Shaftesbury annual report 2004

Shaftesbury PLC annual report 2004

www.shaftesbury.co.uk

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Shareholders and financial calendar

Shareholders
At 30th September 2004:

	No.	Shares held '000	%
Pension and investment funds and companies owning or managing:			
- in excess of 1,000,000 shares	31	97,727	74.0
- between 250,000 and 999,999 shares	55	20,396	15.4
Directors' beneficial holdings	8	3,961	3.0
Individuals	196	1,802	1.4
Other holdings - not analysed		8,200	6.2
		132,086	100.0

Financial Calendar

Annual results announced	1st December 2004
Annual report posted to shareholders	17th December 2004
Annual General Meeting	25th January 2005
2005 Interim results to be announced	May 2005

Dividends and Interest

Proposed 2004 Final Dividend:	
Ex-dividend	5th January 2005
Record date	7th January 2005
Payment date	4th February 2005
2005 Interim Dividend to be paid	24th June 2005
Debenture Stock interest to be paid	31st March 2005 and 30th September 2005

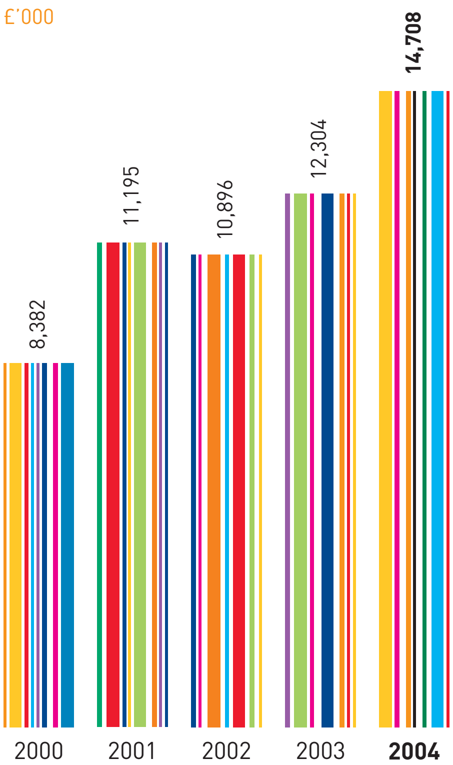
SHAFTESBURY PLC 2004

Desgin **SG Design** | Photography **Maggi Jones and Bill Prentice** | Print **Royle Corporate Print**

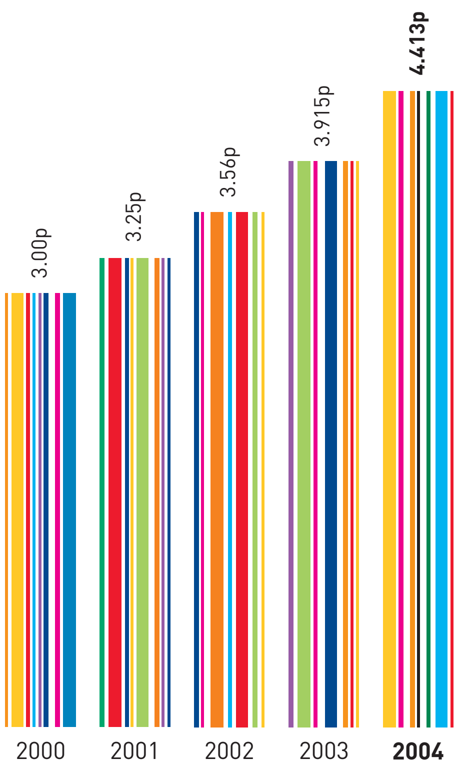
Financial highlights

		2004	2003	% Change
Net property revenue	£'000	**40,178**	36,843	+9.1%
Profit before disposals and taxation	£'000	**14,708**	12,304	+19.6%
Profit after disposals and taxation	£'000	**10,804**	8,238	+31.1%
Basic earnings per share before disposals and taxation	pence	**11.15**	9.34	+19.4%
Basic earnings per share after disposals and taxation	pence	**8.19**	6.26	+30.8%
Dividends per share	pence	**4.413**	3.915	+12.7%
Investment properties at book value	£'000	**825,580**	728,143	
Shareholders' funds	£'000	**464,645**	386,420	
Basic net asset value per share	pence	**352**	293	+20.1%

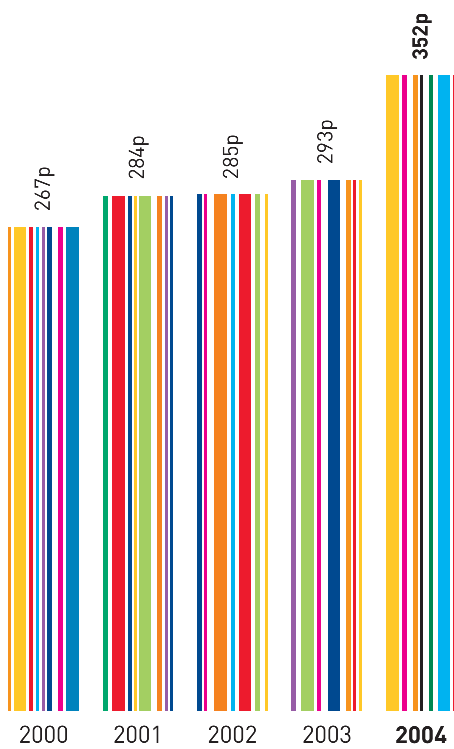
Profit before disposals and taxation
£'000



Dividends declared per share
Pence



Net asset value per share
Pence



Chairman's 04

Our results this year show the rewards that are emerging from our strategy of long term investment and asset management. With a return to buoyant levels of occupier demand for our shops and restaurants and a considerable increase in investment values, I am pleased to report growth in both our net assets and operating profit this year.

Shareholders' funds at 30th September 2004 totalled £464.6 million, equivalent to an undiluted net asset value per share of £3.52. This compares with shareholders' funds of £386.4 million and an undiluted net asset value per share of £2.93 at the previous year end. This represents an increase of 59p per share, an uplift of 20% over the year.

Profit on ordinary activities before asset disposals and taxation for the year ended 30th September 2004 amounted to £14.7 million, compared with £12.3 million in 2003. Disposals of non-core investment assets during the year produced a surplus over book value of £0.6 million. As a result, this year's profit after disposals amounted to £15.3 million, compared with £12.3 million last year.

After provision for current and deferred taxation of £4.5 million (2003 - £4.1 million), profit after disposals and taxation amounted to £10.8 million (2003 - £8.2 million).

Your Directors are pleased to recommend an increased final dividend of 2.90p per share (2003 - 2.54p). Together with the interim dividend of 1.513p per share, this will bring the total dividend for the year to 4.413p (2003 - 3.915p), an increase in the annual distribution of 12.7%.

Our property portfolio has been externally valued at 30th September 2004 at £830.6 million, resulting in a revaluation surplus of £72.7 million, equivalent to an overall 10% uplift on book cost. Of the value of our portfolio, shops and restaurants account for 70%, offices 23% and residential 7%.

Yields applied to commercial uses have continued to move in our favour, this year by approximately 0.5%, reflecting both the strength of investment demand for property assets particularly in the West End and a benign outlook for interest rates.

Whilst it is impossible to predict future trends in investment yields, it is clear that the value of our portfolio also benefits from its reversionary rental potential. Our valuers estimate the rental value of our portfolio at the year end was £53.7 million per annum which includes £3.1 million in respect of properties currently vacant. We expect our reversionary potential will be sustained as tenant demand creates new rental levels above those proven to date.

Currently, our investments include some 375 properties with almost 800 tenants. They are clustered around ten adjacent streets in Carnaby, ten streets in Covent Garden and seven streets in Chinatown together with increasing holdings in and around Charlotte Street. Our strategy is to create, by way of incremental investment through acquisition and refurbishment, varied and distinct districts in these unrivalled locations.

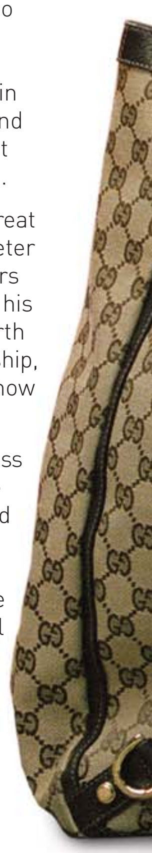
Whilst supply of profitable new investments is always limited in the locations in which we choose to specialise, we are confident that our local knowledge and innovative approach will bring us more acquisition opportunities during 2005. We have significant capacity to increase our gearing to finance future acquisitions and currently have committed unutilised bank facilities of £95 million.

After two years of challenging conditions in the West End, there has been a welcome return to normality with numbers of visitors to London from the UK and overseas so far this year reported to have returned to levels last seen in 2000. Consequently, demand for our shops and restaurants is buoyant and our refurbishment schemes are letting quickly as they complete.

On behalf of the Board, I wish to record our great appreciation for the unique contribution of Peter Levy, who retired at the year end after 18 years as Chairman. Peter founded Shaftesbury with his family in 1986. Initially a private company worth £10 million, Shaftesbury, under his Chairmanship, soon became a fully quoted company and is now capitalised in the order of £400million.

These results mark an important year of progress for Shaftesbury. We are now beginning to see the benefits from our strategy of consistent and long term investment in our villages. We are confident that we will continue to increase the reversionary potential of our assets and secure further profitable investments in the exceptional areas in which we have chosen to invest.

P John Manser
Chairman
1st December 2004



statement

Business review

Our strategy

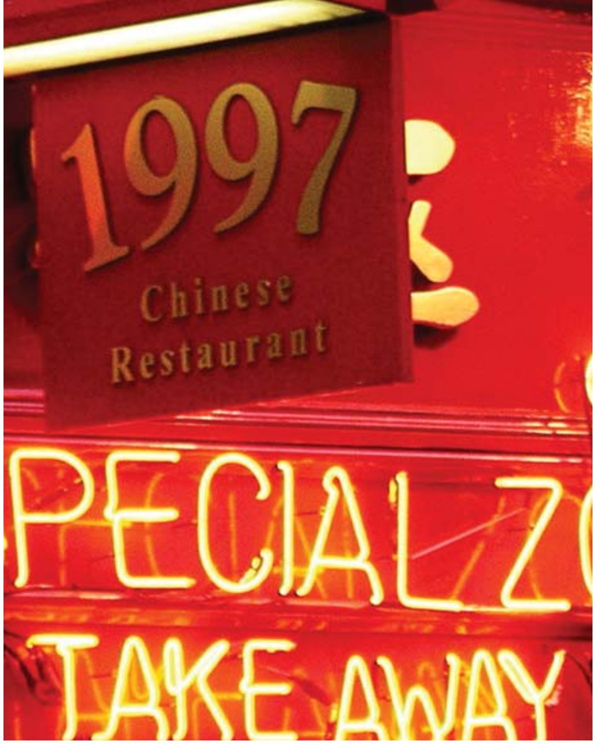
Shaftesbury's strategy is very clear and focused. The Company invests only in those districts within the West End which have an enduring demand from occupiers and popularity with their customers. Our investments are all close to the unique cluster of shops, restaurants, theatres, cinemas and world class galleries, museums and historic sites, which are the essence of London's West End. These districts all have excellent access to a wide choice of public transport both day and night.

We invest in locations close to streets traditionally regarded as prime with the aim of assembling clusters of buildings or villages where we see opportunities to create rental growth. This approach allows us to benefit from active estate management across our villages, with bold projects and innovative changes of use. We have a wide range of unit sizes and uses within our portfolio which provide us with great flexibility in meeting the needs of tenants and adapting to changing conditions.

