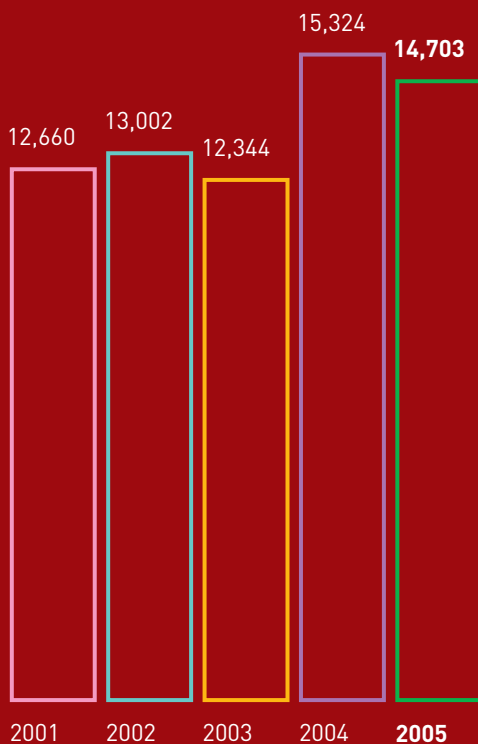
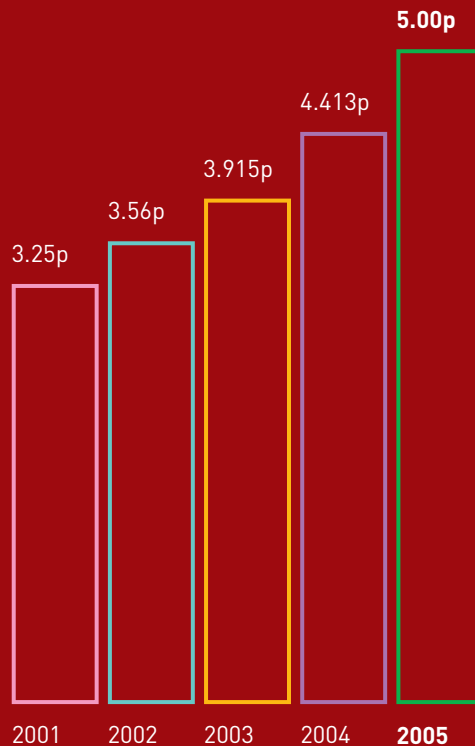


Shaftesbury invests only in those districts within London's West End which have an enduring demand from occupiers and popularity with their customers. Our investments are all close to the unique cluster of shops, restaurants, theatres, cinemas and world class galleries, museums and historic attractions which are the essence of the West End.

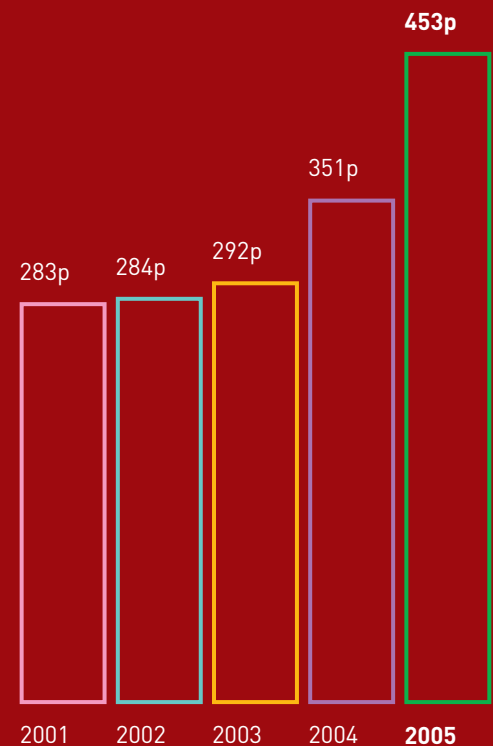
Profit on ordinary activities before taxation
£'000



Dividends declared per share
Pence



Diluted net asset value per share
Pence



Financial Highlights		2005	2004	% Change
Net property revenue	£'000	43,215	40,178	+7.6%
Adjusted profit before taxation*	£'000	14,544	14,708	-1.1%
Profit on ordinary activities before taxation	£'000	14,703	15,324	-4.1%
Profit on ordinary activities after taxation	£'000	11,818	10,804	+9.4%
Adjusted diluted earnings per share*	pence	10.99	11.13	-1.3%
Diluted earnings per share before taxation	pence	11.11	11.60	-4.2%
Diluted earnings per share after taxation	pence	8.93	8.18	+9.2%
Dividends per share	pence	5.00	4.413	+13.3%
Investment properties at book value	£'000	993,079	825,580	
Shareholders' funds	£'000	600,209	464,645	
Net diluted net asset value per share	pence	453	351	+29.1%

* Underlying profit excluding exceptional costs and property disposals – see Note 11


Performance Summary - year ended 30th September 2005

	Shaftesbury Group	Benchmark
Portfolio return (the annual valuation and realised surpluses arising on the Group's investment portfolio expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions and capital expenditure)	+15.3%	IPD UK Monthly Index Capital Values - +10.8%
Overall return (a combination of the portfolio return referred to above and the net property revenue from the portfolio for the year expressed as a percentage return on the valuation at the beginning of the year adjusted for acquisitions and capital expenditure)	+20.2%	IPD UK Monthly Index Total Return - +17.6%
Net asset value return (the growth in diluted net asset value per Ordinary share plus dividends declared per Ordinary share expressed as a percentage of the diluted net asset value per share at the beginning of the year)	+30.5%	
Total shareholder return (the growth in the market price of an Ordinary share plus dividends received during the year expressed as a percentage of the share price at the beginning of the year)	+39.2%	FTSE 350 Real Estate Index - +27.7%

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At the year end our investments included 770 commercial tenants located in three main districts namely, Carnaby, Covent Garden and Chinatown. Shops and restaurants account for 71%, offices 23% and residential 6% of the overall value.







Our results this year demonstrate once again the benefits of our clearly defined strategy of long term investment combined with enterprising estate management.

Shareholders' funds at 30th September 2005 totalled £600.2 million, equivalent to a diluted net asset value per share of £4.53. This compares with shareholders' funds of £464.6 million and a diluted net asset value per share of £3.51 at the previous year end. This represents an increase of £1.02 per share, an uplift of 29.1% over the year.

Profit on ordinary activities before taxation adjusted to exclude exceptional costs and asset disposals for the year ended 30th September 2005 amounted to £14.5 million, compared with £14.7 million in 2004.

The Central London terrorist attacks in July 2005 led to sharply reduced trading for our West End retail and restaurant tenants in the final quarter of our financial year. However, occupier demand for these uses has remained firm throughout our villages and we are securing lettings both for current vacant properties and our new schemes.

Disposals of non-core investment properties during the year produced a surplus over book value of £4.2 million (2004 - £0.6 million). Exceptional costs in the year comprised the book loss of £3.8 million on the purchase of £12.4 million of debenture stock and £0.3 million incurred in restructuring the Group's activities into four village subsidiaries to provide greater flexibility. Including these items, this year's profit on ordinary activities before taxation amounted to £14.7 million compared with £15.3 million last year.

After provision for current and deferred taxation of £2.9 million (2004 - £4.5 million), profit on ordinary activities amounted to £11.8 million (2004 - £10.8 million).

Your Directors are pleased to recommend an increased final dividend of 3.30p per share (2004 - 2.90p). Together with the interim dividend of 1.70p per share, this will bring the total distribution for the year to 5.00p per share (2004 - 4.413p), an increase of 13.3%. The Board's policy is to maintain a level of distribution which reflects our expectation of long term growth in funds generated from the Group's operations after making appropriate provision for investment to up-grade and enhance its portfolio.

Our property portfolio has been valued at 30th September 2005 at £997.6 million, resulting in a revaluation surplus of £130.2 million, equivalent to an overall 15.1% uplift. Initial yields applied to commercial uses have again moved in our favour by about 0.75% over the year (2004 - 0.5%) reflecting both the strength of investment demand for property assets, particularly those located in the West End, and a stable outlook for interest rates. Future general trends in yields, which have a major impact on valuations, are influenced by numerous factors and it is impossible to predict whether the favourable movements seen over the last two years will be maintained.

It is clear that the value of our portfolio also benefits both from its rental growth potential as well as our approach to estate management. Our valuers have estimated that the rental value of our portfolio at the year end at £60.6 million per annum, compared with current gross income at that date of £49.8 million. For those properties held throughout the year, we have seen a 5% increase in total estimated rental value as tenant demand in our villages has established new rental levels and our estate management and refurbishment schemes have increased the income potential of our assets. We expect these factors, particularly tenant demand for our shops and restaurants, will continue to deliver new levels of rental value.

