance of social, environmental and ethical matters in the conduct of the Company's business. The Chief Executive is responsible for the development of policies and practices in matters relating to Corporate Social Responsibility ("CSR"). Reports are submitted regularly to the Board.

The Company is a constituent of the FTSE 4 Good Index, which is intended as a guide for socially responsible investment, and is one of the inaugural companies to be listed in Business in the Community's Corporate Responsibility Index. In addition, Shaftesbury has been awarded membership of Business in the Community's PerCent Club, recognising the Company's community investment in excess of 1% of pre-tax profits.

The Company's Environmental, Social and Community Policy is reviewed annually to assess whether it continues to reflect the CSR risks and opportunities relevant to Shaftesbury. A revised Statement of Policies was approved by the Board in July 2003. The policy document and regular progress reports are available on the Company's web site. An external audit was undertaken by our advisers, RPS Consultants, in August 2003 in order to verify working practices against Policy Goals and achievement of objectives and targets in the Action Plan.

Environmental Strategy

Shaftesbury's business involves the reconfiguration and refurbishment of existing buildings with the aim of providing a good standard of efficient accommodation to meet the needs of modern occupiers. Our approach is to conserve and extend the useful lives of existing buildings thereby avoiding the environmental impacts of demolition and development of new buildings, which are often prone to greater obsolescence.

For refurbishment projects it is recognised that the principal issues that require management are minimising local environmental impacts, particularly noise and dust, managing construction waste and sourcing materials. Efforts to improve the management of these issues have included the implementation of the following during 2003:

- A number of refurbishment schemes of a capital value above £50,000 have been registered with the relevant Local Authority's Considerate Constructor's scheme providing external scrutiny from the local authority with respect to the management of these schemes. All those that have been audited achieved satisfactory scores.

- Shaftesbury's Environmental, Social and Community Policy is included within tender documentation for subcontractors with guidance provided for the specification of materials.

- Monitoring of waste management activities has been introduced for the refurbishment schemes but due to the nature of the portfolio and the often small scale of the individual projects it has not yet been possible to identify a suitable benchmark figure. During 2004 it is intended to research and identify a sensible key performance indicator.

Within the Company's villages there have been a number of initiatives to improve waste management for the benefit of the environment, tenants and the local community. In Chinatown, a report was commissioned in October 2002 which identified various options to improve the existing waste management situation. The recommendations from this report, including waste segregation at specific collection points and the use of a compacting machine are being taken forward in conjunction with Westminster City Council as part of its "Chinatown Action Plan".

The Board has set the following key objectives for the coming year:

- Identify a suitable benchmark for waste management from refurbishment projects.
- Review the approach to specification of materials, particularly timber.
- Ensure all schemes above £50,000 are registered under the relevant Local Authority Considerate Constructor's Scheme and achieve acceptable ratings for all registered schemes.
- Review the opportunities to extend the existing waste management initiatives throughout the portfolio.
- Investigate potential for purchase of "green tariff" electricity for Head Office and those parts of the portfolio where the Company is responsible for supplies.

Shaftesbury in the Community

The Company's policy is to align its charitable support and community involvement to its areas of investment in London's West End. Support is provided to a number of organisations involved in the arts, theatre and music together with support and involvement with community groups and charities which are addressing important local issues. In addition we are working closely with the local statutory bodies to maintain and improve the local environment.

The Company provides financial support to the National Campaign for the Arts, the Association of British Orchestras and the Donmar Theatre. Active help, advice and financial assistance are provided to a number of non-political local groups including the Hungerford Drugs Project, the Soho Green Project, the Soho Family Centre, the Covent Garden Community Association, the Seven Dials Monument Charity and the Chinatown Working Party. In addition, The Company is giving active support to the local community's efforts to secure and fund a permanent venue dedicated to Chinese arts.

Shaftesbury recognises the importance to the continuing appeal of its Villages to tenants, their staff and customers, and local residents of ensuring public areas are well-maintained and provide safe, welcoming environments. We continue to work closely with Westminster City Council and Camden Council to identify local problems that arise particularly from high visitor numbers and long hours of trading and develop practical solutions where possible. In particular we have been actively involved in drafting Westminster City Council's Action Plans for the improvement of Chinatown and parts of Covent Garden. We have offered to fund additional services or initiatives that will benefit the local environment in our locations such as CCTV, lighting, cleaning and improvements to street environments.

Employees

Shaftesbury employs 16 staff including executive Directors. The welfare and safety of employees is a key priority. Staff turnover is low and there have been no reported staff grievances or any reportable health and safety incidents in the year ended 30th September 2003. The Company actively encourages staff involvement in the development of the Company's business and community activities.

Jonathan S Lane

Chief Executive

2nd December 2003

Summary of valuers' report |

To the Directors of Shaftesbury PLC

In accordance with your instructions, we have undertaken a valuation of the various commercial and residential freehold and long leasehold property interests as at 30th September 2003 (the "date of valuation") held by Shaftesbury PLC (the "Company"), as referred to in our valuation report dated 14th November 2003 ("our Report").

All properties have been subject to external inspections between August and November 2003 and a number were subject to internal inspections.

The valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Appraisal and Valuation Standards, 5th Edition (the "Manual"). The valuation has been undertaken by external valuers, qualified for the purpose of the valuation.

In accordance with the provisions of Guidance Note 3 of the RICS Appraisal and Valuation Standards, in undertaking our valuation, we have lotted together certain individual properties to form a separate property (a "Property" or "Properties") in the manner we consider to be most likely to be adopted in the case of an actual sale. We consider that lotting the properties together on the basis reflected in our valuation would allow a purchaser to capitalise on the estate management advantages and opportunities available from such comprehensive ownership.