An essential ingredient of this strategy is our encouragement of new trading concepts. Many of our retail and restaurant tenants are unique. At the same time well known international brands are choosing to locate their first UK stores in our villages. In this way, our villages are a refreshing antidote to what is available elsewhere in increasingly homogenous high streets and shopping centres.

Implementation of this strategy demands an exceptionally detailed knowledge of our locations, individual properties and potential tenants. We derive considerable expertise and market advantage from working within a few minutes walk of all our investments. Also, we have acquired a specialised and very intricate blend of skills both to regenerate buildings and to create distinctive space with an emphasis on shops and restaurants, which in our villages we know will let well and suffer limited obsolescence.

Our choice of locations and our approach to estate management are producing growing rental income and capital values that are now clearly evident in this year's results.


1997
Chinese
Restaurant
TAKE AWAY


FirstFloor
Womens
GroundFloor
MensFootwear
LowerGroundFloor
Y3
MensTextiles


COLD
DRINKS
FRUIT
BOOSTER

Business review continued

Our portfolio

Our portfolio includes 275 shops, with a total of 353,000sq.ft. These provide 40% of current contracted income. The average unexpired lease term of our shops is 8 years. This has been an exceptionally active year, in which we have let some large shops in both Carnaby and Covent Garden, all at rental levels above our budgets at the beginning of the year. The average passing rent of our shops is £70,000 per annum.

We are probably now the largest single investor in West End restaurant property. Following the acquisition of new investments in Chinatown and conversions to provide new units in Carnaby during the year, we now have 133 restaurants, bars and clubs totalling 355,000 sq.ft. in our portfolio. Currently these provide 29% of contracted income and this year we have seen a return to rental growth in our villages. The average unexpired lease term is 14 years and the average passing rent is £127,000 per annum.

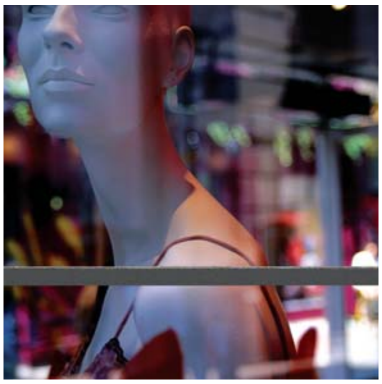
We own 459,000 sq.ft. of offices, which account for 27% of our contracted income. The average unexpired lease term is 6 years. Excluding the 53,000 sq.ft in National Magazine House, the average size of an office suite is 1,700 sq.ft. While occupier demand has shown some signs of improvement during the year, we have recently seen a noticeable increase in activity, which should lead to more lettings at higher rents during 2005.

Our portfolio also includes 220 flats and maisonettes on the upper floors of our mixed use investments. Generally they are let on annual assured shorthold tenancies and now account for approximately 4% of current income. These flats are in very popular residential locations, where values have remained firm over the year. We are currently achieving an occupancy rate of over 90%.

A key aspect of our management strategy is the identification and implementation of value enhancing reconfiguration and refurbishment schemes. Our portfolio of 375 buildings provides us with continuing flexibility and we see the ability to take back space as an opportunity to unlock potential and create value. Already we have a programme of schemes in place for 2005 which we expect will increase as the year progresses. Many of our schemes are of relatively short duration so that the components of our vacant property totals are always changing.

Currently the total rental value of refurbished commercial space available to let, under refurbishment and held vacant for future refurbishment schemes is estimated at £2.8 million per annum. Within this total, the estimated rental value of projects completed and available to let is £1.6 million per annum (retail and restaurants £1.0 million; offices £0.6 million) of which 40% is under offer. The rental value of current refurbishment projects is £1.2 million per annum (retail and restaurants £0.5 million per annum; offices £0.7million per annum).

Our choice of locations and our approach to estate management are producing growing rental income and capital values that are now clearly evident in this year's results.

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Our Villages - Carnaby

Retailers and trade commentators from home and overseas now recognise the full impact of the beneficial changes that have resulted from our extensive phased programme over the whole area. Increases in footfall and demand are now being translated into meaningful rental growth.

Of seven retail schemes we commenced in 2004, five are now completed and let. The other two schemes are nearing completion and we expect that their letting will create useful new rental evidence. We have a full programme of contracted and planned new shop and office schemes for the coming year.

The first year of trading in Kingly Court has seen steadily increasing footfall and raised awareness of this lively shopping and leisure destination. Activity and dwell time should show further improvement once the large new restaurant and nightclub (12,000 sq.ft.) on the north side of the courtyard are open in 2005.

Almost 60% of our offices are in Carnaby. The village remains popular with occupiers in both media and fashion-related businesses. Demand has improved in recent months and we have now commenced the refurbishment of 17,000 sq. ft of office space.

The Crown Estate's comprehensive development programme for Regent Street from Oxford Circus to Piccadilly Circus is now well under way. Current projects are estimated to be costing in excess of £500 million. Whilst these developments may cause some disturbance in the short term, the revitalised shopping which is being created will enhance the quality and choice available in the West End and help re-establish Regent Street as a major retail destination, with clear benefit to adjoining areas.

Carnaby Statistics

Valuation 30th September 2004	**£358 million**
Percentage of portfolio	**43%**
Capital expenditure in year	**£6.7 million**
Valuation surplus	**£43.7 million**
Valuation uplift on book cost	**14.0%**

	Number	Area Sq. ft.	% of current passing rent
Shops	131	180,000	46
Restaurants and leisure	35	75,000	10
Offices		262,000	41
Residential	50	43,000	3

rnaby

Retailers and trade commentators now recognise the full impact of the beneficial changes that have resulted from our extensive phased programme over the whole area.

The first year of trading in Kingly Court has seen steadily increasing footfall and raised awareness of this lively shopping and leisure destination.


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Covent Garden

Our Villages - Covent Garden

The majority of our holdings are in Seven Dials, the area immediately north of Long Acre and west of Neal Street. With the introduction of six important new retailers during the year, Seven Dials is becoming recognised as a favoured location for distinctive brands and individual restaurants of high quality. This is in contrast to the predominantly high street retailing on and to the south of Long Acre. Our policy on tenant mix is supported by The Mercer's Company, whose holdings adjoin ours.

We continue to progress our plans to reconstruct the Wellington House block, which presently includes 43,000 sq.ft. of offices and 35,000 sq.ft. of car parking let on short leases.

Westminster City Council has now resolved to grant permission for the preliminary phase of our scheme to include 25,000 sq.ft. of shops and residential uses fronting Mercer Street. At the same time, we are exploring, in some detail, opportunities for a larger scheme on this exceptionally well positioned site. We expect to clarify these plans during 2005, so that work may start from 2006.

Following completion of our schemes to reconfigure the Thomas Neals Centre last year, its value has increased by 20% after taking account of capital expenditure. The Centre will further benefit from improving footfall and tenant demand as the reputation of Seven Dials continues to grow.

Covent Garden Statistics

Valuation 30th September 2004	**£240 million**
Percentage of portfolio	29%
Capital expenditure in year (including acquisitions)	**£3.1 million**
Valuation surplus	**£19.0 million**
Valuation uplift on book cost	**8.7%**

	Number	Area Sq. ft.	% of current passing rent
Shops	91	120,000	48
Restaurants and leisure	36	105,000	25
Offices		140,000	20
Residential	94	65,000	7


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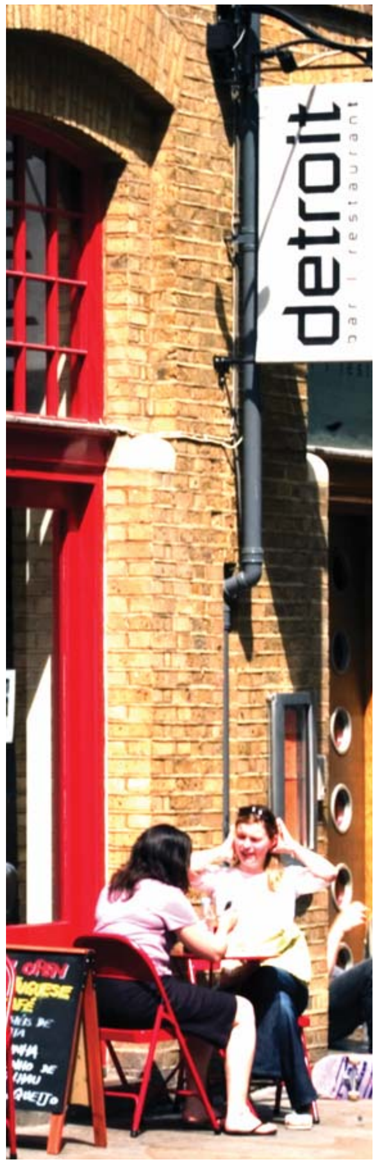
dials


detroit

Seven Dials is becoming recognised as a favoured location for distinctive brands and individual restaurants of high quality.

Our Villages - Chinatown

London's Chinatown is the most centrally located oriental district outside the Far East. With its unrivalled mix of eastern cuisine and shops, it is ideally positioned close to the capital's premier cinemas in Leicester Square and over 40 theatres which are all with ten minutes walk.

During the year, we purchased two predominantly restaurant investments at a total cost of £14.6 million. One in Lisle Street, purchased with vacant possession, has already been let. The other, in Gerrard Street, includes the most modern restaurant in Chinatown. We have secured vacant possession earlier than expected and so we are now able to re-let on improved terms.

One of the two other large restaurants which we have been refurbishing during the year has been let and work on the other, which is located in Gerrard Street is now nearing completion and is attracting considerable interest from potential tenants.

Despite delays, Westminster City Council assure us that they support our ideas on resurfacing the streets, improving the lighting and the introduction of supplementary planning guidance policies.

Chinatown Statistics

Valuation 30th September 2004	**£219 million**
Percentage of portfolio	**26%**
Capital expenditure in year (including acquisitions)	**£15.7 million**
Valuation surplus	**£9.5 million**
Valuation uplift on book cost	**4.5%**

	Number	Area Sq. ft.	% of current passing rent
Shops	50	50,000	23
Restaurants and leisure	57	160,000	61
Offices		52,000	13
Residential	61	42,000	3

Chinatown

London's Chinatown is the most centrally located oriental district outside the Far East.