Chairman's statement



Our valuers have again commented in their valuation report on the concentration of a high proportion of our properties in adjacent or adjoining locations in our principal villages and the dominance of retail and restaurant uses. They advise that, as a consequence of these unusual factors, our portfolio as a whole or in parts may have a value greater than that currently included in our financial statements.

At the year end our investments included 770 commercial tenants located in three main districts namely, Carnaby, Covent Garden and Chinatown. Shops and restaurants account for 71%, offices 23% and residential 6% of the overall value.

Whilst the supply of suitable new investments are always limited in the sought-after central locations in which we choose to specialise, we have been successful during the year in purchasing properties in Carnaby, Covent Garden and Charlotte Street totalling £37.6 million. We are continuing to find new investment opportunities which complement our current villages and offer the potential for income and capital growth.

In November 2005 we announced that we had entered into a 50/50 joint venture with the Mercers' Company. This was approved by shareholders at an Extraordinary General meeting on 29th November 2005. Our contribution to the joint venture of property assets of £38.8 million and cash of £42.3 million has further increased our investment in Covent Garden. Combining our property assets with those of the Mercers' Company will allow the phased regeneration of a site of almost two acres, located at the corner of Long Acre and Upper St. Martin's Lane. We expect to create additional retail and leisure space with new pedestrian routes through the site and to improve office and residential accommodation. This project should also benefit our neighbouring investments in Seven Dials.

We continually review our portfolio to ensure that we retain only those properties which are part of our long term investment strategy. During the year we made two disposals of assets in Covent Garden which achieved net proceeds of £15.3 million and surpluses over book value of £4.2 million. In November 2005 we sold for £45.0 million National Magazine House in Carnaby, a predominately office investment of 55,000 sq. ft. with eleven flats above, whilst retaining a long leasehold interest in the seven shops fronting Carnaby Street and Broadwick Street.

Our joint venture and other purchases during the year mark a significant investment in Covent Garden, where we see excellent opportunities to enhance income and value. The growth in the reversionary potential of our portfolio and the disposals we have made confirm the benefits of our pro-active management of the portfolio and underline our confidence in your Company's future prospects.

P John Manser

Chairman

7th December 2005





PIA!



The background is a solid orange color. On the left, there are three stylized white line-art figures: a man in a suit holding a briefcase, a woman in a dress, and another man in a suit. On the right, there is a stylized white line-art dog and a tall, thin white line-art figure. The title 'Business review' is written in large, white, sans-serif font across the middle of the page.

Business review

Our strategy

Shaftesbury's clearly defined strategy is to invest only in the liveliest districts at the centre of London's West End. Shaftesbury's success is therefore closely linked to London's fortunes. Consequently, many of our retail and restaurant tenants in particular were severely affected by the terrorist bombings in July. As has been widely reported, visitor numbers and trading activity were greatly reduced in the following three months. Tourist activity is now returning to levels seen this time last year. In the absence of further disruption, we expect to see a return in 2006 to the healthy growth in domestic and overseas visitors seen in the first half of 2005. An interesting trend this year has been a noticeable increase in the number of visitors from mainland China.

We are encouraged to see that following the July bombings, both the Mayor of London and Westminster City Council are co-operating in the promotion of London to tourists. They are also committing to invest in more infrastructure projects to further improve the West End. In coming years the award of the 2012 Olympics to London will inevitably bring greater investment to the Capital and its transport links.

Despite recent setbacks, London remains the world's top City destination for overseas visitors. In addition, there are also about 20 million people in the South East of England who are within easy access for day trips, giving London a broad-based visitor economy. Tourists from home and abroad look for accessibility, especially by public transport, safety and a wide choice of leisure and entertainment for which London is unrivalled.

An essential element of our investment strategy is that our three principal villages of Carnaby, Chinatown and Covent Garden are at the very heart of London's West End and are surrounded by the unique cluster of theatres, cinemas, galleries, historic sites, palaces and museums. With our concentration of ownerships we are well placed to work with local authorities and community groups to encourage and facilitate improvements to our village environments.

With our very detailed knowledge of these areas and through bold initiatives we aim to create mixed use environments with an emphasis on new retail concepts and independent restaurants. Increasingly, this includes changes of use from offices to shops, restaurants and other leisure uses as well as residential.

Capital expenditure on our assets totalled £10.8 million during the year, representing 1.1% of our year end portfolio value. Our schemes, whilst frequently innovative and focussed on creating higher value uses, usually involve the reconfiguration of existing buildings rather than demolition and redevelopment and are of relatively short timescale. The dominance of non-office uses within our portfolio means that we are less exposed to the costs of obsolescence which are more apparent in offices.

The short duration of our schemes and the current level of tenant demand for shops and restaurants means that the composition of our vacant properties changes constantly. The rental value of vacant commercial space at the year end was £3.9 million per annum.



Analysis of vacant commercial space at 30th September 2005

Estimated Rental Value	Shops £'000	Restaurants and bars £'000	Offices £'000
Under refurbishment	350	-	600
Ready to let	860	300	660
Under offer	430	380	300
Total	1,640	680	1,560
Area – sq. ft.	35,000	12,000	49,000

Our portfolio

Our portfolio at the year end included 283 shops with a total of 370,000 sq. ft., which provide 40% of current contracted income with an average unexpired lease term of eight years. We have seen considerable activity this year in lettings at Carnaby and Covent Garden, whilst new retail initiatives are in hand within Chinatown.

We are probably the largest investor in West End restaurant property and we are giving priority to expanding our portfolio of 134 restaurants, which at the year end extended to 352,000 sq. ft. They provide 27% of contracted income with an average unexpired lease term of fifteen years.

We welcome the recent changes to the Use Classes Order, which now distinguishes between pubs and bars, where the predominant trade is the consumption of alcoholic drinks, and restaurants, in which alcoholic drinks are ancillary to the consumption of food. We hope that this change will enable us to make selective improvements and extensions to our restaurants more easily than has been the case in the past.

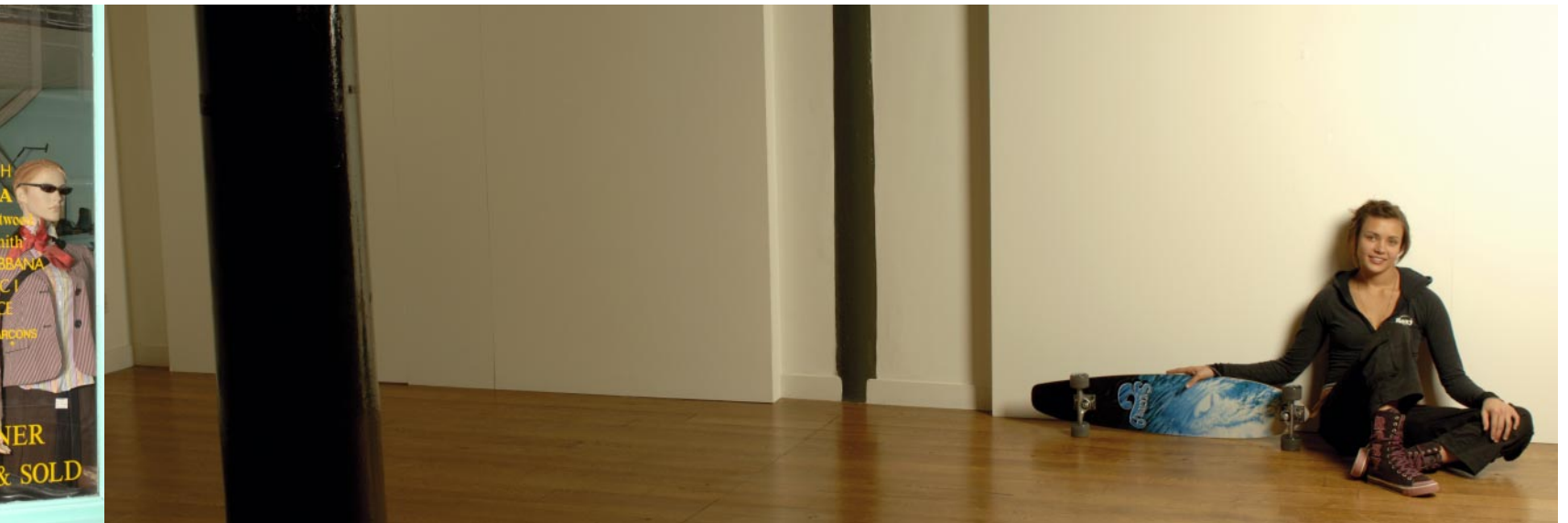
Our villages included 485,000 sq. ft. of offices at the year end, which accounted for 28% of our contracted income and where the average unexpired ease term remains at six years. Purchases during the year of investments such as Lasenby House in Carnaby have for the time being increased the amount of offices we own. However, last month's sale of National Magazine House and the transfer of offices at Wellington House Covent Garden to our new joint venture with the Mercers have reduced our wholly owned offices to 380,000 sq. ft. being approximately 25% of current passing rents.