A high proportion of the total value of the Company's properties and Properties is accounted for by properties and Properties situated in adjacent and/or adjoining locations in three specific areas of the West End of London: Carnaby Street and its environs, Chinatown and the adjoining area immediately west of Wardour Street (south of its junction with Shaftesbury Avenue), and the areas around Seven Dials in the western part of Covent Garden. These areas are all dominated by retail and restaurant uses. In our opinion, at the date of valuation, this particular unusual confluence of ownership and use characteristics may cause some prospective purchasers to regard parts of the portfolio when combined as having a greater value than the aggregate of the individual values of the properties and Properties which are included in our Report.

As required by the provisions of the Manual, in undertaking our valuations, we have valued each property or Property separately, rather than valuing the portfolio as a whole or in combinations of parts. The "total" valuation figure below is the aggregated value of the separate properties or Properties within the various categories of tenure referred to below.

All valuations were on the basis of Market Value. We have assessed Market Value in accordance with PS 3.2 of the Manual.

We have not made any allowance for vendor's sale costs nor for any tax liabilities which may arise upon the disposal of any of the properties or Properties. We have made deductions to reflect purchaser's normal acquisition costs.

In accordance with UKPS 5.4, we are required to make certain disclosures in connection with this valuation instruction and our relationship with the Company. Sean Wordley is the signatory of the Valuation Report. This is the first year that he has been the signatory. DTZ Debenham Tie Leung has been carrying out this valuation instruction for the Company for a continuous period since 1996. We also undertake valuations of certain of the Company's properties for other purposes such as secured lending and for inclusion in shareholder's circulars. Currently the only fee earning

relationships between DTZ and the Company other than the valuation instructions relate to our appointments as property asset managers at Wellington House and at 13/14 Upper St Martin's Lane, where we are advising on a lease renewal.

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2003, the proportion of total fees payable by the Company to the total fee income of the Group was less than 5%. It is not anticipated that this situation will vary in terms of our financial year to 30 April 2004.

A full explanation of the Assumptions made in our valuation and details of the sources of information are contained within our Report.

We have measured certain of the properties, or parts of properties, either on site or by scaling from floor plans. The Company or its managing agents have provided us with the floor areas of the remaining properties or parts of properties.

We have read the majority of leases and related documents provided to us in respect of the commercial properties. Where we have not read leases we have relied on tenancy information provided by the Company.

Certain properties were subject to works of repair or refurbishment at 30th September 2003, or were subject to outstanding retentions and fees in respect of projects already completed at that date. In these instances, the Company advised us of the amount of the outstanding costs. However, we have been advised by the Company that accrual is made in its financial statements as at 30th September 2003, for the costs to complete these projects or settle outstanding retentions and fees. Accordingly, we have not deducted these outstanding sums from our valuations. The total amount of such costs is £4,395,648 and details of the individual sums are included in our Report.

As referred to above, we have lotted together certain individual properties to form a separate Property or separate Properties. In the case of one Property which comprises a number of individual properties, the majority of such properties are held freehold but certain of them are held on long leases. In order to divide our valuation of this Property between the categories of freehold and long leasehold, we have undertaken a notional apportionment of value between the freehold elements and the long leasehold elements which together comprise the relevant Property. The amounts arising from this notional apportionment of value have been included in the figures representing the freehold and long leasehold categories below. The amounts arising from the notional apportionment do not themselves represent the Market Value of the two elements.

The Company owns a number of properties on a freehold basis where it also holds long leasehold interests within the freehold and has not merged the interests. For the purposes of the freehold/long leasehold split below, we have included such properties within the freehold category.

Summary of valuers' report | continued

Having regard to the foregoing, we are of the opinion that the aggregates of the Market Values, as at 30th September 2003, of the freehold and long leasehold property interests owned by the Company, subject to the Assumptions and comments in our Report dated 14th November 2003, were as follows:-

Freehold properties	£700,315,000	(Seven hundred million, three hundred and fifteen thousand pounds)
Long leasehold properties	£30,457,000	(Thirty million, four hundred and fifty-seven thousand pounds)
Total	£730,772,000	(Seven hundred and thirty million, seven hundred and seventy-two thousand pounds)

A long lease is one with an unexpired term in excess of 50 years.

The contents of our Report are confidential to Shaftesbury PLC for the specific purpose to which it refers and are for its use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of the contents of our Report or this summary. Before our Report or this summary, or any part thereof, are reproduced or referred to, in any document, circular or statement, and before their contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung are referred to by name and whether or not the contents of our Report or this summary are combined with others.

Sean A Wordley, MRICS

DTZ Debenham Tie Leung Limited
International Property Advisers
One Curzon Street
London W1A 5PZ

Directors' responsibilities |

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The basis on which the auditors carried out their audit and formed their opinion is set out in their report on page 34.

The maintenance and integrity of the Company's website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report |

To the Members of Shaftesbury PLC

We have audited the financial statements which comprise the Group Profit and Loss Account, the Group and Company Balance Sheet, the Group Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Statement of Historical Cost Profits and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Remuneration Committee Report ("the auditable part").

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Remuneration Committee Report.