Carnaby
KEY TO CARNABY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Portfolio Analysis

		Carnaby	Covent Garden	Chinatown	Charlotte Street	Total
Market Value (note1)		£358m	£240m	£219m	£14m	£831m
% of total Market Value		43%	29%	26%	2%	100%
Current net income (note 2)		£19.6m	£14.1m	£12.7m	£0.8m	£47.2m
Estimated rental value (ERV) (note 3)		£23.6m	£15.4m	£13.9m	£0.8m	£53.7m
Shops	Number	131	91	50	3	275
	Area – sq.ft	180,000	120,000	50,000	3,000	353,000
	% of current net income	46%	48%	23%	13%	40%
	% of ERV	49%	49%	23%	14%	42%
	Average unexpired lease length- years (note 4)	7	8	9	6	8
Restaurants and leisure	Number	35	36	57	5	133
	Area – sq.ft	75,000	105,000	160,000	15,000	355,000
	% of current net income	10%	25%	61%	50%	29%
	% of ERV	11%	23%	62%	54%	28%
	Average unexpired lease length- years (note 4)	14	15	14	21	14
Offices	Area – sq.ft	262,000	140,000	52,000	5,000	459,000
	% of current net income	41%	20%	13%	24%	27%
	% of ERV	37%	22%	12%	19%	26%
	Average unexpired lease length- years (note 4)	7	4	4	2	6
Residential	Number	50	94	61	15	220
	Area – sq.ft	43,000	65,000	42,000	9,000	159,000
	% of current passing rent	3%	7%	3%	13%	4%
	% of ERV	3%	6%	3%	13%	4%

Basis of Valuation

		Carnaby	Covent Garden	Chinatown	Charlotte Street
Overall equivalent yield (note 5)		6.10%	6.09%	6.12%	5.57%
Overall initial yield		5.15%	5.66%	5.56%	5.86%
Tone of retail equivalent yield		5.5-8.0%	5.0-7.50%	6.125-7.00%	6.00-6.50%
Tone of retail estimated rental values	ITZA £ per sq.ft.	£100-£250	£70-£300	£150-£235	£70-£80
Tone of restaurant equivalent yields		6.50-7.00%	5.50-7.00%	5.60-6.75%	5.50-6.00%
Tone of restaurant estimated rental values	£ per sq.ft.	£40-£70	£35-£70	£64-£80	£60-£62.50
Tone of office equivalent yields		6.06-8.00%	6.50-7.50%	7.00-8.00%	6.50-7.00%
Tone of office estimated rental values	£ per sq.ft.	£30-£42.50	£20-£37.50	£25-£35	£27.50-£30
Tone of residential estimated rental values	£ per annum	£9,000 - £40,000	£10,000 - £40,000	£9,000 - £26,000	£9,000- £16,000

Notes:

1 The Market Values shown above in respect of the four 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.

2 Current net income includes total actual and 'estimated income' reserved by leases, less any ground rents, head rents or rent charges and estimated irrecoverable outgoings as at 30th September 2004 (the 'date of valuation'). 'Estimated income' refers to estimated rental values in respect of rent reviews outstanding at the date of valuation and, where appropriate estimated rental values in respect of lease renewals outstanding at the date of valuation where the Market Value reflects terms for a renewed lease.

3 Estimated rental value is DTZ Debenham Tie Leung's opinion of the rental value of the properties, or parts thereof, reflecting the terms of the relevant leases or, if appropriate, reflecting the fact that certain of the properties, or parts thereof, have been valued on the basis of vacant possession and the assumed grant of a new lease. Estimated rental value is net of ground rents, head rents or rent charges and estimated irrecoverable outgoings.

4 Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases.

5 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.

New Opportunities

We continue to pursue opportunities in those areas in the West End which meet our investment criteria. Since the year end we have acquired a further restaurant and three shops/showrooms and an office building in the Charlotte Street area at a cost of £4.5 million. Our holdings in the area now include six restaurants, five shops/showrooms, offices and residential with a total area of 47,000 sq.ft.

Results and Finance

Our profit on ordinary activities before asset disposals and tax for the year ended 30th September 2004 of £14.7 million shows an improvement of £2.4 million over the previous year, reflecting continuing growth in our rental stream. Net interest costs were covered 1.70 times (2003 - 1.60 times) by recurring operating profits. After disposals, profit on ordinary activities amounted to £15.3 million. Undiluted earnings per share after disposals and taxation were 8.19p, an increase of 31% over the previous year.

Shareholders' funds at the year end totalled £464.6 million, equivalent to a net asset value of £3.52 per share, an increase over the year of £78 million or 59p per share. These figures are arrived at after providing for deferred tax in accordance with FRS 19 totalling £4.2 million or 3p per share. The Directors consider that the likelihood of this liability crystallising is remote.

The nominal value of borrowings at the year end totalled £337.7 million, an increase of £21.7 million over the previous year end. Cash outflows during the year on acquisitions less disposals of investment properties amounted to £14.4 million and expenditure on refurbishments totalled £11.1 million. Cash generated from revenue operations after taxation and dividends produced a net surplus of £3.4 million.

Gearing at the year end, calculated by reference to the nominal rather than book value of our debt was 74% (2003 - 82%), which gives us considerable borrowing capacity before we reach our self-imposed gearing limit of 100% of shareholders' funds. The ratio of the nominal value of net debt to property assets was 42% (2003 - 43%).

Our strategy is to secure flexible long and medium term finance together with non-speculative hedging of 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.

The Board keeps under review the level of current and forecast debt and 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.

In November 2003, we completed a new £30 million facility which has recently been increased by a further £45 million. We now have committed facilities totalling £300 million with a weighted average maturity of 7.7 years. We currently have approximately £95 million of committed unutilised facilities available to finance future investments.

Finance

At the year end the weighted average cost of our borrowings including margin was 6.68% (2003 - 6.65%). Of our total debt, 75% is either at fixed rate or hedged to limit our exposure to excessive rate increases.

In October 2003, hedging agreements covering £120 million of borrowings were restructured to provide greater exposure to 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. A further five year interest rate hedge on £30 million notional principal at 5.74% was entered into in June 2004 with a forward start date of April 2005.

At 30th September 2004, the fair value of the Company's debt and interest rate hedges compared with book value gave rise to a deficit of £35.3 million (2003 - £28.8 million) or £24.7 million (2003 - £20.2 million) after tax relief. This is equivalent to a reduction in net assets per share of 27p (2003 – 22p) or 19p (2003 – 15p) after tax. There has been a reduction in the fair valuation deficit of interest rate hedges of £3.75 million, offset by an increase in the deficit relating to the Company's debenture stock of £9.25 million resulting from a tightening of debt market spreads. The Company has no legal obligation nor present intention to crystallise the fair value deficit by the early repayment of its fixed rate debt or the early termination of its interest rate hedges.

In common with all listed companies in the European Union, we will be required to adopt International Financial Reporting Standards for our reporting period commencing 1st October 2005. These new Standards will radically alter the basis of reporting financial performance for all companies, not just those in the property sector. A detailed programme is now underway to evaluate the impact of adopting the new Standards and we expect to publish a summary of the principal changes with the 2005 interim results.

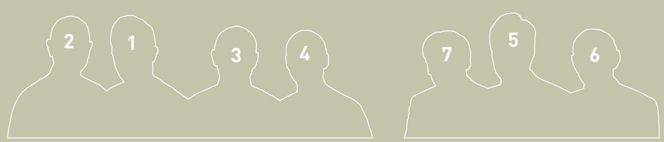
During the past year there has been considerable public debate on the future structure of the property sector, particularly in connection with the Treasury's consultation document on tax-transparent Property Investment Funds. The Board continues to monitor developments in this area although as yet there have been no firm policy statements or legislative proposals from the Government. In October 2004, the Company restructured the bulk of its property holdings into four "village" subsidiaries, with a view to creating greater flexibility for future ownership structures and financing. The costs associated with this exercise, which involved the transfer of some 350 individual properties, totalled £275,000 and will be charged in the results for the six months to 31st March 2005.

Jonathan S Lane Chief Executive

Brian Bickell Finance Director

1st December 2004

Directors, officers



1 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: 59 years.

2 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: 50 years.

3 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: 46 years.

4 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: 43 years.

5 P John Manser, CBE, DL, FCA
Non-executive Director and Chairman.
Chairman of the Audit Committee and Chairman of the Nomination Committee. Appointed to the Board in 1997 and Chairman from 1st October 2004.
Chairman of Intermediate Capital Group PLC.
Deputy Chairman of Colliers CRE plc.
Non executive director of SABMiller plc.
Age: 64 years.

6 John R K Emly, FCIS
Senior Independent Director. Appointed to the board in 2000 and Senior Independent Director from 1st October 2004. 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: 63 years.

7 Alastair W MacDonald
Non-executive Director. Appointed to the Board in 2001. Formerly a director of and adviser to a number of private property investment companies and funds.
Age: 58 years.

and advisors

Secretary and Registered Office
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Tel: 020 7333 8118
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Registered Number - 1999238

Registrars
Lloyds Bank Registrars,
The Causeway, Worthing,
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Stockbrokers
Cazenove & Co Ltd
Merrill Lynch International

Principal Bankers
Bank of Scotland
Bradford & Bingley plc
Clydesdale Bank PLC
Lloyds TSB Bank plc

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 1999 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.co.uk
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 2004.

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 2004 are set out in the Group Profit and Loss Account on page 42.

An interim dividend of 1.513p per Ordinary Share was paid on 25th June 2004.

The Directors recommend a final dividend in respect of the year ended 30th September 2004 of 2.90p per Ordinary Share, making a total dividend for the year of 4.413p per Ordinary Share (2003 – 3.915p). If authorised at the Annual General Meeting, the dividend will be paid on 4th February 2005 to members on the register at the close of business on 7th January 2005.

Share Capital

During the year, 361,705 Ordinary Shares of 25p each were issued fully paid at prices in the range £0.77 to £2.42 pursuant to the exercise of share options granted under the Company's Share Option Schemes.

Directors

The Directors of the Company who served during the year ended 30th September 2004, together with their interests in the Ordinary Share capital of the Company, were as follows:

	Ordinary Shares of 25p each		
	1.10.03	**30.9.04**	**24.11.04**
Beneficial interests:			
Peter L Levy (retired 30.9.2004)	3,213,722	3,213,722	-
Jonathan S Lane	131,893	198,938	198,938
Brian Bickell	140,962	187,090	187,090
Simon J Quayle	125,993	162,030	162,030
Thomas J C Welton	17,329	68,668	68,668
P John Manser	55,000	75,000	75,000
John R K Emly	15,000	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	-
As joint executor of the estate of Mrs N F Levy	1,958,246	-	-
As trustee of other trusts	44,058	44,058	-

Details of options granted to Executive Directors under the Company's Share Option Schemes are set out in the Directors' Remuneration Report on pages 30 to 34.

At the forthcoming Annual General Meeting B Bickell, T J C Welton and A W MacDonald will retire by rotation and will offer themselves for re-election. Although not required to retire by rotation, P J Manser will offer himself for re-election, having been appointed Chairman since the last Annual General Meeting. The Board considers that each of these Directors have skills, knowledge and experience that enable them to properly discharge their duties and contribute to the effective operation of the Board. The Board therefore recommends their re-election.

B Bickell and T J C Welton have service contracts with the Company which are terminable by either party upon giving not less than 12 months prior notice of termination. The compensation that would become payable by the Company in the event that either of these Directors was not re-elected is set out in the Directors' Remuneration Report. A W MacDonald and P J Manser do not have service contracts and no compensation would be payable in the event that they 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.

Substantial Shareholdings

Other than Directors referred to above, at 24th November 2004 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
FMR Corporation/Fidelity International Limited	6.00
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 Pensioenfonds 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 2004, creditors in respect of invoiced supplies represented 24 days' purchases (2003 – 17 days).

Charitable Donations

During the year the Group made charitable donations in cash amounting to £41,000 (2002 - £56,000). The principal charities supported by the Company are set out in the Corporate Social Responsibility report on pages 36 to 37.
The Company made no donation of a political nature during the year.

Auditors

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.

2005 Annual General Meeting

The 2005 Annual General Meeting will include, as Special Business, resolutions dealing with the adoption of new Articles of Association, authority to issue shares, disapplication of pre-emption rights, authority to make political donations and authority to purchase the Company's own shares. The resolutions are set out in the Notice of Annual General meeting on pages 57 to 58 together with explanatory notes on pages 59 to 60.

By Order of the Board
Brian Bickell
1st December 2004

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 throughout the year with the recommendations of the Combined Code on Corporate Governance issued in June 1998 (the "Combined Code") and, where appropriate, has adopted new procedures to ensure compliance with the revised Combined Code issued in July 2003. The application of the principles contained in the Combined Code is described below.