We expect this trend of reducing the office content of our wholly-owned portfolio will continue as we seek further changes of use. As was the case 12 months ago, recently we have experienced an encouraging increase in lettings; however, it is too early to say whether this demand will continue into 2006.

Residential accommodation continues to grow mainly through conversions from office use. It now represents 6% of our income compared with 4% last year. At 30th September 2005 we owned 228 units. Most of our flats have one or two bedrooms for which demand in our locations has always been firm. Our tenants tend to be younger people who work locally, contributing to the vitality of our villages.



We are probably the largest investor in West End restaurant property and we are giving priority to expanding our portfolio of 134 restaurants, which at the year end extended to 352,000 sq. ft. They provide 27% of contracted income with an average unexpired lease term of 15 years.





The Beatles Diary
Volume 2: The Beatles Years
The Beatles Diary
Volume 1: The Beatles Years
The Beatles Diary
Volume 2: The Beatles Years
The Beatles Diary
Volume 1: The Beatles Years

THE STONE ROSES
THE STONE ROSES
THE STONE ROSES
THE STONE ROSES
THE STONE ROSES
THE STONE ROSES

Ben Sherman
CASHMERE



During the year, more overseas retailers have chosen Carnaby as their preferred location from which to launch their brands in the UK.

Carnaby

Carnaby represents 44% by value of our portfolio and at the year end included 43% of our shops and 57% of our offices (reduced to 52% following the sale of National Magazine House since the year end). During the year, more overseas retailers have chosen Carnaby as their preferred location from which to launch their brands in the UK. Carnaby is now established as the leading location in the West End for sports and leisure fashion, which is also the source of many exciting new concepts and brands.

Our current reconstruction projects at the junction of Carnaby Street, Broadwick Street and Marshall Street are well in hand and the first and largest shops fronting Carnaby Street are due for completion early in 2006. Current interest suggests that these units will be let on completion. An important priority for us now is to continue, through active estate management, to provide more good sized units to let not only for new applicants but for existing tenants who wish to expand their businesses. The benefit of increased rents from rent reviews of some of our larger shops will be seen in 2006 and 2007.

Our office refurbishments at Carnaby of 25,000 sq. ft. which principally front Kingly Street and Beak Street are now mostly complete. By the very nature of our portfolio of smaller buildings, where restaurants and shops increasingly dominate the lower floors, these offices tend to be smaller units which let on short leases. We have seen satisfactory lettings, but little rental growth during the year.

Our continuing development of Carnaby is now being matched by extensive improvements to the quality of adjoining shopping areas which are important to the health of the West End's leisure economy. The Crown Estate's comprehensive schemes for Regent Street are now very visible and are being extended north towards Oxford Circus. They are also supported by the initiatives now emerging from the New West End Company, a consortium of owners and occupiers whose new Business Improvement District extends to Oxford Street, Bond Street and Regent Street.

Carnaby Statistics

Valuation 30th September 2005	£441.1 million
Percentage of portfolio	44%
Acquisitions	£18.2 million
Capital expenditure in year	£6.6 million
Valuation surplus	£58.0 million
Valuation uplift	15.1%

	Number	Area Sq. ft.	% of current gross income
Shops	131	185,000	42
Restaurants and leisure	33	70,000	10
Offices		280,000	44
Residential	52	44,000	4









当归头片



草藥部
HERBAL MEDICINE

Covent Garden

With our existing shops and offices substantially let, our principal project during the year has been to provide advice and finance for the important initiative in Monmouth Street to widen pavements, provide new street lighting and resurface the street to provide better pedestrian access. The northern half of the street is now complete and works to the remainder will commence in January 2006.

In June 2005 we purchased a corner block of freeholds fronting Cranbourn Street and St. Martin's Lane which included six shops and restaurants with offices above. With most of the leases expiring in 2006 the properties offer interesting management opportunities which should result in considerably improved income over the medium term.

Since the year end, we have made a further strategic purchase in the Wellington House block. In November we announced that we had reached agreement to place our property holdings in and around Wellington House into a joint venture with the Mercers' Company. Following shareholders approval we have now sold our freeholds and have taken a 50% interest through the joint venture company in 175 year leases of the combined site. The combined leasehold interests extend to almost two acres and front Long Acre, Upper St. Martin's Lane, Shelton Street and Mercer Street.

Existing buildings on the site extend to 246,000 sq. ft. and current uses include 163,000 sq. ft. of offices and parking, together with seven shops, six restaurants and bars and 43 flats. This is a long-term project, which we expect to implement in phases. Whilst it is premature to speculate on the precise layout of the project at this stage, we are confident that with the benefit of planning consents obtained in recent years, we should be able to make a start on the first phases during 2006. Preliminary indications are for capital expenditure of £35 million over a five year period.

Our principal project during the year has been to provide advice and finance for the important initiative in Monmouth Street to widen pavements, provide new street lighting and resurface the street to provide better pedestrian access.

Covent Garden Statistics

Valuation 30th September 2005	£275.2 million
Percentage of portfolio	28%
Acquisitions during the year	£14.5 million
Capital expenditure in year	£2.5 million
Book value of disposals	£11.1 million
Valuation surplus	£29.9 million
Valuation uplift	12.2%

	Number	Area Sq. ft.	% of current gross income
Shops	95	130,000	49
Restaurants and leisure	40	102,000	21
Offices		141,000	21
Residential	99	70,000	9









Chinatown

We own 55 restaurants and 54 shops in London's Chinatown, located at the heart of the capital's premier entertainment and leisure district. This holding represents 41% of all our restaurants.

The high visitor numbers and long hours of trading in Chinatown present particular management challenges. Our immediate priority is to raise the quality of the whole area, which we are doing through investment and improvements both to buildings and to the external environment. We are working closely with Westminster City Council, which has now formally adopted the Chinatown Action Plan. We expect the first stage of street resurfacing and lighting improvements to Gerrard Street will commence in early 2006.

Our current restaurant extension and reconstruction at the corner of Gerrard Street and Macclesfield Street has been pre-let in advance of completion due for January 2006.