Our responsibility is to audit the financial statements and the auditable part of the Remuneration Committee Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and auditable part of the Remuneration Committee Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Business Review, the Directors' Report, the Corporate Governance Statement, the unaudited part of the Remuneration Committee Report, the Audit Committee Report, the Corporate Social Responsibility Report, the Summary of Valuers' Report and the Directors' Responsibility Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable parts of the Remuneration Committee Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the remuneration committee report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30th September 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Remuneration Committee Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

2nd December 2003

Group profit and loss account | for the year ended 30th September 2003

	Note	2003 £'000	2002 £'000
Gross rental income		41,438	38,855
Rents payable		(181)	(32)
Other property charges		(4,414)	(4,584)
Net Property Revenue		36,843	34,239
Administrative expenses	2	(4,010)	(3,822)
Operating Profit		32,833	30,417
Surplus on disposal of investment assets	4	40	2,106
Profit Before Interest and Taxation		32,873	32,523
Net interest payable	5	(20,529)	(19,521)
Profit on Ordinary Activities Before Taxation		12,344	13,002
Taxation	6	(4,106)	(3,288)
Profit on Ordinary Activities After Taxation		8,238	9,714
Dividends	7	(5,147)	(4,679)
Retained Profit for the Financial Year	19	3,091	5,035
Earnings Per Ordinary Share	8		
Before asset disposals and taxation	- basic	9.34p	8.28p
	- diluted	9.33p	8.26p
After asset disposals before taxation	- basic	9.37p	9.88p
	- diluted	9.36p	9.86p
After asset disposals and taxation	- basic	6.26p	7.38p
	- diluted	6.25p	7.36p

All operations relate to continuing activities.

Group and company balance sheet | as at 30th September 2003

	Note	2003 £'000	2002 £'000
Fixed Assets			
Tangible Assets			
Investment properties	9	728,143	698,195
Premises, equipment and vehicles	10	262	286
		<hr/>	<hr/>
		728,405	698,481
Current Assets			
Debtors	11	8,806	10,087
Creditors:			
Falling due within one year	12	(24,901)	(28,563)
		<hr/>	<hr/>
Net Current Liabilities		(16,095)	(18,476)
		<hr/>	<hr/>
Total Assets Less Current Liabilities		712,310	680,005
Creditors:			
Falling due after more than one year			
8.5% First Mortgage Debenture Stock 2024	13	(138,527)	(138,845)
Secured long term bank loan	14	(74,534)	(49,619)
Secured medium term bank loans	15	(109,004)	(113,109)
Provisions for liabilities and charges			
Deferred taxation	17	(3,825)	(2,869)
		<hr/>	<hr/>
		386,420	375,563
Capital and Reserves			
Called up share capital	18	32,931	32,915
Share premium account	19	119,118	119,066
Revaluation reserve	19	186,641	179,362
Profit and loss account	19	47,730	44,220
		<hr/>	<hr/>
Shareholders' Funds		386,420	375,563
Net Asset Value per Ordinary Share			
	20		
- Basic		£2.93	£2.85
- Diluted		£2.92	£2.84
		<hr/>	<hr/>

On behalf of the Board who approved the financial statements on 2nd December 2003

Jonathan S Lane Chief Executive

Brian Bickell Finance Director

Group cash flow statement

for the year ended 30th September 2003

	Note	2003 £'000	2002 £'000
Net Cash Inflow from Operating Activities	21	33,371	31,790
Returns on Investments and Servicing of Finance			
Interest received		72	35
Interest paid		(21,075)	(19,079)
Net cash outflow		(21,003)	(19,044)
Taxation			
Corporation tax paid		(2,944)	(3,268)
Capital Expenditure and Financial Investment			
Acquisition of investment properties		(14,377)	(56,663)
Expenditure on investment properties		(17,115)	(16,526)
Sales of investment properties		6,156	21,152
Net purchase of premises, equipment and vehicles		(86)	(144)
Net cash outflow		(25,422)	(52,181)
Equity Dividends Paid		(4,845)	(4,401)
Cash Outflow before use of Financing and Cash Resources		(20,843)	(47,104)
Financing			
Net proceeds of shares issued for cash		68	115
Net proceeds from drawdown of secured long term bank loan	22	24,880	-
(Repayment)/drawdown of secured medium term bank loans	22	(4,105)	46,989
Movement in Cash Balances		-	-

Other primary statements | for the year ended 30th September 2003

	2003 £'000	2002 £'000
Statement of Total Recognised Gains and Losses		
Profit on ordinary activities after taxation	8,238	9,714
Unrealised net surplus/(deficit) on revaluation of investment properties	7,698	(3,098)
Total Recognised Gains Relating to the Year	15,936	6,616
Historical Cost Profits and Losses		
Profit on ordinary activities before taxation	12,344	13,002
Investment asset revaluation surpluses realised in year	419	9,853
Historical Cost Profit on Ordinary Activities Before Taxation	12,763	22,855
Taxation	(4,106)	(3,288)
Historical Cost Profit After Taxation	8,657	19,567
Dividends	(5,147)	(4,679)
Retained Historical Cost Profit for the Year	3,510	14,888
Reconciliation of Movements in Shareholders' Funds		
Profit on ordinary activities after taxation	8,238	9,714
Dividends	(5,147)	(4,679)
	3,091	5,035
Unrealised surplus/(deficit) on revaluation of investment properties	7,698	(3,098)
	10,789	1,937
Net proceeds of shares issued during the year	68	115
Net Addition to Shareholders' Funds in Year	10,857	2,052
Opening Shareholders' funds	375,563	373,511
Closing Shareholders' Funds as at 30th September 2003	386,420	375,563

Notes to the financial statements |

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared on the historical cost basis of accounting, with the exception of certain fixed assets which are stated at revalued amounts. The financial statements have been prepared in accordance with accounting standards applicable in the United Kingdom.

Basis of Consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries made up to the balance sheet date. As permitted by Section 230 of the Companies Act 1985, no profit and loss account is presented for the Company.

Investments in subsidiaries are stated in the Company's balance sheet based at their net asset value.

Investment Properties

Investment properties are revalued annually by external professional valuers on an open market basis.

Any surplus or temporary deficit arising on the revaluation of investment properties is transferred to the revaluation reserve. Permanent diminutions in value below cost are charged in the profit and loss account.

Additions to properties include costs of a capital nature only. All other property expenditure is written off in the profit and loss account as incurred. No finance costs are capitalised.