Composition of the Board

The Board comprised the non-executive Chairman, four executive Directors and three independent non-executive Directors during the year under review. P L Levy, the Chairman throughout the year until his retirement on 30th September 2004, had previously been an executive Director and was therefore not considered to be independent. Each of the other non-executive Directors 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 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 24. 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. A formal statement of the division of responsibilities between the Chairman and Chief Executive has been adopted by the Board.

Board changes

P L Levy advised the Board in July 2004 of his intention to retire as Chairman on 30th September 2004. Having considered both internal and external candidates, the Nomination Committee recommended to the Board the appointment of P J Manser as Chairman, recognising his extensive business and corporate experience. In addition, the Nomination Committee recommended the appointment of J R K Emly as Senior Independent Director. The Board accepted these recommendations.

On 1 October 2004 P J Manser, who was Senior Independent Director throughout the year, was appointed Chairman and chairman of the Nomination Committee. On that date J R K Emly became Senior Independent Director.

The Board, on advice from the Nomination Committee, has resolved to appoint an additional non-executive Director in 2005. It is anticipated that the new appointee will have the necessary financial experience to assume the chairmanship of the Audit Committee. Following this new appointment, P J Manser will resign from both the Audit and Remuneration Committees.

Functioning of the Board

The Board has met six times during the year ended 30th September 2004. 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. During the year, the Board conducted a review of performance and effectiveness and will in future carry out this appraisal process annually.

In addition to Board meetings, there is regular communication between executive and non-executive Directors to ensure they are fully aware of all aspects of the Company's operations. Non-executive Directors meet periodically during the year without executive Directors present.

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.

The role of Company Secretary is carried out by the Finance Director. The Board considers that combining these roles does not compromise the proper execution of the Secretary's responsibilities for governance or other matters.

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.

The Committee has met four times during the year ended 30th September 2004. 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 35.

Remuneration Committee

The Remuneration Committee comprises J R K Emly as Chairman, P J Manser and A W MacDonald.

The Committee has met twice during the year ended 30th September 2004. 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 on Directors' Remuneration is set out on pages 30 to 34.

Nomination Committee

The Nomination Committee was chaired by P L Levy throughout the year until his retirement from the Board on 30th September 2004. J R K Emly, P J Manser and A W MacDonald served throughout the year. P J Manser was appointed chairman of the Committee from 1st October 2004.

The Committee has met twice during the year ended 30th September 2004.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.

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 these meetings.

The Senior Independent Director is available to shareholders as an alternative channel of communication with the Board.

Attendance at Meetings

Directors' attendance at Board and Committee meetings convened in the year ended 30th September 2004 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in year	6	4	2	2
	Attended	**Attended**	**Attended**	**Attended**
Executive Directors				
J S Lane	6	-	-	-
B Bickell	6	-	-	-
S J Quayle	6	-	-	-
T J C Welton	6	-	-	-
Non Executive Directors				
P L Levy	5	-	-	1
P J Manser	6	4	2	2
J R K Emly	6	4	2	2
A W MacDonald	5	3	2	2

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.

Executive Directors and staff meet regularly to review the both the risks facing the business, the controls established to minimise those risks and their effectiveness in operation. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage. Reports on this review process have been submitted to the Audit Committee and the Board during the year to enable them to assess the effectiveness of the process.

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

a) 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.

b) 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.

c) 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.

d) 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
1st December 2004

Directors' remuneration 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 2004. 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 Combined Code in relation to Directors' remuneration. The Committee's recommendations during the period from 1st October 2003 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 Emly. Other members of the Committee who served during the year were P J Manser and A W MacDonald.

The Committee met twice during the year ended 30th September 2004 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. Whilst the Chief Executive may at the invitation of the Chairman attend Committee meetings, no executive 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 and which incentivises participants to invest in the Company's shares;
- long term incentives which allow executives to participate in increases in shareholder value delivered over time by the Company; and
- 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 annual 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. In November 2004 revised letters of appointment were issued to the Chairman and Senior Independent Director.

Fees payable to non-executive Directors are determined and reviewed periodically by the Board, having taken advice from New Bridge Street Consultants.

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. These are both strategic and financial and are intended to stretch the individual's performance. In assessing corporate performance the Committee considers a number of measures appropriate to the particular year, all of which are consistent with the long term growth of the Company's net asset value.

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.

Unless there are exceptional circumstances, annual bonuses will not exceed 100% of basic salary if taken entirely in cash or 125% if taken entirely in shares. Annual bonuses are not pensionable and are not contractual.

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 listed 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

For options granted since the Scheme commenced in 2001, 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. Acknowledging evolving corporate governance practice and following consultation during the year with the Company's largest institutional shareholders, the Committee has resolved that for all future option grants there will be no further retesting after the initial three year performance period.

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. During the year three companies previously included in the Peer Group (Benchmark Group PLC, Freeport PLC and Peel Holdings p.l.c.) have been removed as they have either de-listed or substantially changed the nature of their operations. In order to maintain a comparator group of reasonable size, the Committee has now decided to add a further three listed companies (The British Land Company PLC, Land Securities PLC and Liberty International plc) to the Peer Group, which will be used to measure comparative performance for all subsisting and future options . The Peer Group now comprises:

The British Land Company PLC	Helical Bar plc
Brixton PLC	Land Securities plc
Capital & Regional plc	Liberty International PLC
Daejan Holdings PLC	Pillar Property PLC
Derwent Valley Holdings PLC	Minerva plc
Great Portland Estates 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 subscription value of share 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 2004 no participant was granted options with a subscription value greater than 2.5 times their basic salary.

The Committee expects to make grants of share options annually, following the preliminary announcement of annual results, usually in early December. The Peer Group will be reviewed at the time of each grant to ensure it remains 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.

Directors' remuneration 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.

Table 1 – Remuneration (audited)
Directors' remuneration for the year ended 30th September 2004 was as follows:

		2004	2003
		£'000	£'000
Aggregate emoluments	Executive Directors	**1,744**	1,521
	Chairman and other non-executive Directors	**168**	158
		1,912	1,679

Executive Directors

		J S Lane	B Bickell	S J Quayle	T J C Welton	Total
		£'000	£'000	£'000	£'000	£'000
Service Contract dated		12.10.1987	12.10.1987	8.10.1997	8.10.1997	
Basic Salary		**325**	**223**	**187**	**172**	**907**
	2003	282	207	173	157	819
Annual bonus		**255**	**171**	**154**	**136**	**716**
	2003	176	138	152	115	581
Benefits		**54**	**16**	**29**	**22**	**121**
	2003	57	16	27	21	121
Aggregate Emoluments		**634**	**410**	**370**	**330**	**1,744**
	2003	515	361	352	293	1,521
Pension Contributions		**79**	**56**	**47**	**43**	**225**
	2003	70	52	43	39	204

Chairman and other non-executive Directors

	2004	2003
	£'000	£'000
P L Levy (Chairman)	**75**	75
P J Manser	**31**	25
J R K Emly	**31**	25
A W MacDonald	**31**	25
N W Benson	**-**	8
	168	158

Review of Salaries and Fees in November 2004

Executive Directors' basic salaries were revised with effect from 1 December 2004 to the following levels:

	£'000
J S Lane	330
B Bickell	232
S J Quayle	215
T J C Welton	200

Non-executive Director's fees

Fees payable to non-executive Directors other than the Chairman were increased to £32,500 with effect from 1st December 2003. P J Manser's fee was increased to £60,000 following his appointment as Chairman on 1st October 2004.

Table 2 - Share Options (audited)

Directors' share options during the year ended 30th September 2004 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	Number of Ordinary Shares B Bickell	S J Quayle	T J C Welton
1987 Scheme						
10.1.94	£1.065	1997-2004	38,380	-	-	-
Exercised in year			*(38,380)*	-	-	-
4.1.95	£0.77	1998-2005	62,808	37,628	28,166	28,166
Exercised in year			-	*(37,628)*	*(28,166)*	*(28,166)*
4.1.96	£1.085	1999-2006	-	-	-	28,085
Exercised in year			-	-	-	*(28,085)*
1997 Scheme						
8.12.97	£1.98	2000-2004	75,758	41,666	35,354	32,829
Exercised in year			*(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
18.12.03	£2.31	2006-2013	308,445	168,835	138,530	134,935
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. To date no options granted under the 2001 Scheme have vested.

No options lapsed during the year. There have been no changes in options outstanding in the period from 1st October 2004 to 24th November 2004.

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 2004 was £2.765 and during the year then ended was quoted in the range £2.125 to £2.98.

Gains realised on options exercised during year:

		J S Lane £'000	B Bickell £'000	S J Quayle £'000	T J C Welton £'000
Market price at date of exercise	- £2.41	52	62	46	-
	- £2.68	-	29	25	67
	- £2.75	31	-	-	-
	- £2.77	28	-	-	-
	- £2.85	-	-	-	59
		111	91	71	126

Directors' remuneration report continued

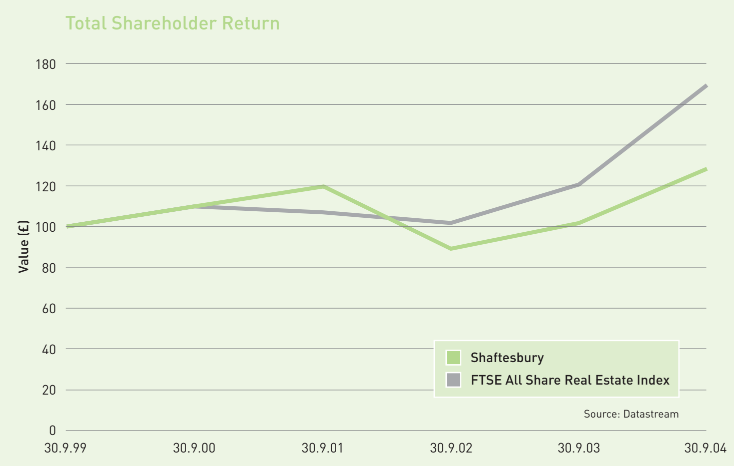
Table 3 – Share Entitlements (audited)
Certain Directors hold entitlements to Ordinary shares in respect of that part of awards granted under the Company's Executive Share Award Scheme (now terminated) and the Deferred Annual Bonus Scheme which they have elected to take by way of shares rather than cash. At 30th September 2004 and at 24th November 2004 the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 253,674 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				
7th January 1999	-	-	-	15,105
Exercised in year	-	-	-	*(15,105)*
4th January 2000	-	-	-	5,204
Exercised in year	-	-	-	*(5,204)*
Deferred Annual Bonus Scheme				
5th December 2001	31,665	25,700	16,062	17,209
Exercised in year	*(31,665)*	*(25,700)*	-	-
17th December 2002	25,000	50,000	-	31,875
15th December 2003	9,071	25,200	40,952	38,305
	34,071	75,200	57,014	87,389

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 opposite 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.



This graph shows the value, by 30th September 2004, of £100 invested in Shaftesbury PLC on 30 September 1999 compared with the value of £100 invested in the FTSE All Share Real Estate Index. The other points plotted are the values at intervening financial year-ends.

Fees from external appointments

The Company has been advised that J S Lane received fees in the year ended 30th September 2004 in respect of his directorship of two private companies unconnected with the Company's business totalling £7,400. The other executive Directors did not hold any paid external appointments during the year.