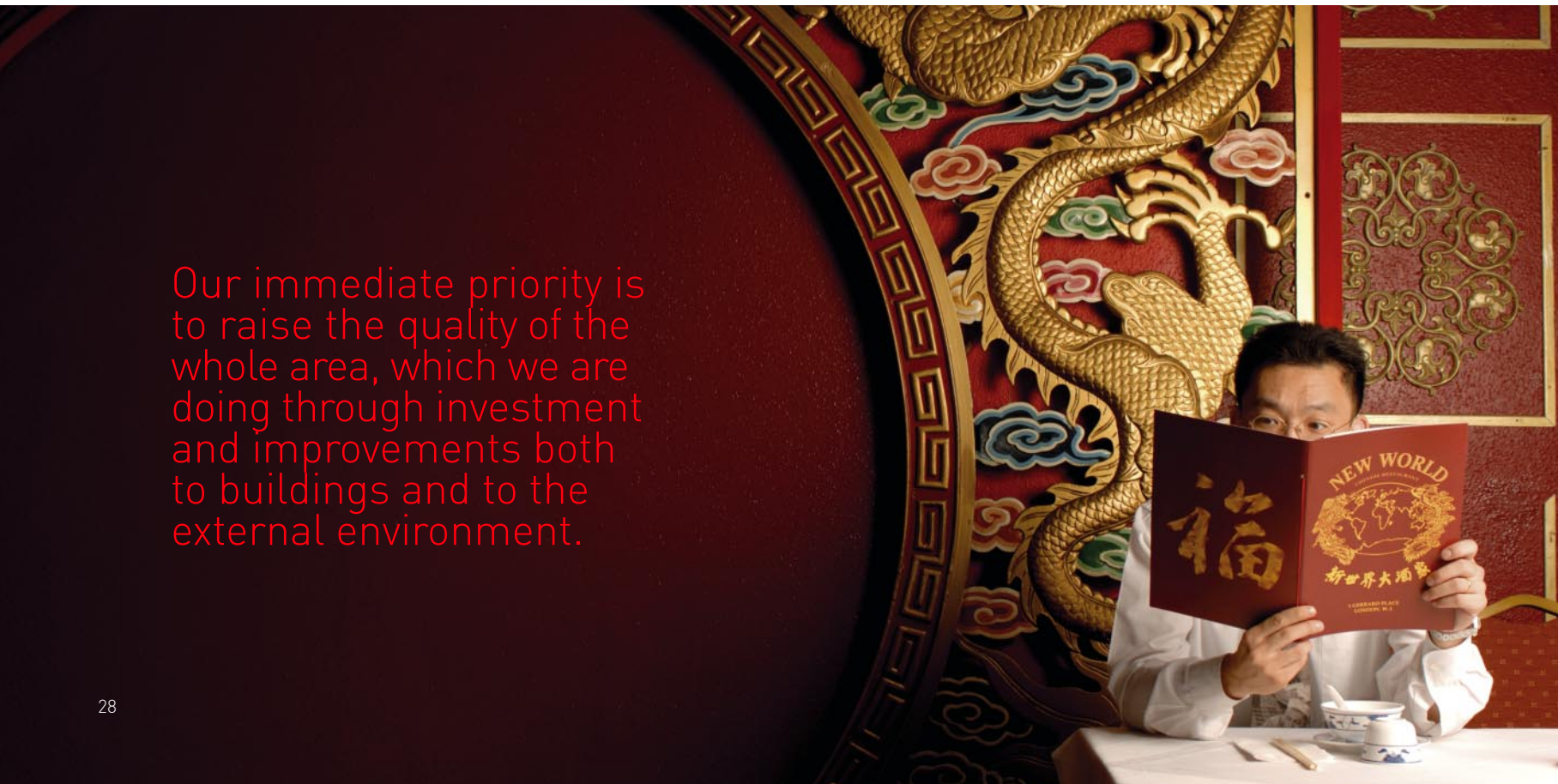
We continue to identify new projects from within our existing portfolio. The first phases of the new shopping courtyard at Horse and Dolphin Yard are now under way. In addition to creating new shopping the scheme will enable us to open access into neighbouring streets which in turn will offer further opportunities to improve our adjoining properties in Gerrard Street and Shaftesbury Avenue.

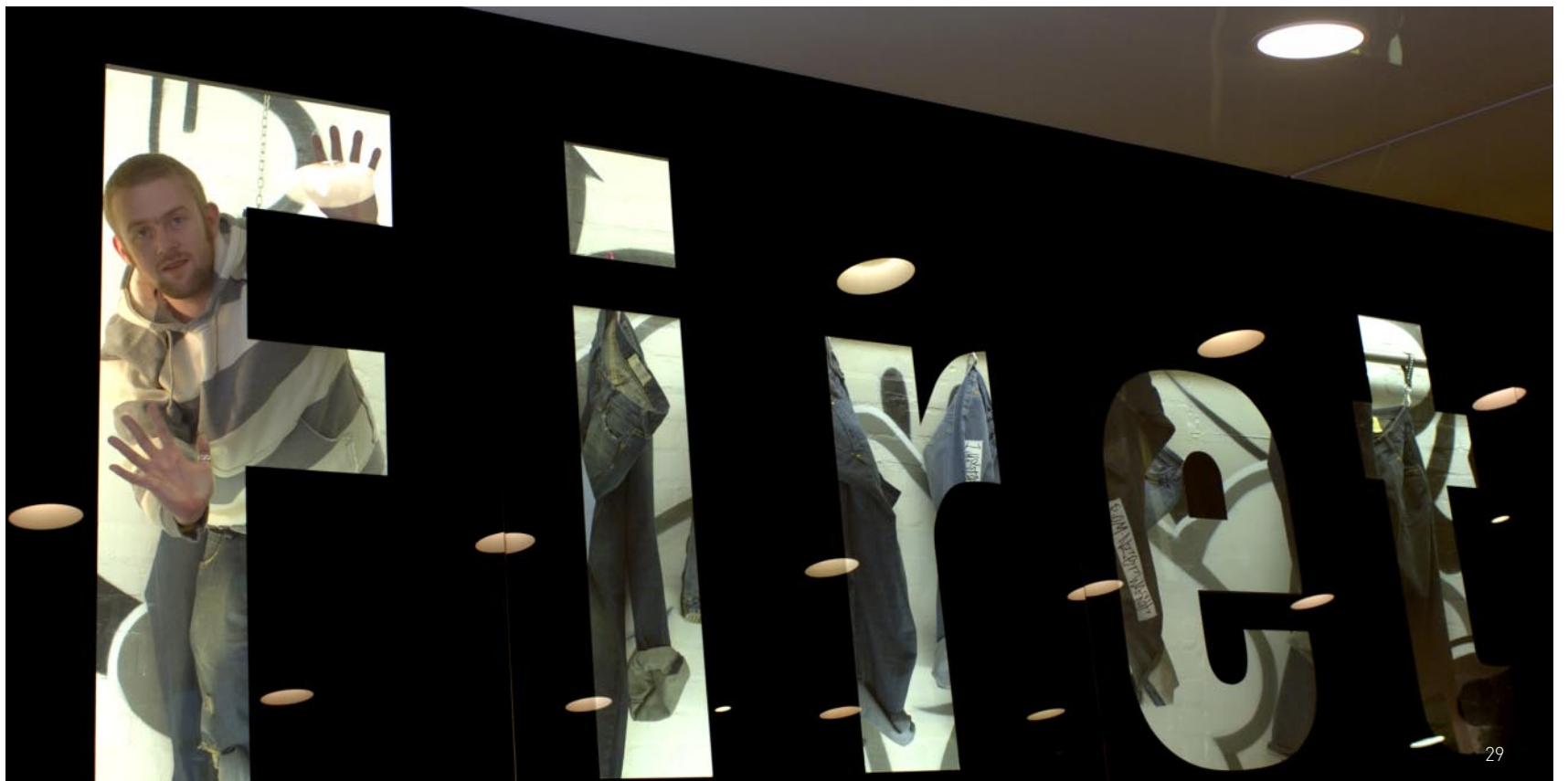
Chinatown Statistics

Valuation 30th September 2005	£260.6 million
Percentage of portfolio	26%
Capital expenditure in year	£1.7 million
Valuation surplus	£39.9 million
Valuation uplift	18.1%

	Number	Area Sq. ft.	% of current gross income
Shops	54	50,000	26
Restaurants and leisure	55	162,000	57
Offices		49,000	11
Residential	64	43,000	6

Our immediate priority is to raise the quality of the whole area, which we are doing through investment and improvements both to buildings and to the external environment.







£7.95	Kids Nosh	
£7.95	Classic Ham & Brollaron	£5.95
	Cheese Burger	£4.95
£6.90	Chicken	£4.95
£6.90	Fish Fingers	£4.95
£6.95	Salads	
£7.95	Sweet Chilli Chicken	
£7.95	Caesar* with plain or Cajon chicken	
	Extras (on any burger on request)	
	Jalapeno Peppers, Peppercorn Sauce, BBQ	
	Beef Chilli	





Results

Results

Our underlying profit before taxation for the year (adjusted to exclude exceptional costs and asset disposals) amounted to £14.5 million, a small decrease over the 2004 equivalent figure of £14.7 million. Profit on ordinary activities after exceptional costs and property disposal surpluses before taxation amounted to £14.7 million (2004 - £15.3 million).

We have seen a rising level of rental income, with rents invoiced (adjusted for lease incentives recognised in accordance with UITF 28) increasing from £44.4 million to £48.2 million. The increase of £3.8 million comprises rents from additions to the portfolio of £0.6 million and £3.2 million from properties owned throughout the year.

Our property outgoings have risen by £0.7 million to £4.9 million reflecting additional costs incurred in completing lettings and rent reviews (the results of which are reflected in our increasing income) and an increase in promotional activities to encourage visitors to our villages. In addition we are seeing a trend towards "inclusive" leases for our smaller shorter term office lettings which increases the level of non-recoverable service costs.

Net interest costs, which rose by £2.6 million during the year to £23.6 million, were covered 1.6 times (2004 - 1.7 times) by underlying operating profits (adjusted to exclude exceptional costs and property disposals).

The cost of financing acquisitions often exceeds their initial income, particularly as in the short term we often seek to create voids in order to progress our estate management plans. Over the medium term our initiatives to create improved income will reverse this differential.