Where refurbishment projects are in progress or are valued as completed at the balance sheet date, the costs to be incurred in completing such projects are accrued in full, to the extent they are contractually committed, in the financial statements.

Amounts received by way of 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 profit and loss account.

Purchases and Sales of Investment Properties

Purchases and sales of investment properties are recognised in the financial statements on the date at which there is a legally binding and unconditional contract. On the disposal of an investment property the surplus or deficit is calculated by reference to the book value at the date of sale and included in the profit and loss account.

Depreciation and Amortisation of Properties

In accordance with SSAP 19, no provision is made for depreciation of freehold properties or amortisation of leasehold properties with over 20 years unexpired. The Companies Act 1985 requires all properties to be depreciated which conflicts with the generally accepted accounting principle, set out in SSAP 19. The Directors consider that, as these properties are held for long term investment and are revalued annually, to depreciate them would not give a true and fair view and it is necessary to adopt SSAP19 in order to give a true and fair view. It is not practicable to quantify the depreciation or amortisation which might otherwise have been charged.

Depreciation of Other Assets

Depreciation is provided on short leasehold office premises, equipment and motor vehicles to write their cost down to their estimated residual values over their estimated useful lives at the following rates:

Short leasehold office premises - over the period of the lease on cost, assuming no residual value

Computer equipment - 25% per annum on cost

Other office equipment - 20% per annum on cost

Motor vehicles - 25% per annum on written down value

Rents Receivable

Rents receivable include rents invoiced to tenants and rents accrued in accordance with UITF 28, excluding value added tax. Service charges and other amounts invoiced to tenants are credited against the related expenditure included in other property charges.

Cost of Raising Finance

Expenses and discounts relating to the issue of long term debt are deducted from the proceeds and written off in the profit and loss account over the life of the debt instrument. Any premium arising on the issue of long term debt is added to the proceeds and credited to the profit and loss account over the life of the debt instrument.

The costs of organising long and medium term bank facilities are written off in the profit and loss account over the term of the facilities.

Financial Instruments

Amounts receivable or payable under the terms of interest rate hedging agreements are accrued over the period to which they relate and are credited or charged to interest payable in the profit and loss account.

Deferred Taxation

Deferred tax is provided in respect of all temporary timing differences arising from the differing treatment of certain expenditure for accounting and taxation purposes. Deferred tax is not provided in respect of the corporation tax liability which could arise in the event of realisation of investment properties at the values stated in the financial statements. Deferred tax liabilities are not discounted. Deferred tax assets are recognised when recoverability is considered reasonably certain.

Notes to the financial statements | continued

2 Administrative Expenses

	2003 £'000	2002 £'000
Included under this heading are the following:		
Auditors' remuneration for audit services (Group and Company)	60	58
Fees payable to PricewaterhouseCoopers LLP in connection with:		
Taxation advice - compliance	56	42
Other professional services	12	4
	68	46
Depreciation	108	102
Operating lease rentals - office premises	210	210
Staff costs (including executive Directors):		
Salaries and annual bonuses	1,950	1,784
Social security costs	252	221
Pension contributions	253	235
	2,455	2,240

A proportion of costs relating to estate management staff is recoverable from tenants.

The Company operates a defined contribution pension arrangement for executive Directors and staff. The amount charged in the profit and loss account is equal to the contributions payable during the year.

Average number of employees:	2003	2002
Executive Directors	4	4
Administration	10	9
Estate management	2	2
	16	15

3 Directors' Emoluments

A summary of Directors' emoluments, including the disclosures required by the Companies Act 1985, is set out in the Remuneration Committee Report on pages 25 to 29.

4 Surplus on Disposal of Investment Assets

	2003 £'000	2002 £'000
Properties		
Net proceeds of sale of properties	6,207	21,102
Book value at date of sale	(6,167)	(18,996)
	40	2,106

Notes to the financial statements | continued

5 Net Interest Payable

	2003 £'000	2002 £'000
Interest payable:		
Debenture stock interest and amortisation	10,902	10,902
On bank loans wholly repayable after five years	6,593	8,385
On bank loans wholly repayable within five years	3,106	269
	<hr/>	<hr/>
	20,601	19,556
Interest receivable	(72)	(35)
	<hr/>	<hr/>
	20,529	19,521

6 Taxation

Current taxation:		
UK Corporation tax on revenue profit	3,250	2,800
Deferred taxation:		
Provision in respect of timing differences	750	613
	<hr/>	<hr/>
	4,000	3,413
(Over)/under provisions in prior years:		
Corporation tax	(100)	(125)
Deferred taxation	206	-
	<hr/>	<hr/>
Charge for the year	4,106	3,288
Factors affecting the current tax charge:		
Profit on Ordinary Activities	12,344	13,002
	<hr/>	<hr/>
Tax at standard Corporation tax rate (30%)	3,703	3,900
Capital allowances claimed in excess of depreciation	(750)	(613)
Capital losses utilised to offset gains on disposal of investment assets	-	(632)
Expenses and provisions not deductible for tax purposes and other items	297	145
	<hr/>	<hr/>
Current tax charge for the year	3,250	2,800

7 Dividends

Interim dividend of 1.375p per share (2002 - 1.25p) paid on 27th June 2003	1,807	1,641
Proposed final dividend of 2.54p per share (2002 - 2.31p)	3,340	3,038
	<hr/>	<hr/>
	5,147	4,679

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 234,051 shares (2002 - 227,685 shares) during the year.