On behalf of the Board
John R K Emly
Remuneration Committee Chairman
1st December 2004

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; and
- 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 2003. Other members of the Committee who served throughout the year were J R K Emly and A W MacDonald. The Company Secretary acts as Secretary to the Committee.

P J Manser is a Fellow 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 four times during the year ended 30th September 2004. 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;
- Monitoring the risk and control strategies of the Company's principal managing agents and commencing a programme of periodic external reviews;
- A review of the performance and independence of the external auditors concluding in a recommendation to the Board on the reappointment of the auditors by shareholders at the Annual General Meeting;
- Monitoring non-audit assignments awarded to the external auditors in light of the Committee's policy that such assignments will not be awarded to the audit firm if there is a risk of a conflict arising with the firm's independence and objectivity;
- A review of the need to establish an internal audit function; and
- Monitoring developments in accounting and reporting requirements and in particular the Company's implementation of changes arising from the adoption of International Financial Reporting Standards for the Company's reporting period commencing 1st October 2005. A detailed programme is now underway to evaluate the impact of adopting the new Standards with the aim of publishing a summary of the anticipated key changes with the 2005 interim results.

On behalf of the Board
P John Manser
Audit Committee Chairman
1st December 2004

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"). The Board receives regular reports on CSR matters.

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 2004. 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 2004 in order to verify working practices against Policy Goals and achievement of objectives and targets in the Action Plan.

The Company has achieved a ranking of 78 in this year's Business in the Community Corporate Responsibility Index. The Index, which is open to 500 companies in the FTSE 100, FTSE 250 and Dow Jones Sustainability Index, provides an annual benchmark measuring companies' management, measurement and reporting of corporate responsibility issues.

The Company is a constituent of the FTSE 4 Good Index, which is intended as a guide for socially responsible investment, and 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.

Environmental Strategy - Refurbishments

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. During the year:

- Ten refurbishment schemes with a capital value above £50,000 (approximately 70% of the Company's schemes above this value) were registered with the relevant Local Authority's Considerate Constructors scheme which provides external audit of the management of construction projects. Satisfactory scores were achieved in 80% of registered schemes.
- Shaftesbury's Environmental, Social and Community Policy, which is included within tender documentation for subcontractors, has been extended to provide guidance on the specification of materials, waste management and checklists for legal compliance.
- An induction leaflet, outlining the key aspects of the Company's Environmental, Social and Community Policy has been produced and is now provided to all contractors working in the Company's portfolio.

During 2004 waste management activities were monitored but it proved impossible to collect data in a form to compare against a recognisable performance indicator. As a result of the small scale of most of Shaftesbury's refurbishment projects, volumes of waste are relatively small and there is often insufficient space to segregate waste for individual projects. This is a continuing problem, which is unlikely to be resolved given the unusual nature of Shaftebury's portfolio. In view of this Shaftesbury will continue to monitor waste production, but considers that an appropriate performance indicator is unlikely to be identified in the short term.

Environmental Strategy – Property management

In the day-to-day management of the Company's portfolio, energy consumption and waste management are the key environmental issues. The Company now monitors energy consumption in the common parts of its portfolio where it has direct responsibility. Statistics being collected indicate relatively low energy usage. There is a rolling programme of replacing light fittings with long life/low energy fittings, use of timer controls on lights, thermostats on boilers and maximising use of insulation and secondary glazing where appropriate within the portfolio.

There have been a number of initiatives to improve waste management for the benefit of the environment, tenants and the local community. In August 2003 an investigation of the waste management issues at Chinatown was undertaken by a specialist consultant. The key findings of the report have been implemented on site by Westminster City Council and have led to more efficient and effective waste collection procedures with less leaching and uncontrolled spillage and improvements in health and safety and the general ambiance of the local environment.

The recycling scheme at Kingly Court, instituted last year, has proved sufficiently successful that recycling and cardboard compacting schemes for use by tenants have been extended to other parts of Carnaby.

Water use is currently not monitored in the portfolio, but water meters have now been installed throughout Carnaby and Seven Dials, which will allow baseline data to be collected for next year.

Environmental Strategy – Company's office

In the Company's office, environmental impacts relate principally to energy consumption, resource use and waste production. Energy consumption is low and a paper recycling scheme is now in operation.

Current Year CSR Objectives

For 2004-05 the following key objectives have been set to add to the achievements to date:

- Continue to invest in only "brownfield" sites;
- Track the sourcing of materials, particularly timber;
- Ensure all refurbishment schemes above £50,000 are signed to the Considerate Constructors Scheme and aim to achieve a satisfactory score;
- Draft and issue information leaflets specific to each of the Company's villages to raise awareness amongst tenants regarding environmental issues, specifically relating to waste management, recycling and energy use;
- Monitor costs of "green tariff" electricity in Carnaby and Covent Garden and consider extending it to other parts of the managed portfolio;
- Monitor water use in Carnaby and Covent Garden;
- Identify new areas for community support and involvement; and
- Further investment in staff skills and development.

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 Phoenix Garden project, the Seven Dials Monument Charity and the Chinatown Working Party.

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.

We have been actively involved in assisting Westminster City Council to implement their published 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. The Company is actively supporting an initiative led by the Seven Dials Monument Charity to improve streets, pavements and lighting around Seven Dials in Covent Garden during 2005.

Employees

Shaftesbury employs 16 staff including executive Directors. The Environmental, Social and Community Policy contains policy statements with respect to equal opportunities in employment and procedures for reporting concerns regarding non-adherence to the Company's ethical standards.

The welfare, safety and training 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 2004. A full risk assessment of Health & Safety issues was undertaken in October 2003 by the Company's specialist advisors. A small number of issues were identified which were resolved by November 2003 and a further review is programmed in November 2004.

The Company actively encourages staff training and skills development and involvement in the development of the Company's business, CSR policies and targets and community activities.

Jonathan S Lane
Chief Executive
1st December 2004

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 2004 (the "date of valuation") held by Shaftesbury PLC (the "Company"), as referred to in our valuation report dated 22nd November 2004 ("our Report").

All properties have been subject to external inspections between August and November 2004 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 "Red Book"). The valuation has been undertaken by external valuers, qualified for the purpose of the valuation. .

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 our Report. This is the second 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 are instructed by the Company to act as property and asset managers in respect of the properties known as Wellington House, 13/14 Upper St Martin's Lane, 15/17 Mercer Street and 140/142 Long Acre & 16/19 Upper St Martin's Lane. This is the only fee-earning relationship between DTZ Debenham Tie Leung and the Company other than this valuation instruction.

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 combined properties and Properties which make up those parts.

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

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

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.

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

Certain properties were subject to works of repair or refurbishment at 30th September 2004, 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 2004, 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 £3,439,485 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 four Properties which comprise a number of individual properties, the majority of such properties are held freehold but certain of them are held on long leases. In order to divide our valuation of these Properties between the categories of freehold and long leasehold, we have undertaken notional apportionments of value between the freehold elements and the long leasehold elements which together comprise the relevant Properties. The amounts arising from these notional apportionments of value have been included in the figures representing the freehold and long leasehold categories below.
The amounts arising from the notional apportionments do not themselves represent the 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.

Having regard to the foregoing, we are of the opinion that the aggregates of the Market Values, as at 30th September 2004, of the freehold and long leasehold property interests owned by the Company, subject to the assumptions and comments in our Report dated 22nd November 2004, were as follows:-

Freehold properties	£796,720,000 (Seven hundred and ninety six million, seven hundred and twenty thousand pounds)
Long leasehold properties	£33,850,000 (Thirty three million, eight hundred and fifty thousand pounds)
Total	**£830,570,000 (Eight hundred and thirty million, five hundred and seventy 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 41.

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 Directors' Remuneration 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 Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration 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 the auditable part of the Directors' Remuneration 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 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 Portfolio Analysis, the Directors' Report, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration 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 issued in June 1998 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 part of the Directors' Remuneration 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 Directors' Remuneration 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 2004 and of the profits 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 Directors' Remuneration 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
1st December 2004

Group profit and loss account

for the year ended 30th September 2004

		Note	2004 £'000	2003 £'000
Turnover*		1	**48,707**	44,387
Rents payable			**(31)**	(181)
Other property charges*		1	**(8,498)**	(7,363)
Net Property Revenue			**40,178**	36,843
Administrative expenses		2	**(4,375)**	(4,010)
Operating Profit			**35,803**	32,833
Surplus on disposal of investment property		4	**616**	40
Profit Before Interest and Taxation			**36,419**	32,873
Net interest payable		5	**(21,095)**	(20,529)
Profit on Ordinary Activities Before Taxation			**15,324**	12,344
Taxation		6	**(4,520)**	(4,106)
Profit on Ordinary Activities After Taxation			**10,804**	8,238
Dividends		7	**(5,816)**	(5,147)
Retained Profit for the Financial Year		17	**4,988**	3,091
Earnings Per Ordinary Share		8		
Before asset disposals and taxation	- basic		**11.15p**	9.34p
	- diluted		**11.13p**	9.33p
After asset disposals before taxation	- basic		**11.62p**	9.37p
	- diluted		**11.60p**	9.36p
After asset disposals and taxation	- basic		**8.19p**	6.26p
	- diluted		**8.18p**	6.25p

* 2003 - Restated - see Note 1.

All operations relate to continuing activities.

Group and company balance sheet

as at 30th September 2004

	Note	2004	2003
		£'000	£'000
Fixed Assets			
Tangible Assets			
Investment properties	*9*	**825,580**	728,143
Premises, equipment and vehicles	*10*	**296**	262
		825,876	728,405
Current Assets			
Debtors	*11*	**13,040**	8,806
Creditors:			
Falling due within one year	*12*	**(26,794)**	(24,901)
Net Current Liabilities		**(13,754)**	(16,095)
Total Assets Less Current Liabilities		**812,122**	712,310
Creditors:			
Falling due after more than one year			
Borrowings	*13*	**(343,282)**	(322,065)
Provisions for liabilities and charges			
Deferred taxation	*15*	**(4,195)**	(3,825)
		464,645	386,420
Capital and Reserves			
Called up share capital	*16*	**33,022**	32,931
Share premium account	*17*	**119,575**	119,118
Revaluation reserve	*17*	**259,175**	186,641
Profit and loss account	*17*	**52,873**	47,730
Shareholders' Funds		**464,645**	386,420
Net Asset Value per Ordinary Share	*18*		
- Basic		**£3.52**	£2.93
- Diluted		**£3.51**	£2.92

On behalf of the Board who approved the financial statements on 1st December 2004

Jonathan S Lane Chief Executive
Brian Bickell Finance Director

Group cash flow statement

for the year ended 30th September 2004

	Note	2004 £'000	2003 £'000
Net Cash Inflow from Operating Activities	*19*	**34,135**	33,371
Returns on Investments and Servicing of Finance			
Interest received		**50**	72
Interest paid		**(22,016)**	(21,075)
Bank loan arrangement costs		**(122)**	(120)
Net cash outflow		**(22,088)**	(21,123)
Taxation			
Corporation tax paid		**(3,282)**	(2,944)
Capital Expenditure and Financial Investment			
Acquisition of investment properties		**(15,823)**	(14,377)
Expenditure on investment properties		**(11,120)**	(17,115)
Net proceeds from sale of investment property		**1,387**	6,156
Net purchase of premises, equipment and vehicles		**(143)**	(86)
Net cash outflow		**(25,699)**	(25,422)
Equity Dividends Paid		**(5,333)**	(4,845)
Cash Outflow before use of Financing and Cash Resources		**(22,267)**	(20,963)
Financing			
Proceeds of shares issued for cash		**548**	68
Drawdown of secured bank loans	*20*	**21,719**	20,895
Movement in Cash Balances		**-**	-

Other primary statements

for the year ended 30th September 2004

	2004 £'000	2003 £'000
Statement of Total Recognised Gains and Losses		
Profit on ordinary activities after taxation	**10,804**	8,238
Unrealised net surplus on revaluation of investment properties	**72,689**	7,698
Total Recognised Gains Relating to the Year	**83,493**	15,936
Historical Cost Profits and Losses		
Profit on ordinary activities before taxation	**15,324**	12,344
Investment property revaluation surpluses realised in year	**155**	419
Historical Cost Profit on Ordinary Activities Before Taxation	**15,479**	12,763
Taxation	**(4,520)**	(4,106)
Historical Cost Profit After Taxation	**10,959**	8,657
Dividends	**(5,816)**	(5,147)
Retained Historical Cost Profit for the Year	**5,143**	3,510
Reconciliation of Movements in Shareholders' Funds		
Profit on ordinary activities after taxation	**10,804**	8,238
Dividends	**(5,816)**	(5,147)
	4,988	3,091
Unrealised net surplus on revaluation of investment properties	**72,689**	7,698
	77,677	10,789
Proceeds of shares issued during the year	**548**	68
Net Addition to Shareholders' Funds in Year	**78,225**	10,857
Opening Shareholders' funds	**386,420**	375,563
Closing Shareholders' Funds as at 30th September 2004	**464,645**	386,420

Notes to the financial statements

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The historical cost basis of accounting has been used with the exception of investment properties which are stated at revalued amounts in accordance with SSAP19 "Accounting for Investment Properties" and which requires a departure from the requirements of the 1985 Companies Act relating to depreciation and amortisation as explained below.