During the year we refinanced an element of the Group's long term debenture debt from existing bank resources. The purchase and cancellation of £12.4 million of stock resulted in a loss of £3.8 million before tax relief but will allow us to benefit from lower interest rates in the future. The Board continues to be alert to further opportunities to refinance further stock if the terms for both purchase and the cost of alternative finance offer a clear long term benefit to the Group.

This year's taxation charge of £2.9 million (2004 - £4.5 million) reflects the tax relief available on the loss arising on the debenture stock purchase and the write back of £0.7 million of provisions for prior years' corporation and deferred tax liabilities. We currently have capital losses available to shelter the gains realised on property disposals this year. We anticipate that the remainder of these losses will be fully utilised in the coming year following recent asset disposals.

Diluted post-tax earnings per share for the current year amounted to 8.93p (2004 - 8.18p), an increase of 9.2% over the previous year.

Shareholders' funds at the year end totalled £600.2 million, equivalent to a diluted net asset value of £4.53 per share, an increase over the year of £135.6 million or £1.02 per share. These figures are arrived at after providing for deferred tax in accordance with FRS 19 totalling £5.4 million or 4p per share. The Directors consider that the likelihood of the liability relating to capital allowances crystallising in the foreseeable future is remote.

Performance and Benchmarking

The table on page 1 summarises our performance this year against appropriate benchmarks.

We have been unable to identify a published property performance index which relates specifically to a portfolio of mixed use buildings or includes restaurant uses as a component. These are key features of our own portfolio. We have therefore used for comparison purposes the IPD UK Monthly Indices which track movements across all main property categories on a monthly basis. Shaftesbury is a constituent of the FTSE 350 Real Estate Index.

This year our portfolio and overall returns have out-performed the IPD UK Monthly Indices by useful margins. Our total shareholder return exceeded the FTSE 350 Real Estate Index which itself reflected the substantial market re-rating of shares in the real estate sector during the year.



Finance

The nominal value of borrowings at the year end totalled £378.7 million, an increase of £41.0 million over the previous year end. Cash outflows during the year on acquisitions less disposals of investment properties amounted to £34.2 million and expenditure on refurbishments totalled £11.1 million. Cash generated from revenue operations after interest, taxation and dividends produced a net surplus of £8.7 million, compared with £3.4 million in the previous year. Further property disposal proceeds due at the year end of £12.1 million were received in October 2005.

Gearing at the year end, calculated by reference to the nominal rather than book value of our debt was 63% (2004 - 74%), which gives us even greater 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 market value of property assets was 38% (2004 - 42%).

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 Group against adverse movements in interest rates.

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

During the year we secured additional bank facilities of £70 million with two of our existing lenders. We now have committed facilities totalling £325 million with a weighted average maturity of 6.7 years. Committed unutilised facilities at the year end totalled £70 million.

At the year end the weighted average cost of our borrowings including margin was 6.51% (2004 - 6.68%). Of our total debt, 73% is either at fixed rate or hedged to limit our exposure to excessive rate increases. In August 2005, we restructured one of our hedging agreements to give a potentially longer exposure to a fixed rate of 4.80% (excluding margin) and extended the amount of the hedge by £5.25 million to £35.25 million.

At 30th September 2005, the fair value of the Group's debt and interest rate hedges compared with book value gave rise to a deficit of £48.1 million (2004 - £35.3 million) or £33.7 million (2004 - £24.7 million) after tax relief. This is equivalent to a reduction in diluted net assets per share of 36p (2004 - 27p) or 25p (2004 - 19p) after tax. The increase in the fair value deficit reflects further moderation in the outlook for long term interest rates, which is one of the factors which influences the improvement in investment yields which has benefited our annual valuation. The Group has no legal obligation nor present intention to crystallise the fair value deficit by the further early refinancing of its fixed rate debt or the early termination of its interest rate hedges.

Future developments

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 summary of the key changes which will affect our results and future financial reporting and their impact on our results and net assets reported under UK GAAP is set out on pages 74 to 75.

The Board continues to monitor developments in property ownership structures and proposals for the future taxation of the real estate sector. Any legislative proposals by the Government will be carefully reviewed with the Group's advisors to determine their impact both on the business and the interests of its shareholders.

Jonathan S Lane Chief Executive

Brian Bickell Finance Director

7th December 2005





Portfolio Analysis

		Carnaby	Covent Garden	Chinatown	Charlotte Street	Portfolio
Market Value (note 1)		£441.1m	£275.2m	£260.6m	£20.7m	£997.6m
% of total Market Value		44%	28%	26%	2%	100%
Current gross income (note 2)		£21.0m	£14.2m	£13.4m	£1.2m	£49.8m
Estimated rental value (ERV) (note 3)		£26.9m	£17.1m	£15.3m	£1.3m	£60.6m
Shops	Number	131	95	54	3	283
	Area – sq.ft	185,000	130,000	50,000	5,000	370,000
	% of current gross income	42%	49%	26%	5%	39%
	% of ERV	47%	49%	25%	9%	41%
	Average unexpired lease length- years (note 4)	6	10	8	15	8
Restaurants and leisure	Number	33	40	55	6	134
	Area – sq.ft	70,000	102,000	162,000	18,000	352,000
	% of current gross income	10%	21%	57%	44%	27%
	% of ERV	11%	20%	58%	43%	26%
	Average unexpired lease length- years (note 4)	12	15	16	19	15
Offices	Area – sq.ft	280,000	141,000	49,000	15,000	485,000
	% of current gross income	44%	21%	11%	36%	28%
	% of ERV	39%	20%	10%	32%	27%
	Average unexpired lease length- years (note 4)	7	4	3	2	6
Residential	Number	52	99	64	13	228
	Area – sq.ft	44,000	70,000	43,000	10,000	167,000
	% of current passing rent	4%	9%	6%	15%	6%
	% of ERV	3%	11%	6%	15%	6%

Basis of Valuation

Overall initial yield (note 6)		4.35%	4.64%	4.80%	5.06%	4.56%
Overall equivalent yield (note 7)		5.40%	5.51%	5.44%	5.44%	5.44%
Tone of retail equivalent yield		4.75 - 6.50%	4.50 - 6.75%	5.35 - 6.00%	5.50 - 6.25%	
Tone of retail estimated rental values	ITZA £ per sq.ft.	£100-£285	£70-£300	£150-£252	£70-£75	
Tone of restaurant equivalent yields		6.00-6.50%	4.75-6.25%	5.35-6.00%	5.25-5.50%	
Tone of restaurant estimated rental values	£ per sq.ft.	£40-£70	£35-£75	£70-£80	£69	
Tone of office equivalent yields		5.50-6.50%	6.00-6.50%	6.25-7.00%	5.75-6.50%	
Tone of office estimated rental values	£ per sq.ft.	£30-£42.50	£22.50-£37.50	£27.50-£40	£25-£32.50	
Tone of residential estimated rental values	£ per annum	£9,300-£40,000	£10,000-£41,600	£7,800-£26,000	£13,520-£15,500	

Notes:

- 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.
- Current gross income includes total actual and 'estimated income' reserved by leases. Current gross income does not reflect any ground rents, head rents or rent charges and estimated irrecoverable outgoings as at 30th September 2005 (the 'date of valuation'). 'Estimated income' refers to gross 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.
- 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 does not reflect any ground rents, head rents or rent charges and estimated irrecoverable outgoings.
- Average unexpired lease length has been calculated by weighting the leases in terms of current rent reserved under the relevant leases and, where relevant, by reference to tenants' options to determine leases in advance of expiry due to effluxion of time.
- Where mixed uses occur within single leases, for the purpose of this analysis the predominant use by rental value has been adopted.
- The initial yield is the net initial income at the date of valuation expressed as a percentage of the gross valuation.
- Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the flow of income expected during the life of the investment so that the total amount of income so discounted at this rate equals the capital outlay at values current at the date of valuation. 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.
- The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.

Directors, officers and advisors



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: 60 years.



Brian Bickell, FCA Finance Director.

Joined in 1986 and appointed a Director in 1987.
Responsible for finance strategy, accounting,
taxation and all company secretarial and
compliance matters.
Age: 51 years.



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: 47 years.



Thomas J C Welton, MRICS Director.

Joined in 1989 and appointed a Director in 1997.
Responsible for strategy and management in
Chinatown and parts of the Covent Garden estate.
Age: 44 years.



P John Manser, CBE, DL, FCA

Chairman and non-executive Director. Appointed to the
Board in 1997 and Chairman from 1st October 2004.
Chairman of the Nomination Committee. Chairman of
Intermediate Capital Group PLC. Deputy Chairman of
Colliers CRE plc. Non-executive director of SABMiller plc.
Chairman of Hiscox Investment Management Limited.
Age: 66 years.