8 Earnings Per Ordinary Share

The calculations of earnings per Ordinary Share are based on the following:

Profit on ordinary activities:			
Before disposals and taxation	£'000	12,304	10,896
After disposals before taxation	£'000	12,344	13,002
After taxation	£'000	8,238	9,714
Weighted average number of Ordinary Shares in issue	'000	131,675	131,617
Dilutive average number of Ordinary Shares	'000	131,879	131,909

The difference between the weighted average and dilutive average number of Ordinary Shares arises from the potentially dilutive effect of outstanding options granted over Ordinary Shares.

Notes to the financial statements | continued

9 Investment Properties

	£'000
At 1st October 2002	698,195
Acquisitions	14,377
Refurbishment and other expenditure	14,040
Disposals	(6,167)
Net surplus on revaluation	7,698
Book value at 30th September 2003	728,143
Add: Rents recognised in advance in accordance with UITF28	2,629
Market value at 30th September 2003	730,772
Historical cost of properties included above at valuation	541,502

Investment properties were subject to external valuation as at 30th September 2003 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors, working for DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of External Valuers. All such properties were valued on the basis of Market Value in accordance with the RICS Appraisal and Valuation Standards.

A summary of the report by DTZ Debenham Tie Leung describing the basis of their valuation (which does not form part of these financial statements) is set out on pages 32 to 33.

Investment properties include freehold properties valued at £700,315,000, leasehold properties with an unexpired term of over 50 years valued at £24,022,000 and a notional apportionment of value in respect of a part freehold/part leasehold property, where the apportionment in respect of the leasehold element with over 50 years unexpired is £6,435,000.

	2003 £'000	2002 £'000
Capital Commitments:		
Authorised and contracted	-	-

Creditors falling due within one year include provisions for outstanding contracted expenditure in respect of projects in progress or completed at the year end of £5,105,000 (2002 - £8,115,000).

10 Premises, Equipment and Vehicles

	Short Leasehold Office Premises £'000	Equipment and Vehicles £'000	Total £'000
Cost			
At 1st October 2002	114	561	675
Additions	-	92	92
Disposals	-	(34)	(34)
At 30th September 2003	114	619	733
Depreciation			
At 1st October 2002	94	295	389
Charge for the year	11	97	108
Eliminated on disposals	-	(26)	(26)
At 30th September 2003	105	366	471
Net book value at 30th September 2003	9	253	262

Notes to the financial statements | continued

11 Debtors

	2003 £'000	2002 £'000
Amounts due from tenants	5,560	7,543
Rents not yet due but recognised in advance in accordance with UITF28	2,629	1,797
Other debtors and prepayments	617	747
	8,806	10,087

12 Creditors Falling Due Within One Year

Rents invoiced in advance	8,372	8,046
Dividend proposed	3,340	3,038
Corporation tax payable	1,652	1,446
Capital expenditure accruals	5,105	8,115
Other creditors and accruals	6,432	7,918
	24,901	28,563

Other creditors and accruals include £2,176,000 (2002 - £2,367,000) in respect of amounts secured by way of fixed charges on certain investment properties and floating charges over the Company's assets.

13 8.5% First Mortgage Debenture Stock 2024

	Nominal value of stock £'000	Net premium less issue expenses £'000	Net £'000
At 1st October 2002	132,000	6,845	138,845
Amortisation of net premium, credited to profit and loss account	-	(318)	(318)
At 30th September 2003	132,000	6,527	138,527

The debenture stock is secured by fixed charges over certain investment properties together with a floating charge over the assets of the Company.

14 Secured Long Term Bank Loan

	Loan principal £'000	Expenses £'000	Net £'000
At 1st October 2002	50,000	(381)	49,619
Loan drawn down	25,000	(120)	24,880
Amortisation of expenses	-	35	35
At 30th September 2003	75,000	(466)	74,534

The loan, which is repayable in full in March 2016, is secured on certain investment properties and a floating charge over the assets of the Company.

Notes to the financial statements | continued

15 Secured Medium Term Bank Loans

	2003 £'000	2002 £'000
Repayable:		
Between two and five years	-	56,969
After five years	109,004	56,140
	109,004	113,109

Borrowings are secured by fixed charges over certain investment properties and floating charges over the assets of the Company and a subsidiary undertaking.

The Company's loan agreements allow for part of the facility commitments to be provided by way of overdrafts, which are available throughout the term of those facilities. At 30th September 2003, bank loans included overdrafts of £475,000, which have been classified according to the maturity dates of the facilities under which they are made available. Similarly, bank loans, all of which have been drawn for periods of less than one year, have been classified according to the relevant facility maturity date.

16 Financing

An explanation of the Company's objectives and policies for the financing of its operations is set out in the Business Review on pages 7 to 17.

The Company's main financial instruments are its 8.5% Mortgage Debenture Stock, bank loans and cash at bank, and short term debtors and creditors. The disclosures below exclude short term debtors and creditors.

The Company does not trade financial instruments.

Availability and maturity of financial facilities

	Available Facilities £'000	2003 Actual Borrowings £'000	Undrawn Facilities £'000	Available Facilities £'000	2002 Actual Borrowings £'000	Undrawn Facilities £'000
Medium term bank loan facilities expiring:						
August 2007	-	-	-	75,000	56,969	18,031
October 2008	75,000	55,475	19,525	75,000	56,140	18,860
August 2010	75,000	53,529	21,471	-	-	-
	150,000	109,004	40,996	150,000	113,109	36,891
Long term bank loan Repayable March 2016 (book value)		74,534			49,619	
£132 million 8.5% Mortgage Debenture Stock Repayable March 2024 (book value)		138,527			138,845	
Debt at 30th September 2003		322,065			301,573	

In November 2003, the Company entered into an additional bank loan facility for £30,000,000. Amounts drawn under this facility will be repayable in full by November 2013.

The availability of the Company's bank facilities is subject to granting security over properties of sufficient value to meet the loan to value ratios required under the facility agreements.