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
Equipment	- 20%/25% per annum on cost
Motor vehicles	- 25% per annum on written down value

Turnover

Turnover now includes rents invoiced to tenants, rents accrued in accordance with UITF28 and recoverable expenses incurred on behalf of tenants. Value Added Tax is excluded from all amounts.

The Company has adopted the guidance set out in Application Note G to FRS 5 ("Reporting the Substance of Transactions) issued by the Accounting Standards Board in November 2003. Income arising from the recovery of expenses incurred on behalf of tenants, principally service charges and insurance, is now reported as part of the Company's turnover in accordance with this new guidance. Previously these recoverable amounts were included within property charges as a credit against expenditure incurred. This change in disclosure has no effect on reported net property revenue or profit on ordinary activities. The effect on reported turnover and other property expenses is as follows:

1 Accounting Policies continued

Turnover continued

	2004 £'000	2003 £'000
Turnover		
Rents receivable – as previously reported	**44,428**	41,438
Recoverable property expenses	**4,279**	2,949
As restated	**48,707**	44,387
Other property charges		
Other property charges – as previously reported	**4,219**	4,414
Recoverable property expenses	**4,279**	2,949
As restated	**8,498**	7,363

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.

2 Administrative Expenses

	2004 £'000	2003 £'000
Included under this heading are the following:		
Auditors' remuneration for audit services (Group and Company)	**62**	60
Fees payable to PricewaterhouseCoopers LLP in connection with:		
Taxation advice - compliance	**68**	56
Taxation advice - other	**30**	-
Other professional services	**12**	12
	110	68
Depreciation	**97**	108
Operating lease rentals - office premises	**167**	210
Staff costs (including executive Directors):		
Salaries and annual bonuses	**2,210**	1,950
Social security costs	**314**	252
Pension contributions	**291**	253
	2,815	2,455

A proportion of employment 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:	2004	2003
Executive Directors	**4**	4
Administration	**10**	10
Estate management	**2**	2
	16	16

Notes to the financial statements continued

3 Directors' Emoluments

A summary of Directors' emoluments, including the disclosures required by the Companies Act 1985, is set out in the Directors' Remuneration Report on pages 30 to 34.

4 Surplus on Disposal of Investment Property

	2004 £'000	2003 £'000
Net proceeds of sale	**1,387**	6,207
Book value at date of sale	**(771)**	(6,167)
	616	40

5 Net Interest Payable

	2004 £'000	2003 £'000
Interest payable:		
Debenture stock interest and amortisation	**10,902**	10,902
On bank loans wholly repayable after five years	**7,273**	6,593
On bank loans wholly repayable within five years	**2,970**	3,106
	21,145	20,601
Interest receivable	**(50)**	(72)
	21,095	20,529

6 Taxation

	2004 £'000	2003 £'000
Current taxation:		
UK Corporation tax on revenue profit	**4,150**	3,250
Deferred taxation:		
Provision in respect of timing differences	**570**	750
	4,720	4,000
(Over)/under provisions in prior years:		
Corporation tax	**-**	(100)
Deferred taxation	**(200)**	206
Charge for the year	**4,520**	4,106
Factors affecting the current tax charge:		
Profit on Ordinary Activities	**15,324**	12,344
Tax at standard Corporation tax rate (30%)	**4,597**	3,703
Capital allowances claimed in excess of depreciation	**(750)**	(750)
Capital losses utilised to offset gain on disposal of investment property	**(185)**	-
Timing differences in deductibility of expenses	**180**	-
Expenses and provisions not deductible for tax purposes and other items	**308**	297
Current tax charge for the year	**4,150**	3,250

No taxation liability arises on the surplus realised on the disposal of investment property due to the availability of capital losses.

7 Dividends

	2004 £'000	2003 £'000
Interim dividend of 1.513p per share (2003 - 1.375p) paid on 25th June 2004	**1,993**	1,807
Proposed final dividend of 2.90p per share (2003 – 2.54p)	**3,823**	3,340
	5,816	5,147

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 292,296 shares (2003 – 234,051 shares) during the year.

8 Earnings Per Ordinary Share

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

		2004	2003
Profit on ordinary activities:			
Before disposals and taxation*	£'000	**14,708**	12,304
After disposals before taxation*	£'000	**15,324**	12,344
After taxation	£'000	**10,804**	8,238
Weighted average number of Ordinary Shares in issue	'000	**131,931**	131,675
Dilutive average number of Ordinary Shares	'000	**132,146**	131,879

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.

* The adjusted earnings per share calculations are considered to give a better indication of the performance of the Company before and after disposals.

9 Investment Properties

	£'000
At 1st October 2003 – book value	**728,143**
Acquisitions	**16,361**
Refurbishment and other expenditure	**9,158**
Disposals	**(771)**
Net surplus on revaluation	**72,689**
Book value at 30th September 2004	**825,580**
Add: Rents recognised in advance in accordance with UITF28	**4,990**
Market value at 30th September 2004	**830,570**
Historical cost of properties included above at valuation	566,405

Investment properties were subject to external valuation as at 30th September 2004 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 38 to 39.

Investment properties include freehold properties valued at £796,720,000, leasehold properties with an unexpired term of over 50 years valued at £23,335,000 and a notional apportionment of value in respect of part freehold/part leasehold properties, where the apportionment in respect of the leasehold element with over 50 years unexpired is £10,515,000.

	2004	2003
Capital Commitments:	**£'000**	£'000
Authorised but not contracted	**2,200**	-

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 £4,359,000 (2003 - £5,105,000).

10 Premises, Equipment and Vehicles

	Short Leasehold Office Premises £'000	Equipment and Vehicles £'000	Total £'000
Cost			
At 1st October 2003	114	619	733
Additions	40	103	143
Disposals	-	(100)	(100)
At 30th September 2004	**154**	**622**	**776**
Depreciation			
At 1st October 2003	105	366	471
Charge for the year	10	87	97
Eliminated on disposals	-	(88)	(88)
At 30th September 2004	**115**	**365**	**480**
Net book value at 30th September 2004	**39**	**256**	**296**

11 Debtors

	2004 £'000	2003 £'000
Amounts due from tenants	**7,617**	5,560
Rents not yet due but recognised in advance in accordance with UITF28	**4,990**	2,629
Other debtors and prepayments	**433**	617
	13,040	8,806

Of the rents recognised in advance in accordance with UITF28, £3,503,000 (2003 – £2,300,000) is receivable after more than one year.

12 Creditors Falling Due Within One Year

Rents invoiced in advance	**9,948**	8,372
Dividend proposed	**3,823**	3,340
Corporation tax payable	**2,520**	1,652
Capital expenditure accruals	**4,359**	5,105
Other creditors and accruals	**6,144**	6,432
	26,794	24,901

Other creditors and accruals include £1,553,000 (2003 - £2,176,000) in respect of amounts secured by way of fixed charges on certain investment properties and floating charges over the Company's assets.

13 Borrowings

		2004			2003	
	Nominal value £'000	**Unamortised premium and issue costs £'000**	**Book value £'000**	Nominal value £'000	Unamortised premium and issue costs £'000	Book value £'000
8.5% First Mortgage Debenture Stock 2024	**132,000**	**6,209**	**138,209**	132,000	6,527	138,527
Secured bank loans	**205,723**	**(650)**	**205,073**	184,004	(466)	183,538
	337,723	**5,559**	**343,282**	316,004	6,061	322,065

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

The Company's bank 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 2004, bank loans included overdrafts of £838,000, 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.

14 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 22 to 23.

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

	2004 Book value £'000	**2004 Nominal value £'000**	**2004 Undrawn Facilities £'000**	2003 Book value £'000	2003 Nominal value £'000	2003 Undrawn Facilities £'000
Repayable after more than 15 years:						
8.5% Mortgage debenture stock 2024	**138,209**	**132,000**	**-**	138,527	132,000	-
Repayable between 10 and 15 years	**74,572**	**75,000**	**-**	74,534	75,000	-
Repayable between 5 and 10 years	**67,968**	**68,138**	**36,863***	109,004	109,004	40,996
Repayable between 2 and 5 years	**62,533**	**62,585**	**12,415**	-	-	-
	343,282	**337,723**	**49,278**	322,065	316,004	40,996

* In November 2004 additional facilities of £45million were secured.

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.

Interest rate hedging

The Company has in place the following interest rate hedging:

1. Interest rate collars on £90 million notional principal maturing between October 2011 and June 2016 (weighted average maturity 9.75 years). The Company pays floating rate if benchmark LIBOR sets between 3.65% and 6.50% and a maximum of 6.50% if at any calculation date LIBOR sets above the upper limit. If LIBOR sets below 3.65% the Company pays on average 5.28% for that period. Each of these arrangements are extendable at the counterparty's option on expiry for up to a further 10 years at an average fixed rate of 5.28%.

2. A hedge on £30 million notional principal maturing in November 2012. The Company pays floating rate until August 2005. Thereafter the Company pays 6.05% if the benchmark LIBOR rate sets outside the range 4.00% - 6.00%. If LIBOR sets within this range the Company pays 4.80%.

3. An interest rate hedge on £30 million notional principal commencing on 1 April 2005 for 5 years at a fixed rate of 5.74%.

Interest rate profile of financial liabilities

	2004 Debt £'000	**2004 Weighted Average Interest Rate %**	2003 Debt £'000	2003 Weighted Average Interest Rate %
Floating rate borrowings				
LIBOR-linked loans – interest rates fixed until December 2004 at latest	**85,073**	**5.72**	63,538	4.60
Hedged borrowings				
Interest rate hedges in operation at year end including margin	**120,000**	**5.72**	120,000	6.08
Fixed rate borrowing				
8.5% Mortgage Debenture Stock -interest rate fixed for 19.5 years until 31st March 2024	**138,209**	**8.12**	138,527	8.10
Weighted average cost of borrowings*		**6.68**		6.65

* As at 30th September 2004, ignoring contracted interest rate hedge commencing in 2005.