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 Mid-Cap Investment Trust
plc and the F&C Capital and Income Investment Trust plc.
Member of the investment committees of the P&O and
Balfour Beatty pension funds. Age: 64 years.



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: 59 years.



W Gordon McQueen BSc, CA, FCIBS

Non-executive Director. Appointed to the Board in 2005.
Chairman of the Audit Committee. Non-executive
director of Scottish Mortgage Investment Trust plc,
The Alliance Trust plc, The Second Alliance Trust plc
and JP Morgan Mid-Cap Investment Trust plc. Formerly
Finance Director of Bank of Scotland. Executive director
of Halifax plc and HBOS plc (2001 - 2003). Age: 58 years.

Secretary and Registered Office

Brian Bickell, FCA,
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37/43 Sackville Street, London W1S 3DL
Tel: 020 7333 8118
Fax: 020 7333 0660
e-mail:
shaftesbury@shaftesbury.co.uk
Registered Number - 1999238

Stockbrokers

JPMorgan Cazenove
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.

Directors' report

The Directors present their report and the financial statements for the year ended 30th September 2005.

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

Principal Activity

The Group 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 2005 are set out in the Group Profit and Loss Account on page 54.

An interim dividend of 1.70p per Ordinary Share was paid on 24th June 2005.

The Directors recommend a final dividend in respect of the year ended 30th September 2005 of 3.30p per Ordinary Share, making a total dividend for the year of 5.00p per Ordinary Share (2004 – 4.413p). If authorised at the Annual General Meeting, the dividend will be paid on 7th February 2006 to members on the register at the close of business on 6th January 2006.

Share Capital

During the year, 99,058 Ordinary Shares of 25p each were issued fully paid at prices in the range £0.77 to £2.735 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 2005, together with their interests in the Ordinary Share capital of the Company, were as follows:

	Ordinary Shares of 25p each		
	1.10.04	30.9.05	1.12.05
Beneficial interests:			
Jonathan S Lane	198,938	266,746	266,746
Brian Bickell	187,090	187,090	187,090
Simon J Quayle	162,030	162,030	162,030
Thomas J C Welton	68,668	68,668	68,668
P John Manser	75,000	80,000	80,000
John R K Emly	15,000	15,000	15,000
Alastair W MacDonald	41,000	41,000	41,000
W Gordon McQueen (appointed 25.4.2005)	-	5,000	5,000

A policy requiring executive Directors to build up and maintain a minimum shareholding in the Group has been introduced. The amount invested is equivalent to the value of one years base salary. Newly appointed executive Directors will be expected to accumulate a shareholding over a period of five years from the date of their appointment.

Details of options granted to executive Directors under the Company's Share Option Schemes are set out in the Directors' Remuneration Report on pages 42 to 46.

At the forthcoming Annual General Meeting, J S Lane and S J Quayle will retire by rotation and will offer themselves for re-election. As required by the Articles of Association, W G McQueen will offer himself for election, having been appointed to the Board since the last Annual General Meeting. The Board considers that each of these Directors has 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 election and re-election.

J S Lane and S J Quayle 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. W G McQueen does not have a service contract and no compensation would be payable in the event that he was not 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

At 1st December 2005, 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	7.83
Prudential plc	4.94
ABP Investments Limited	3.99
Legal & General Investment Management Limited	3.93

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 2005, creditors in respect of invoiced supplies represented 23 days purchases (2004 – 24 days).

Purchase of Own Shares

The Company was granted authority at the Annual General Meeting in 2005 to make market purchases in its own shares. This authority will expire at the conclusion of the Annual General Meeting in 2006 and a resolution will be proposed to seek further authority. No shares were purchased under this authority during the year.

Charitable and Other Donations

During the year the Group made charitable donations in cash amounting to £55,172 (2004 – £41,000). The principal charities supported by the Group are set out in the Corporate Social Responsibility Report on pages 48 to 49.

The Group made no donations of a political nature during the year.

Auditors

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

2006 Annual General Meeting

The 2006 Annual General Meeting will include, as Special Business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, authority to make political donations and the introduction of a new Long Term Incentive Plan (see separate circular). The resolutions are set out in the Notice of Annual General meeting on pages 76 to 77 together with explanatory notes on pages 78 to 79.

By Order of the Board
Brian Bickell
Company Secretary
7th December 2005

Corporate governance

The Board of Directors is responsible to shareholders for the management and control of the Group'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 revised Combined Code on Corporate Governance issued in July 2003 (the "Combined Code") in all respects other than the recommendation that the Board should comprise equal numbers of executive and independent non-executive Directors. 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 two non-executive Directors for the period up to the appointment of W G McQueen on 25th April 2005, when the number of non-executive Directors increased to three for the remainder of the year. Each of the non-executive Directors is considered to be independent of the executive management of the Group and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. P J Manser was considered independent at the time he was appointed Chairman.

The Board is satisfied with the balance between executive and non-executive Directors which allows it to exercise objectivity in decision-making and proper control of the Company's business. The Board considers its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between executives and non-executives.

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. Biographies of each member of the Board are set out on page 37.

All Directors are required to submit themselves for election at the Annual General Meeting following their appointment and thereafter for re-election 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 Group'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

On 1st October 2004, P J Manser was appointed Chairman replacing P L Levy and J R K Emly became Senior Independent Director replacing P J Manser.

W G McQueen was appointed to the Board on 25th April 2005 and subsequently assumed chairmanship of the Audit Committee. He also serves on the Remuneration and Nomination Committees.

Functioning of the Board

The Board met five times during the year ended 30th September 2005. 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 Group's property portfolio, quarterly financial reporting and forecast up-dates, and regular reviews of risk and internal controls.

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

During the year, the Board conducted its annual review of performance and effectiveness as part of its appraisal process. Each of the Directors was assessed by his peers and there was an appraisal by the Senior Independent Director of the performance of the Chairman. The Board is satisfied with the outcome of the review which raised no issues to be addressed during the forthcoming year.

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 is available on the Group's website.

The role of Company Secretary is carried out by the Finance Director. Whilst the Board considers that combining these roles does not compromise the proper execution of the Company Secretary's responsibilities for governance or other matters, the Board expects to create a separate post of Company Secretary during 2006.

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 Group's expense in furtherance of their duties as Directors.

The Group maintains Directors and Officers Liability insurance of £5 million.

The Board has established three committees to deal with specific aspects of the Group's affairs. The terms of reference of these committees are available on the Group's website.

Audit Committee

The Audit Committee comprises W G McQueen as Chairman, J R K Emly and A W MacDonald. P J Manser was Chairman of the Audit Committee until 19th May 2005, having chaired two meetings of the Committee during the year at which point he stood down from the Committee. W G McQueen was appointed to the Committee on 25th April 2005 and assumed its chairmanship following P J Manser's resignation. W G McQueen chaired one meeting of the Committee during the year.

The Committee met three times during the year ended 30th September 2005. The Group's auditors and executives have attended by invitation. The principal responsibilities of the Committee are to monitor the framework of financial controls, review published financial information and monitor developments in financial reporting. 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 47.

Attendance at Meetings

Directors' attendance at Board and Committee meetings convened in the year ended 30th September 2005 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in year	5	3	4	3
	Attended	Attended	Attended	Attended
Executive Directors				
J S Lane	5	-	-	-
B Bickell	5	-	-	-
S J Quayle	5	-	-	-
T J C Welton	5	-	-	-
Non-Executive Directors				
P J Manser*	5	2 (2)	2 (2)	3
J R K Emly	5	3	4	3
A W MacDonald	5	3	4	3
W G McQueen*	3 (3)	2 (2)	2 (2)	0 (0)

* The number in brackets indicates the maximum number of meetings which P J Manser or W G McQueen could have attended during the period.

Remuneration Committee

The Remuneration Committee currently comprises J R K Emly as Chairman, A W MacDonald and W G McQueen. P J Manser stood down as a member of the Remuneration Committee upon the appointment of W G McQueen on 25th April 2005.

The Committee met four times during the year ended 30th September 2005. 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 42 to 46.

Nomination Committee

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

The Committee met three times during the year ended 30th September 2005. 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.

A report by the Nomination Committee is set out on page 47.

Relations with Shareholders

The Group 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 Group's brokers on these meetings.

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

Internal Control

The Directors are responsible for the Group'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 both the risks facing the business and 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 are submitted to the Audit Committee and the Board during the year to enable them to assess the effectiveness of the process and ensure that the Group complies with the Turnbull Guidance.