Notes to the financial statements | continued

16 Financing continued

Interest rate hedging

Interest rate hedging agreements in operation during the year ended 30th September 2003 are set out below.

Since the year end, each of the agreements has been restructured so that the Company will pay floating rate LIBOR where the relevant benchmark LIBOR fixes between the floor and capped rates set out below. Fixed rates applicable where LIBOR fixes outside of these ranges, together with the fixed rates applicable if the SWAP counterparty exercises their option to extend the SWAP agreements are also set out below.

Commencement date	10.2001	1.2002	1.2002	5.2003	8.2003
Principal £'000	20,000	25,000	25,000	30,000	20,000
Fixed rate %	5.32	5.27	5.24	5.27	5.28
Benchmark LIBOR	3 month	6 month	6 month	3 month	3 month
Termination date	10.2011	1.2016	6.2016	11.2012	11.2012
Counterparty option to extend to	10.2021	1.2026	6.2026	11.2022	11.2022
Restructuring effective	1.2004	1.2004	1.2004	11.2003	11.2003
Floor rate %	3.65	3.65	3.65	4.00*	3.65
Capped rate %	6.50	6.45	6.50	6.00*	6.50
Rate applicable if LIBOR fixes:					
- below floor rate %	5.32	5.27	5.24	6.05	5.28
- above capped rate %	6.50	6.45	6.50	6.05	6.50
Fixed rate applicable if counterparty exercises option to extend	5.32	5.27	5.24	5.27	5.28

* Effective from August 2005. Floating from date restructuring effective until floor and capped rates come into effect.

Interest rate profile of financial liabilities

	Debt £'000	2003 Weighted Average Interest Rate %	Debt £'000	2002 Weighted Average Interest Rate %
Unhedged borrowings				
LIBOR-linked loans – interest rates fixed until June 2004 at latest	63,538	4.60	92,728	4.85
Hedged borrowings				
Interest rate hedges in operation at year end including margin	120,000	6.08	70,000*	6.07
Fixed rate borrowing				
8.5% Mortgage Debenture Stock -interest rate fixed for 20.5 years until 31st March 2024	138,527	8.10	138,845	8.08
Weighted average cost of borrowings		6.65		6.62*

* As at 30th September 2002, ignoring contracted interest rate hedges commencing in 2003.

Notes to the financial statements | continued

16 Financing continued

Fair values of financial instruments

	Book Value £'000	2003 Fair Value £'000	Surplus/ (Deficit) £'000	Book Value £'000	2002 Fair Value £'000	(Deficit) £'000
8.5% Mortgage Debenture 2024	138,527	156,737	(18,210)	138,845	158,268	(19,423)
LIBOR-linked loans	183,538	182,626	912	162,728	164,064	(1,336)
Deficit on fair valuation of interest rate hedging agreements	-	11,475	(11,475)	-	9,933	(9,933)
			<u>(28,773)</u>			<u>(30,692)</u>

The fair value of the Company's 8.5% Mortgage Debenture Stock has been calculated by reference to the mid-market price of the stock at the year end. The fair value of the LIBOR-linked loans are based on the LIBOR rate that would have been secured had the loans been drawn on the last day of the financial year. The fair value of interest rate hedging agreements represents the net present value of the difference between the contracted fixed rates payable and the rates that could have been secured if those agreements were entered into on the last day of the financial year. Information regarding interest and hedging rates was obtained from external sources.

The Company does not intend to redeem its Mortgage Debenture Stock in advance of its redemption date of 31st March 2024, when repayment will be at par value of £132,000,000.

Amounts payable or receivable under the Company's hedging arrangements will be dealt with in the profit and loss account on an accruals basis. LIBOR-linked loans will be redrawn on maturity at interest rates prevailing at that time.

17 Deferred Taxation

	2003 £'000	2002 £'000
At 1st October 2002	2,869	2,256
Provided in year	956	613
At 30th September 2003	<u>3,825</u>	<u>2,869</u>

The provision at the year end relates to timing differences in respect of capital allowances.

No provision has been made in respect of the liability to corporation tax which would arise in the event of realisation of properties at the values stated in the financial statements. At 30th September 2003, after deducting capital losses of approximately £11,000,000 (2002 - £11,243,000), the estimated contingent corporation tax liability amounted to £42,250,000 (2002 - £41,500,000).

18 Called Up Share Capital

	2003 Number '000	2002 Number '000	2003 £'000	2002 £'000
Ordinary Shares of 25p each Authorised	200,000	200,000	50,000	50,000
Issued, called up and fully paid At 1st October 2002	131,660	131,580	32,915	32,895
Issued in connection with the exercise of share options	64	80	16	20
At 30th September 2003	<u>131,724</u>	<u>131,660</u>	<u>32,931</u>	<u>32,915</u>

Notes to the financial statements | continued

18 Called Up Share Capital continued

The following options to subscribe for Ordinary Shares granted to certain Directors and staff under the Company's Share Option Schemes were outstanding at 30th September 2003:

Date of Grant	Ordinary Shares of 25p each	Option Exercise Price	Exercise Period
1987 Employee Share Option Scheme			
10th January 1994	38,380	£1.065	1997 - 2004
4th January 1995	156,768	£0.770	1998 - 2005
4th January 1996	28,085	£1.085	1999 - 2006
	223,233		
1997 Executive Share Option Schemes			
8th December 1997	185,607	£1.980	2000 - 2007
3rd December 1998	239,639	£1.665	2001 - 2008
29th November 1999	146,374	£2.420	2002 - 2009
	571,620		
2001 Executive Share Option Schemes*			
21st February 2001	547,900	£2.945	2004 - 2011
13th December 2001	745,245	£2.735	2004 - 2011
18th December 2002	954,520	£2.00	2005 - 2012
	2,247,665		
2001 Sharesave Scheme			
19th February 2001	29,864	£2.260	2004 - 2006
14th April 2003	64,221	£1.305	2006 - 2010
	94,085		
Total number of Ordinary Shares under option at 30th September 2003	3,136,603		

* Options subject to performance conditions being satisfied prior to vesting.