Notes to the financial statements continued

14 Financing continued

Fair values of financial instruments

	2004 Book value £'000	**2004 Fair value £'000**	**2004 Surplus/(Deficit) £'000**	2003 Book value £'000	2003 Fair value £'000	2003 Surplus/(Deficit) £'000
8.5% Mortgage Debenture 2024	**138,209**	**165,660**	**(27,451)**	138,527	156,737	(18,210)
LIBOR-linked loans	**205,073**	**205,206**	**(133)**	183,538	182,626	912
Deficit on fair valuation of interest rate hedging agreements	**-**	**7,724**	**(7,724)**	-	11,475	(11,475)
			(35,308)			(28,773)

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.

15 Deferred Taxation

	2004 £'000	2003 £'000
At 1st October 2003	**3,825**	2,869
Provided in year	**370**	956
At 30th September 2004	**4,195**	3,825

The provision at the year end relates to timing differences in respect of capital allowances of £4,375,000 (2003 - £3,825,000) less a deferred tax asset of £180,000 (2003 - £nil) in respect of expenses where a tax deduction will be available in future periods.

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 2004, after deducting capital losses of approximately £11,200,000 (2003 - £11,000,000), the estimated contingent corporation tax liability amounted to £57,500,000 (2003 - £42,250,000).

16 Called Up Share Capital

	2004 Number '000	2003 Number '000	**2004 £'000**	2003 £'000
Ordinary Shares of 25p each				
Authorised	**200,000**	200,000	**50,000**	50,000
Issued, called up and fully paid				
At 1st October 2003	**131,724**	131,660	**32,931**	32,915
Issued in connection with the exercise of share options	**362**	64	**91**	16
At 30th September 2004	**132,086**	131,724	**33,022**	32,931

16 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 2004:

Date of Grant	Ordinary Shares of 25p each	Option Exercise Price	Exercise Period
1987 Employee Share Option Scheme			
4th January 1995	62,808	£0.770	1998 - 2005
1997 Executive Share Option Schemes			
3rd December 1998	237,238	£1.665	2001 - 2008
29th November 1999	133,102	£2.420	2002 - 2009
	370,340		
2001 Executive Share Option Schemes*			
21st February 2001	547,900	£2.945	2004 - 2011
13th December 2001	731,530	£2.735	2004 - 2011
18th December 2002	935,370	£2.00	2005 - 2012
18th December 2003	955,185	£2.31	2006 - 2013
	3,169,985		
2001 Sharesave Scheme			
19th February 2001	29,864	£2.260	2004 – 2006
14th April 2003	61,325	£1.305	2006 – 2010
	91,189		
Total number of Ordinary Shares under option at 30th September 2004	**3,694,322**		

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

17 Reserves

	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
Group and Company				
At 1st October 2003	119,118	186,641	47,730	353,489
Retained profit for the year	-	-	4,988	4,988
Net surplus on revaluation of investment properties	-	72,689	-	72,689
Investment property revaluation surplus realised in year	-	(155)	155	-
Premium arising on issue of shares during year	457	-	-	457
At 30th September 2004	**119,575**	**259,175**	**52,873**	**431,623**

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 £10,804,000.

Notes to the financial statements continued

18 Net Asset Value

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

		2004	2003
Shareholders' funds	£'000	**464,645**	386,420
Shareholders' funds – diluted	£'000	**465,558**	387,884
Ordinary Shares in issue	'000	**132,086**	131,724
Diluted Ordinary Shares	'000	**132,610**	132,613

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

19 Net Cash Inflow From Operating Activities

	2004 £'000	2003 £'000
Net property revenue	**40,178**	36,843
Administrative expenses	**(4,375)**	(4,010)
Depreciation (adjusted for profits/losses on disposals)	**109**	110
(Increase)/decrease in debtors	**(4,366)**	1,281
Increase/(decrease) in creditors	**2,589**	(853)
	34,135	33,371

20 Reconciliation of Net Cash Flow to Movement in Net Debt

Increase in secured bank loans	**(21,719)**	(20,895)
Bank loan arrangement costs	**122**	120
	(21,597)	(20,775)
Non cash movements	**380**	283
Movement in net debt in year	**(21,217)**	(20,492)
Net debt at 1st October 2003	**(322,065)**	(301,573)
Net debt at 30th September 2004 - book value	**(343,282)**	(322,065)

21 Analysis of Changes in Net Debt

	1.10.2003 £'000	Cash flows £'000	Non-cash items £'000	30.9.2004 £'000
8.5% Mortgage Debenture Stock 2024	(138,527)	-	318	**(138,209)**
Secured bank loans	(183,538)	(21,597)	62	**(205,073)**
	(322,065)	(21,597)	380	**(343,282)**

22 Shares in Subsidiary Undertakings

The Company had no active subsidiary undertakings during the year ended 30th September 2004.

On 1st October 2004 certain investment properties were transferred at book value from Shaftesbury PLC to four wholly owned subsidiary undertakings which will now carry on the businesses associated with those property ownerships:

Shaftesbury Carnaby Limited
Shaftesbury Covent Garden Limited
Shaftesbury Chinatown Limited
Shaftesbury Charlotte Street Limited

All of the Company's subsidiary undertakings are incorporated in England and Wales.

23 Leasing Commitments

At 30th September 2004 there were annual commitments under non-cancellable property leases as follows:

	2004 £'000	2003 £'000
Group and Company		
Leases expiring within one year	**-**	210
Leases expiring between two and five years	**9**	9
Leases expiring after more than five years	**210**	32

Five year financial summary

Balance Sheets

	2004	2003	2002	2001	2000
	£'000	£'000	£'000	£'000	£'000
Investment Properties					
At 1st October	**728,143**	698,195	647,250	560,029	422,777
Additions	**16,361**	14,377	54,663	52,344	90,765
Refurbishment expenditure	**9,158**	14,040	18,376	17,697	10,253
Disposals	**(771)**	(6,167)	(18,996)	-	(13,443)
Net revaluation surplus/(deficit)	**72,689**	7,698	(3,098)	17,180	49,677
At 30th September	**825,580**	728,143	698,195	647,250	560,029
Listed investment	**-**	-	-	-	13,500
Other assets	**296**	262	286	256	244
	825,876	728,405	698,481	647,506	573,773
Net current liabilities	**(13,754)**	(16,095)	(18,476)	(16,865)	(12,499)
Creditors falling due after more than one year	**(343,282)**	(322,065)	(301,573)	(254,874)	(208,357)
Deferred taxation	**(4,195)**	(3,825)	(2,869)	(2,256)	(1,566)
Shareholders' Funds	**464,645**	386,420	375,563	373,511	351,351

Movements in Shareholders' Funds

	2004	2003	2002	2001	2000
Retained profit for year	**4,988**	3,091	5,035	4,960	4,167
Net surplus/(deficit) on revaluation of investment assets	**72,689**	7,698	(3,098)	17,180	50,452
Net proceeds of share issues	**548**	68	115	20	49,899
Net increase in shareholders' funds in year	**78,225**	10,857	2,052	22,160	104,518
Opening shareholders' funds	**386,420**	375,563	373,511	351,351	246,833
Closing Shareholders' Funds	**464,645**	386,420	375,563	373,511	351,351
Reported Basic Net Asset Value per Ordinary Share	**352p**	293p	285p	284p	267p
Mid market Share price at 30th September	**276.5p**	222.5p	198.5p	269.5p	248.5p

Five year financial summary continued

Profit and Loss Accounts

	2004 £'000	2003 £'000	2002 £'000	2001 £'000	2000 £'000
Rents receivable	**44,428**	41,438	38,855	33,726	28,090
Recoverable property expenses*	**4,279**	2,949	-	-	-
Turnover*	**48,707**	44,387	38,855	33,726	28,090
Rents payable	**(31)**	(181)	(32)	(72)	(105)
Other property charges*	**(8,498)**	(7,363)	(4,584)	(3,020)	(2,879)
Net property revenue	**40,178**	36,843	34,239	30,634	25,106
Administrative expenses	**(4,375)**	(4,010)	(3,822)	(3,130)	(2,918)
	35,803	32,833	30,417	27,504	22,188
Income from listed investment	**-**	-	-	334	319
Operating profit	**35,803**	32,833	30,417	27,838	22,507
Surplus on disposal of investment assets	**616**	40	2,106	1,465	1,747
	36,419	32,873	32,523	29,303	24,254
Net interest payable	**(21,095)**	(20,529)	(19,521)	(16,643)	(14,125)
Profit on ordinary activities before taxation	**15,324**	12,344	13,002	12,660	10,129
Taxation	**(4,520)**	(4,106)	(3,288)	(3,428)	(2,019)
Profit on ordinary activities after taxation	**10,804**	8,238	9,714	9,232	8,110
Dividends	**(5,816)**	(5,147)	(4,679)	(4,272)	(3,943)
Retained Profit for Year	**4,988**	3,091	5,035	4,960	4,167
Basic Post Tax Earnings per Ordinary Share	**8.19p**	6.26p	7.38p	7.02p	6.64p
Total Dividends declared per Ordinary Share	**4.413p**	3.915p	3.56p	3.25p	3.00p

* Turnover and other property expenses for 2003 and 2004 have been restated as explained in Note 1 to gross up the recovery of expenses incurred on behalf of tenants. This has no effect on reported net property revenue or profit on ordinary activities. Results for 2000-2002 have not been adjusted to reflect this change in accounting policy.

Notice of annual general meeting

Notice Is Hereby Given that the Nineteenth Annual General Meeting of Shaftesbury PLC will be held at Pegasus House, 37/43 Sackville Street, London W1S 3DL, on 25th January 2005 at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the audited financial statements for the year ended 30th September 2004, and the reports of the Directors and auditors.
2. To approve the report of the Remuneration Committee for the year ended 30th September 2004.
3. To declare a final dividend for the year ended 30th September 2004 of 2.90p per ordinary share.
4. To re-elect B Bickell as a Director of the Company.
5. To re-elect T J C Welton as a Director of the Company.
6. To re-elect A W MacDonald as a Director of the Company.
7. To re-elect P J Manser (Chairman and chairman of the Audit and Nomination Committees) as a Director of the Company.
8. To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to agree their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions in the case of resolutions 10 and 12 and as special resolutions in the case of resolutions 9, 11 and 13:

9. THAT the regulations contained in the printed document tabled at the Meeting and initialled by the Chairman for the purpose of identification be and hereby are approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association of the Company.
10. THAT, in substitution for all previous authorities pursuant to section 80 of the Companies Act 1985 (the "Act"), which are hereby revoked, but without prejudice to any allotment of securities pursuant thereto, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Act to exercise all powers of the Company to allot relevant securities as defined in section 80(2) of the Act up to an aggregate nominal amount of £11,000,000 consisting of 44,000,000 ordinary shares of 25 pence each, such authority to expire at the conclusion of the next Annual General Meeting or 15 months from 25 January 2005 if earlier save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
11. THAT, the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act);

    a. for cash pursuant to the authority conferred by Resolution 10; or

    b. by way of the sale of treasury shares (within the meaning of section 162A of the Act), for cash,

    as if, in either case, subsection (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

    i. in connection with a rights issue or open offer or other issue or offer to ordinary shareholders (other than the Company) on the Company's Register of Members on a fixed record date in proportion (as nearly as may be) to the respective numbers of ordinary shares of 25 pence each held by them subject to such exclusion or other arrangement as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or requirements of any recognised regulatory body or any stock exchange, in any territory; and

    ii. otherwise than pursuant to subparagraph (i) above up to an aggregate nominal value of £1,650,000 consisting of 6,600,000 ordinary shares of 25 pence each,

    and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months from 25 January 2005 if 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.
12. THAT the Company and any company which is or becomes a subsidiary of the Company during the period to which this resolution relates be and is hereby authorised pursuant to Part XA of the Act (as amended by the Political Parties, Elections and Referendum Act 2000), to make donations to EU political organisations and to incur EU political expenditure in the period ending at the conclusion of the Company's next Annual General Meeting provided that any such donations and/or EU political expenditure made or incurred by the Company in the period does not exceed an aggregate of £100,000; provided further that the Company shall not use the authority granted other than in continuation of its business activities and that the Company's policy of making no direct contributions to political parties shall remain unchanged. For the purposes of this resolution, the terms "donations", "EU political organisations" and "EU political expenditure" have the meanings ascribed thereto in Part XA of the Act (as amended by the Political Parties, Elections and Referendum Act 2000).