The Board confirms that procedures to identify, evaluate and manage the significant risks faced by the Group 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 Group's procedures and internal financial control framework are:

- The close involvement of the executive Directors in all aspects of day-to-day operations, including regular meetings with senior staff to review all operational aspects of the business.
- Clearly defined responsibilities and limits of authority. The Board has responsibility for strategy and has adopted a schedule of matters which are required to be brought to it for decision.

- A comprehensive system of financial reporting and forecasting. Financial accounts are prepared quarterly and submitted to the Board. Profit and cash flow forecasts are prepared at least quarterly, approved by the Board and used to monitor actual performance.
- Regular meetings of the Board and Audit Committee at which financial information is reviewed and business risks are identified and monitored.

In view of the Group'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

Comprehensive financial forecasts are prepared at least quarterly and submitted to the Audit Committee for review. Based on the information contained in these forecasts, the Directors have a reasonable expectation that the Group and the Company have 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
 Company Secretary
 7th December 2005

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 Group's remuneration policy together with details of Directors' remuneration in respect of the year ended 30th September 2005. 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 regarding descriptions of the Group's Long Term Incentive Arrangements and Sharesave Scheme and the information contained 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 Group 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 2004 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 A W MacDonald, W G McQueen and P J Manser who stood down from the Committee upon the appointment of W G McQueen on 25th April 2005.

The Committee met four times during the year ended 30th September 2005 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 Group so as to maximise shareholder value on a sustainable basis. The Committee aims to align its remuneration policies with the Group'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 Group and the contribution of individual Directors in a particular year and which incentivises participants to invest annual bonuses in the Company's shares;
- long term incentives which incentivise executives to deliver sustained improvement in financial performance and shareholder returns; 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. In pursuit of this objective, the Committee has reviewed the long term incentive arrangements of the Group. Proposals for a new long term incentive plan are described below and set out in a separate circular to Shareholders.

New Bridge Street Consultants ("NBSC") has provided independent external advice throughout the year to assist the Committee in formulating its recommendations to the Board to implement these remuneration policies and in connection with the proposed new long term incentive plan. NBSC was appointed by the Committee and only provides advice to the Group in respect of Directors' remuneration.

Terms of Employment

The executive Directors are employed under service contracts which may be terminated 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 Group 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 Group paying a sum equal to their basic annual salaries. The Group 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 Group'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 2004, revised letters of appointment were issued to the Chairman and Senior Independent Director following their appointments. W G McQueen received a letter of appointment upon his appointment to the Board.

Fees payable to non-executive Directors are determined and reviewed periodically by the Board, having taken advice from NBSC, and are within the limits set by the Articles of Association. Fees are intended to reflect the time commitment and responsibilities of individual non-executive Directors' roles and are set at broadly market median levels to ensure individuals of the necessary calibre and experience are recruited and retained.

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 or a car allowance in lieu, life assurance (including widow's pension) and permanent health insurance. The Group makes a pension contribution of 25% of basic salary into a personal pension plan in respect of each executive Director. Beyond this the Group has no further obligation in respect of funding Directors' pensions.

Annual Bonus Scheme

The Group 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 corporate 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 Group's net asset value and include the attainment of key management and business objectives.

A participant may elect to receive all or part of any bonus in the form of Ordinary Shares or cash. The maximum bonus limit is 125% of salary if the entire bonus is taken in shares or 100% of salary if taken entirely in cash. The value of the bonus is reduced by 20% for that part taken in cash rather than shares. Directors therefore taking their annual bonus in cash are in effect penalised to the extent that they take cash and forego the Deferred Bonus uplift on election for shares.

Where a participant elects for shares, they are 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. This award is not subject to any further performance conditions as the award relates to the deferred element of a bonus which has already been earned.

Unless there are exceptional circumstances, annual bonuses will not exceed 125% of basic salary if taken entirely in shares or 100% if taken entirely in cash. Annual bonuses are not pensionable and are not contractual. The Committee is satisfied that the bonus limit is competitive, but not excessive, against peer companies.

Long Term Incentive Arrangements

The circular accompanying the 2005 Annual Report provides full details of a new Long Term Incentive Plan (the "Plan") to be proposed to Shareholders at the forthcoming Annual General Meeting. The Plan involves the conditional award of shares. All awards granted under this proposed Plan will be subject to performance conditions set by the Committee each year.

Awards of free shares to employees will be limited to 150% of salary per annum in normal circumstances, although the maximum value of initial awards will be capped at 100% of salary. The maximum percentage of salary will vary according to the employee's position in the Group and in particular to the extent to which each employee is capable of influencing corporate performance.

If the proposed new incentive arrangements are approved by Shareholders at the 2006 Annual General Meeting, no further options will be granted under the 2001 Discretionary Share Option Scheme and the first awards under the new Plan will take place in February 2006 with a three year performance period commencing 1st October 2005. Thereafter, future awards will take place in line with the Group's usual timetable following the announcement of its annual results. For initial awards, there will be two separate performance conditions, each applying to half of an award.

- The performance condition attached to one half of an award will require average annual net asset value ("NAV") growth of between RPI plus 3% to RPI plus 7% per annum over three financial years commencing 1st October 2005 for between 30% and 100% of this part of the award to vest (i.e. between 15% and 50% of the total award).
- Similarly, the performance condition attached to the other half will require total shareholder return ("TSR") performance against the FTSE 350 Real Estate Index to match or exceed it by up to 5.5% per annum over three financial years commencing 1st October 2005 for between 20% and 100% of this part of the award to vest (i.e. between 10% and 50% of the total award). For the purposes of calculating TSR, share price plus dividends reinvested will be averaged over the three months prior to the start and end of the performance period.

Awards will vest on a straight line basis between minimum and maximum thresholds.

The range of NAV targets are considered by the Committee to be appropriately challenging taking account of an historically high base measurement point for the NAV condition and the outlook for the business over the next 2-3 years.

Using an Index is considered to provide a more durable benchmark for measuring performance than a comparator group comprising a small number of companies. The threshold of 5.5% per annum TSR out-performance for full vesting has been arrived at following detailed back-testing which has shown that this is equivalent to the average performance of the upper quartile companies against the Index over rolling three year periods between 1998 and 2005.

Directors' remuneration report

continued

Sharesave Scheme

The Group also operates an Inland Revenue approved Sharesave Scheme for all of the Group's employees, including executive Directors, subject to a qualifying service period. The Scheme aligns interests of employees with those of executive Directors and shareholders and 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 2005 was as follows:

		2005		2004		
		£'000		£'000		
Aggregate emoluments	Executive Directors	1,978		1,744		
	Chairman and other non-executive Directors	138		168		
		2,116		1,912		
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		328	231	211	196	966
	2004	325	223	187	172	907
Annual bonus *		300	187	202	175	864
	2004	255	171	154	136	716
Benefits		71	22	30	25	148
	2004	54	16	29	22	121
Aggregate Emoluments		699	440	443	396	1,978
	2004	634	410	370	330	1,744
Pension Contributions		82	58	53	49	242
	2004	79	56	47	43	225
* Includes annual bonus element taken as shares		100	62	202	125	489

The levels of bonuses awarded in respect of the year ended 30th September 2005 reflect the substantial achievement of individual and corporate targets set by the Committee at the beginning of the year.

Chairman and other non-executive Directors

	2005	2004
	£'000	£'000
P J Manser (Chairman from 1.10.2004)	60	31
P L Levy (Chairman until 30.9.2004)	-	75
J R K Emly	32	31
A W MacDonald	32	31
W G McQueen (appointed 25.4.2005)	14	-
	138	168

Review of Salaries and Fees in November 2005

Executive Directors' basic annual salaries were revised with effect from 1st December 2005 to the following levels:

	£'000
J S Lane	340
B Bickell	240
S J Quayle	230
T J C Welton	215

Fees payable to non-executive Directors other than the Chairman were increased by £3,500 to £36,000 per annum from 1st October 2005.

Table 2 - Share Options (audited)

Under the terms of the 2001 Discretionary Share Option Scheme, options granted are subject to the satisfaction of performance conditions before they vest and become exercisable. Performance is measured in terms of growth in net asset value per ordinary share prior to distributions. The Group'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. Calculations of performance will be reviewed by the Group's auditors prior to the vesting of any options.

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 under the Scheme during the period 2001 to 2003, if the performance target is not met in full after three years, it is 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. For options granted from 2004, there is no retesting of the performance condition.