19 Reserves

	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
Group and Company				
At 1st October 2002	119,066	179,362	44,220	342,648
Retained profit for the year	-	-	3,091	3,091
Net surplus on revaluation of investment properties	-	7,698	-	7,698
Investment property revaluation surpluses realised in year	-	(419)	419	-
Premium arising on issue of shares during year (net of expenses)	52	-	-	52
At 30th September 2003	119,118	186,641	47,730	353,489

As permitted by Section 230 of the Companies Act 1985, no Profit and Loss Account has been presented for the Company. The profit for the year dealt with in the financial statements of the Company was £8,238,000.

Notes to the financial statements | continued

20 Net Asset Value

The calculations of net asset value per Ordinary Share are based on the following:

		2003	2002
Shareholders' funds	£'000	386,420	375,563
Shareholders' funds – diluted	£'000	387,884	377,081
Ordinary Shares in issue	'000	131,724	131,660
Diluted Ordinary Shares	'000	132,613	132,580

The calculations of diluted net asset value per Ordinary Share show the potentially dilutive effect of outstanding options granted over Ordinary Shares.

21 Net Cash Inflow From Operating Activities

	2003	2002
	£'000	£'000
Net revenue from properties	36,843	34,239
Administrative expenses	(4,010)	(3,822)
Depreciation (adjusted for profits/losses on disposals)	110	110
Decrease/(increase) in debtors	1,281	(562)
(Decrease)/increase in creditors	(853)	1,825
	33,371	31,790

22 Reconciliation of Net Cash Flow to Movement in Net Debt

Increase in secured long term bank loans	(24,880)	-
Decrease/(increase) in secured medium term bank loans	4,105	(46,989)
Non cash movements	283	290
Movement in net debt in year	(20,492)	(46,699)
Net debt at 1st October 2002	(301,573)	(254,874)
Net debt at 30th September 2003	(322,065)	(301,573)

23 Analysis of Changes in Net Debt

	1.10.2002	Cash flows	Non-cash items	30.9.2003
	£'000	£'000	£'000	£'000
8.5% Mortgage Debenture Stock 2024	(138,845)	-	318	(138,527)
Secured long term bank loan	(49,619)	(24,880)	(35)	(74,534)
Secured medium term bank loans	(113,109)	4,105	-	(109,004)
	(301,573)	(20,775)	283	(322,065)

24 Shares in Subsidiary Undertakings

During the year the Company acquired the entire issued share capital of Neals Yard Bakery Limited (now Shaftesbury (Neals Yard) Limited) for a cash consideration of £475,000. That company's sole asset was a freehold property of equivalent value, which was subsequently transferred to Shaftesbury PLC.

At 30th September 2003 the Company had four subsidiary undertakings which were wholly owned, registered in England and Wales and, other than Shaftesbury (Neals Yard) Limited referred to above, had been dormant throughout the year. The subsidiary companies have no material assets or liabilities other than intra-group indebtedness.

25 Leasing Commitments

At 30th September 2003 there were annual commitments under non-cancellable property leases as follows:

	2003	2002
	£'000	£'000
Group and Company		
Leases expiring within one year	210	-
Leases expiring between two and five years	9	219
Leases expiring after more than five years	32	32

Shareholders and financial calendar |

Shareholders

At 30th September 2003:

	No.	Shares held '000	%
Pension and investment funds and companies owning or managing:			
- in excess of 1,000,000 shares	31	90,043	68.4
- between 250,000 and 999,999 shares	28	17,031	12.9
Directors and associated parties	13	7,068	5.4
Other corporate and nominee shareholders	264	15,827	12.0
Individuals	201	1,755	1.3
		<hr/>	
		131,724	100.0

Financial Calendar

Annual results announced	2nd December 2003
Annual report posted to shareholders	17th December 2003
Annual General Meeting	21st January 2004
2004 Interim results to be announced	May 2004

Dividends and Interest

Proposed 2003 Final Dividend:	
Ex-dividend	7th January 2004
Record date	9th January 2004
Payment date	6th February 2004
2004 Interim Dividend to be paid	25th June 2004
Debenture Stock interest to be paid	31st March 2004 and 30th September 2004

Five year financial summary |

Balance Sheets

	2003	2002	2001	2000	1999*
	£'000	£'000	£'000	£'000	£'000
Investment Properties					
At 1st October	698,195	647,250	560,029	422,777	322,740
Additions	14,377	54,663	52,344	90,765	62,920
Refurbishment expenditure	14,040	18,376	17,697	10,253	10,185
Disposals	(6,167)	(18,996)	-	(13,443)	(8,244)
Revaluation surplus/(deficit)	7,698	(3,098)	17,180	49,677	35,176
	728,143	698,195	647,250	560,029	422,777
At 30th September					
Listed investment	-	-	-	13,500	12,693
Other assets	262	286	256	244	245
	728,405	698,481	647,506	573,773	435,715
Net current liabilities	(16,095)	(18,476)	(16,865)	(12,499)	(10,770)
Creditors falling due after more than one year	(322,065)	(301,573)	(254,874)	(208,357)	(177,356)
Deferred taxation	(3,825)	(2,869)	(2,256)	(1,566)	(756)
	386,420	375,563	373,511	351,351	246,833