Notice of annual general meeting continued

13. THAT the Company is hereby unconditionally and generally authorised to make market purchases (as defined in section 163(3) of the Act) of ordinary shares in the capital of the Company provided that:

    i. the maximum number of ordinary shares of 25 pence each hereby authorised to be purchased is 13,200,000 (representing approximately 10 per cent. of the issued share capital of the Company as at 30th September 2004);

    ii. the minimum price, exclusive of expenses, which may be paid for each such ordinary share is £0.25;

    iii. 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 London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased;

    iv. 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

    v. 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 2004

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 23rd January 2005 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 23rd January 2005 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

4. The Register of Directors' Interest of the Company kept under section 325 of the Act and copies of Directors' contracts of service may be inspected at the registered office of the Company during normal business hours on weekdays (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.

5. In accordance with the Listing Rules of the Financial Services Authority, a copy of the New Articles will be available for inspection from the date of despatch of the Notice of Meeting until close of the Annual General Meeting at the registered office of the Company and on the Investor Relations section of the Company's website. The New Articles will also be available for inspection at the place of the Meeting from 9.00 a.m. until the conclusion of the Meeting.

6. Biographical details of the Directors standing for re-appointment are set out on pages 24 to 25 of the 2004 Annual Report.

Explanation of Special Business to be dealt with at the 2004 Annual General Meeting

Resolution 9 – Adoption of new Articles of Association

The Company's Articles of Association were adopted on 10th January 1996. Since adoption, there have been important changes to company law and practice, most notably the coming into force of the Electronic Communications Act 2000 (the "Order"), the Uncertificated Securities Regulation 2001 (the "2001 Regulations") and The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "2003 Regulations"). There have also been initiatives relating to corporate governance that have led to, for example, the revision of the Combined Code on corporate governance. There is now a need to bring the Company's Articles of Association (the "Existing Articles") up to date. Subject to the approval of shareholders at the Annual General Meeting, the Company proposes to adopt entirely new Articles of Association (the "New Articles"). The following is a summary of the principal changes contained in the New Articles, where appropriate, as compared with the Existing Articles.

Article	*Comment*
2	**Interpretation** The New Articles incorporate certain new definitions having regard to the 2003 Regulations, the Order and the 2001 Regulations.
14, 32, 36, 37, 38, 41, 52, 59, 149, 150	**Uncertificated Shares** The 2001 Regulations revise the previous uncertificated securities regulations, and so changes are suggested to reflect the new legislation and to clarify in more detail how certificated and uncertificated shares are to be dealt with in particular circumstances. The New Articles provide that the Company shall not issue certificates in respect of uncertificated shares and empower the directors to implement any arrangements they may think fit in relation to the evidencing and transfer of uncertificated shares. The New Articles also provide for the conversion of certificated shares and uncertificated shares and vice versa in accordance with the 2001 Regulations. Transfers of uncertificated shares are to be made in accordance with the 2001 Regulations and the rules of the relevant system whilst transfers of certificated shares will continue to require an instrument of transfer in writing. The Board may only refuse to register the transfer of certificated shares.
10, 81, 143, 146, 156	**Treasury Shares** The 2003 Regulations now allow companies to hold up to 10 per cent. of each class of shares acquired by way of market purchase as treasury shares rather than having to cancel them. Such shares may be subsequently cancelled or sold for cash at a later date or for purposes of the Company's share award or share option plans. The Company may consider holding in treasury any of its shares acquired by way of market purchase pursuant to an authority granted by shareholders. The Existing Articles have been amended in a number of places to take into account the possible existence of treasury shares and their rights. The New Articles prevents the Company from exercising any voting rights in respect of shares held in treasury, receiving distributions and dividends in respect of treasury shares (save for bonus issue of shares or payment of any amount payable on redemption of redeemable treasury shares) or including treasury shares in any calculation of the issued share capital.
86, 88, 91, 133, 166, 167, 169, 170	**Electronic Communications** The administration of companies was modernised with the entry into force of the Order. The Order provides that companies may use forms of electronic communication (as broadly defined in the Order) notwithstanding the provisions of their Existing Articles. Accordingly, any company with articles of association which do not provide for the use of electronic communication will have a means of communication available to it which is not reflected in its articles of association. It is therefore recommended that the Company amends the Existing Articles to reflect the means of electronic communication now permitted by the Order. The New Articles will enable the Company to deal directly with shareholders by electronic means and, in particular, to: - distribute company information (for example, annual reports and accounts) electronically rather than by post; - send notices of meetings electronically to an address provided by the shareholders; and - allow shareholders to appoint proxies and give the Company voting instructions electronically.
59, 64	**Proceedings at general meetings** The New Articles empowers the Board, if it decides that for reasons beyond its control it is impractical and unreasonable to hold a proposed or adjourned general meeting at the declared place or time or both, or to change the place or postpone the time at which the meeting is to be held. The Board must advertise the change in at least two national newspapers and at the original place or at the original time (or both) of the meeting. The New Articles provides that the Board may decide that only those members entered on the Company's register may be entitled to receive notice of a meeting or documents required to be sent under section 328 of the Act. A notice of a meeting may specify a time by which a person must be entered on the Company's Register of Members to have the right to attend or vote at the Meeting.
-	**Borrowing Limit** The limit on the Directors' powers to incur borrowings has been reduced from six to two times the value of the adjusted capital and reserves. It is a recommendation of the Association of British Insurers that Directors' powers to incur borrowings without shareholder approval be limited to this amount. The Company is currently well within this new limit and the Board does not consider that the reduction in borrowing limit will have any material impact on the Company's operations.
99	**Directors Fees** Non-executive directors are entitled to remuneration for their services. The limit on aggregate fees payable to non-executive directors is to increase from £200,000 per annum to £500,000. It is an Association of British Insurers guideline that a listed public company's articles of association should contain a limit on non-executive directors' fees.
102, 103	**Retirement of Directors** The Existing Articles provided for one third of the Directors to retire from office on a rotation basis at every Annual General Meeting. The Combined Code requires each Director to be subject to re-election at an interval of no more than three years and at the first annual general meeting after their appointment. Accordingly the New Articles have been amended to make that clear.

Explanation of Special Business to be dealt with at the 2004 Annual General Meeting contined

The Combined Code requires that non-executive directors who have served for nine years or more should be subject to annual re-appointment. The proposed New Articles reflects this.

Security for personal liability of Directors in relation to sums due by the Company

176 The New Articles provide that, where a Director or other person becomes personally liable for an amount primarily due from the Company, the Board may execute a mortgage charge or security over all, or part of, the Company's assets to indemnify that Director against any loss incurred in respect of that liability.

Provisions covered by the Act

- Certain provisions have been deleted as they repeat the Act. Examples include Article 157 of the Existing Articles relating to the sending of statutory accounts to each member.

Outdated or unnecessary provisions

- Certain provisions have been deleted as being out of date or unnecessary. Examples include Articles 52 to 55 of the Existing Articles relating to the issue and use of stock and Article 98 of the Existing Articles relating to appointment of associate directors.

Resolution 10 – Authority to issue Shares

Resolution 10 would authorise the Directors, for a period of 15 months from 25th January 2005 or to the next Annual General Meeting whichever is the earlier, to allot ordinary shares up to an aggregate nominal value of £11,000,000, consisting of 44,000,000 ordinary shares of 25 pence each and which represents approximately 33 per cent. of the total ordinary share capital in issue on 30th November 2004 (the last practicable date prior to the publication of this document). The Company does not currently hold any shares as treasury shares within the meaning of section 162A of the Act ("treasury shares"). Save in respect of the issue of new ordinary shares pursuant to the share incentive schemes, the Directors currently have no present intention to allot relevant securities but the Directors believe it to be in the interests of the Company for the board to be granted this authority to enable the board to take advantage of appropriate opportunities which may arise in the future.

Resolution 11 – Disapplication of pre-emption rights

Resolution 11 seeks to disapply the pre-emption right provisions of section 89 of the Act in respect of the allotment of equity securities (including a sale of treasury shares) pursuant to rights issues and other pre-emptive issues or offers and in respect of other issues of equity securities (including sales of treasury shares) for cash up to an aggregate nominal value of £1,650,000, being approximately 5 per cent. of the issued ordinary share capital on 30th November 2004 (the last practicable date prior to the publication of this document). If approved by shareholders, this power will expire 15 months after the passing of this resolution or, if earlier, at the end of the next Annual General Meeting. The Directors have no present intention of exercising their authority pursuant to this disapplication, but, as in previous years, they consider it desirable that they have the flexibility to act in the best interests of the Company when opportunities arise.

Resolution 12 – Political donations

Resolution 12 concerns the Political Parties, Elections and Referendums Act 2000 ("PPERA"). Any donations to political organisations or political expenditure by a company in excess of an aggregate of £5,000 must be authorised by the Company's shareholders. There is no present intention to make cash donations to any political party. The Company as part of its normal business activity may wish to have contact with political parties to ensure that they are aware of the key business issues affecting its business. Under PPERA the definition of political expenditure and donations to political organisations is extremely wide and may be construed as covering such areas of the Company's normal business activities. It is therefore considered appropriate that a resolution be put to shareholders in general terms. The Company will disclose in its next annual report, in compliance with PPERA, any expenditure or donations in excess of £200 which is within the ambits of the definitions of PPERA.

Resolution 13 – Purchase of own Shares

The New Articles contain a provision allowing the directors to purchase the Company's own shares subject to the prior authority of the members having been obtained. The resolution will be proposed as a special resolution 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 13,200,000 ordinary shares, being 10 per cent. of the issued ordinary share capital on 30th November 2004 (the latest practical date prior to the publication of this document),with a stated upper limit on the price payable which reflects the requirements of the Listing Rules of the Financial Services Authority. 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 Board does not yet have the intention to implement this strategy.

The total number of options to subscribe for equity shares that are outstanding on 30th November 2004 (the last practicable date prior to the publication of this document) is 3,694,322. This represents 2.8 per cent. of the issued share capital at that date. If the Company was to purchase the maximum number of ordinary shares permitted pursuant to the authority conferred by Resolution 13, then these options would represent 3.1 per cent. of the reduced issued share capital (excluding any treasury shares).

The Act permits companies to hold shares acquired by way of market purchases (as described above) in treasury, rather than having to cancel them. The Company would consider holding any of its own shares that it purchases pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost effectively, and would provide the Company with additional flexibility in the management of its capital base.

No dividends will be paid on shares whilst held in treasury and no voting rights will attach to treasury shares.