Movements in Shareholders' Funds

Retained profit for year	3,091	5,035	4,960	4,167	2,158
Net surplus/(deficit) on revaluation of investment assets	7,698	(3,098)	17,180	50,452	37,272
Net proceeds of share issues	68	115	20	49,899	200
	10,857	2,052	22,160	104,518	39,630
Net increase in shareholders' funds in year					
Opening shareholders' funds	375,563	373,511	351,351	246,833	207,203
	386,420	375,563	373,511	351,351	246,833
Reported Basic Net Asset Value per Ordinary Share**	293p	285p	284p	267p	229p
Mid market Share price at 30th September	222.5p	198.5p	269.5p	248.5p	235p

Five year financial summary | continued

Profit and Loss Accounts

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999* £'000
Gross rental income	41,438	38,855	33,726	28,090	22,110
Rents payable	(181)	(32)	(72)	(105)	(31)
Other property charges	(4,414)	(4,584)	(3,020)	(2,879)	(2,036)
Net property revenue	36,843	34,239	30,634	25,106	20,043
Administrative expenses	(4,010)	(3,822)	(3,130)	(2,918)	(2,192)
	32,833	30,417	27,504	22,188	17,851
Income from listed investment	-	-	334	319	307
Operating profit	32,833	30,417	27,838	22,507	18,158
Surplus on disposal of investment assets	40	2,106	1,465	1,747	-
	32,873	32,523	29,303	24,254	18,158
Net interest payable	(20,529)	(19,521)	(16,643)	(14,125)	(10,995)
Profit on ordinary activities before taxation	12,344	13,002	12,660	10,129	7,163
Taxation	(4,106)	(3,288)	(3,428)	(2,019)	(2,049)
Profit on ordinary activities after taxation	8,238	9,714	9,232	8,110	5,114
Dividends	(5,147)	(4,679)	(4,272)	(3,943)	(2,956)
Retained Profit for Year	3,091	5,035	4,960	4,167	2,158
Basic Post Tax Earnings per Ordinary Share**	6.26p	7.38p	7.02p	6.64p	4.64p
Total Dividends declared per Ordinary Share	3.915p	3.56p	3.25p	3.00p	2.75p

*Results for 1999 have not been restated to reflect the adoption of UITF 28 "Operating Lease Incentives". Results for 2000 – 2003 reflect this change in accounting policy adopted in 2001.

**Earnings per Ordinary Share have been adjusted to reflect the bonus elements of Company's rights issue in March 2000. Reported net assets and dividends per Ordinary Share have not been adjusted.

Notice of annual general meeting |

Notice Is Hereby Given that the Eighteenth Annual General Meeting of Shaftesbury PLC will be held at Pegasus House, 37/43 Sackville Street, London W1S 3DL, on 21st January 2004 at 10.00 a.m. for the following purposes:

1. To receive and adopt the audited financial statements for the year ended 30th September 2003, and the reports of the Directors and auditors.
2. To approve the report of the Remuneration Committee for the year ended 30th September 2003.
3. To declare a final dividend of 2.54p per Ordinary Share.
4. To re-elect P L Levy who retires as a Director by rotation in accordance with the Articles of Association.
5. To re-elect P J Manser (Senior non-executive Director and Chairman of the Audit Committee) who retires as a Director by rotation in accordance with the Articles of Association.
6. To re-elect J R K Emly (Chairman of the Remuneration Committee) who retires as a Director by rotation in accordance with the Articles of Association.
7. To re-appoint PricewaterhouseCoopers LLP as auditors (having previously been approved by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers) and to authorise the Directors to agree their remuneration.
8. As special business to consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT the Directors be and they are hereby empowered in accordance with Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment provided that this power should be limited to:

- (a) the allotment of equity securities in connection with an offer by way of rights in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them but subject to such exclusions as the Directors may deem necessary or expedient to deal, inter alia, with shares representing fractional entitlements and legal or practical problems arising under the laws of, or the requirements of a recognised regulatory body or a stock exchange in, any territory; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £1,645,000;

and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

9. As special business, to consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT the Company is hereby unconditionally and generally authorised to make market purchases (as defined in section 163(3) of the Companies Act 1985) of Ordinary Shares of 25p each in the capital of the Company provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 13,172,000 (representing 10 per cent, of the issued share capital of the Company as at 30th September 2003);
- (b) the minimum price, exclusive of expenses, which may be paid for each such Ordinary Share is £0.25;
- (c) the maximum price, exclusive of expenses, which may be paid for each such Ordinary Share is an amount equal to not more than 5 per cent. above the average of the middle market quotations for such share as derived from the Daily Official List of the UK Listing Authority for the five business days immediately preceding the day on which the share is contracted to be purchased;
- (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and
- (e) the Company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly at the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

By Order of the Board
Brian Bickell
Secretary
17th December 2003

Pegasus House
37/43 Sackville Street
London W1S 3DL

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company. A form of proxy for use by members is enclosed. Forms of proxy must be lodged with the Registrar not less than 48 hours before the Meeting.
2. Appointment of a proxy will not preclude a member from attending and voting in person at the Meeting.
3. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 19th January 2004 shall be entitled to attend and vote at the aforesaid meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6.00 p.m. on 19th January 2004 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. A statement of transactions of the Directors (and their family interests) in the Ordinary Share capital of the Company and copies of Directors' contracts of service may be inspected at the registered office of the Company during normal business hours on weekdays (Saturdays and public holidays excepted) from the date of this notice to the date of the Annual General Meeting, and at the place of the Meeting from 9.00 a.m. until the conclusion of the Meeting.



Design **SG Design**

Photography **Maggi Jones**

Print **Royle Corporate Print**

Material **GF Smith Zen Pure White**

Virgin pulp used by the mill comes from Sweden and Finland, where good forest stewardship has become a fundamental part of their culture. The pulp is ECF and has a neutral PH and is fully recyclable.



www.shaftesbury.co.uk