The Peer Group of comparable listed real estate companies in respect of options granted since 2001 is kept under review by the Committee to ensure it is of reasonable size and remains a valid comparator group. Pillar Property PLC was removed from the Peer Group during the year as it is no longer listed on the London Stock Exchange. The Peer Group currently comprises 11 companies as set out below which the Committee considers provides a group of adequate size and composition to provide a meaningful comparator against which to assess the Group's performance:

The British Land Company PLC	Helical Bar plc
Brixton PLC	Land Securities PLC
Capital & Regional plc	Liberty International plc
Daejan Holdings PLC	Minerva plc
Derwent Valley Holdings PLC	Quintain Estates and Development PLC
Great Portland Estates plc	

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 2005, no participant was granted options with a subscription value greater than twice their basic salary.

Share Options held by Directors during the year ended 30th September 2005 (audited)

Date of Grant	Exercise Price	Exercise Period	J S Lane	B Bickell	S J Quayle	T J C Welton
1987 Scheme*	4.1.1995	1998-2005	62,808	-	-	-
<i>Exercised in year</i>			<i>(62,808)</i>	-	-	-
1997 Scheme	3.12.1998	2001-2008	96,096	54,054	45,045	42,042
	29.11.1999	2002-2009	49,104	27,136	25,844	24,552
2001 Scheme**	21.2.2001	2004-2011	164,000	99,830	99,830	89,135
	13.12.2001	Vested 2004-2011	72,669	41,682	36,198	30,714
	13.12.2001	Not yet vested 2004-2011	169,561	97,258	84,462	71,666
	18.12.2002	2005-2012	265,000	190,000	165,000	140,000
	18.12.2003	2006-2013	308,445	168,835	138,530	134,935
	15.12.2004	2007-2014	188,235	132,355	111,765	102,945
Sharesave Scheme	13.3.2001	2006	7,466	7,466	7,466	7,466

* Gain realised on the exercise of options during year: £'000
J S Lane – Market price at date of exercise £3.43 167

** Performance conditions as described above for options granted under the 2001 Discretionary Share Option Scheme are applied prior to vesting. Options may vest no earlier than three years after grant and no later than five years after grant. The Group achieved median performance against its Peer Group in respect of the three year performance period which ended on 30th September 2004. As a result, 30% of the options granted on 13th December 2001 vested during the year. No other options granted under the 2001 Scheme have yet vested.

No options lapsed during the year. There have been no changes in options outstanding in the period from 1st October 2005 to 1st December 2005.

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 2005 was £3.8025 and during the year then ended was quoted in the range £2.73 to £3.98.

Directors' remuneration report

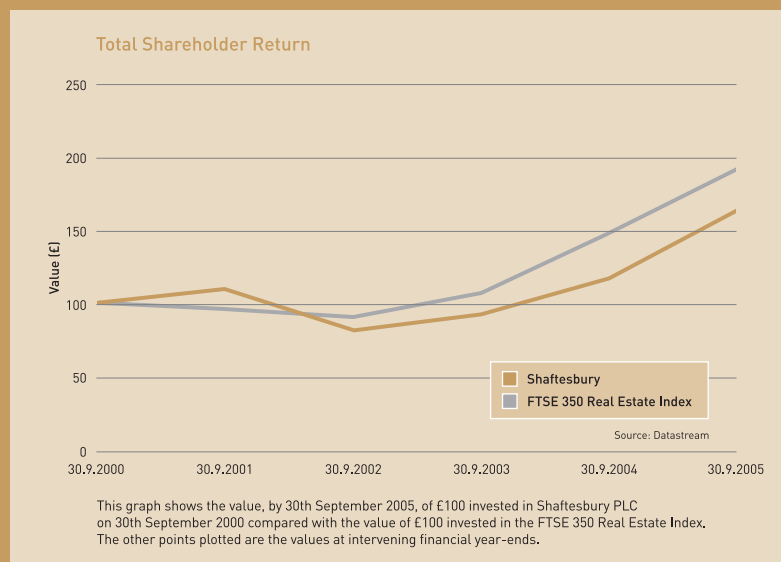
continued

Table 3 – Share Entitlements (audited)

Directors hold entitlements to Ordinary Shares in respect of that part of awards granted under the Deferred Annual Bonus Scheme which they have elected to take by way of shares rather than cash. At 30th September 2005 and at 1st December 2005, the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 345,440 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
5th December 2001	-	-	16,062	17,209
17th December 2002	25,000	50,000	-	31,875
<i>Exercised in year</i>	<i>(25,000)</i>	<i>(25,000)</i>	-	-
15th December 2003	9,071	25,200	40,952	38,305
7th December 2004	22,850	38,084	47,033	33,799
	31,921	88,284	104,047	121,188

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



Total Shareholder Return

The graph below shows the total shareholder return for the Company for each of the last five financial years compared with the FTSE 350 Real Estate Index. As the Company is a constituent of the FTSE 350 Real Estate Index and the Committee intends to use this index to measure performance for the proposed new incentive scheme, it considers this is the most appropriate benchmark against which the relative performance of the Company should be compared for the purposes of considering executive Directors' remuneration.

Fees from external appointments

J S Lane received and retained fees in the year ended 30th September 2005 in respect of his directorship of two private companies unconnected with the Group'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

7th December 2005

Audit committee report

Membership

The Committee is comprised solely of independent non-executive Directors and is chaired by W G McQueen. P J Manser chaired the Committee until 19th May, having chaired two meetings of the Committee during the year, at which time he stood down from the Committee. W G McQueen was appointed to the Committee on 25th April 2005 and assumed its chairmanship following P J Manser's resignation. W G McQueen chaired one meeting of the Committee during the year. 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.

W G McQueen is a Member of the Institute of Chartered Accountants of Scotland and a Fellow of the Chartered Institute of Bankers of Scotland. 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 met three times during the year ended 30th September 2005. 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 Group's public statements on these matters;
- Monitoring the risk and control strategies of the Group's principal managing agents and instructing a programme of periodic external reviews where appropriate;
- 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. The auditors provide annually a letter to the Group confirming their independence;
- Monitoring non-audit assignments awarded to the external auditors;
- A review of the need to establish an internal audit function;
- A review of the Group's whistleblowing policy;
- Monitoring developments in accounting and reporting requirements and in particular the Group's implementation of changes arising from

the adoption of International Financial Reporting Standards for the Group's reporting period commencing 1st October 2005; and

- A review of the Committee's effectiveness.

Award of Non-audit Assignments to the External Audit Firm

During the year, PricewaterhouseCoopers LLP undertook non-audit work for the Group. The fees for these services which related principally to taxation compliance and advisory work totalled £285,000. Audit fees for the year totalled £73,000.

The Committee monitors the award of non-audit assignments to the external audit firm. In accordance with the Committee's policy, such assignments will only be awarded to the audit firm if there is no risk of conflict arising with their audit independence and objectivity. The Committee is satisfied that no assignments awarded this year gave rise to such a risk and that the overall level of non-audit fees in the current year did not compromise the auditor's independence or performance of their statutory audit responsibilities.

On behalf of the Board
W Gordon McQueen
Audit Committee Chairman
7th December 2005

Nomination committee report

Membership

The Committee is comprised solely of independent non-executive Directors and has been chaired throughout the year by P J Manser. Other members of the Committee are J R K Emly, A W MacDonald and, following his appointment during the year, W G McQueen.

Meetings

The Committee met three times during the year ended 30th September 2005.

Main activities of the Committee

During the year, the main activity of the Committee following the Board's decision to appoint an additional non-executive Director was the identification and recommendation to the Board of a suitable candidate.

The Committee retained the services of an executive search company to identify suitable potential candidates. The search company met the Board of Shaftesbury to establish parameters for their search and subsequently produced an initial list of nine potential candidates from a wide range of business backgrounds. After discussion with the Committee, five candidates were selected for interview. Following these interviews, the Committee resolved to recommend W G McQueen to the Board.

J R K Emly and W G McQueen are both members of the board of JP Morgan Mid-Cap Investment Trust plc. J R K Emly did not participate in W G McQueen's interview or in the Committee's decision to recommend his appointment to the Board. The Board considers that this common directorship will not compromise the independent judgement of either Director.

The Committee continued to monitor and advise the Board with regard to succession planning for executive and non-executive Directors.

On behalf of the Board
P John Manser
Nomination Committee Chairman
7th December 2005

Corporate social responsibility

The Board recognises the importance of social, environmental and ethical matters in the conduct of the Group's business. The Chief Executive is responsible for the development and administration of policies and practices in matters relating to Corporate Social Responsibility ("CSR"). The Board receives regular reports on CSR matters.

The Group's Environmental, Social and Community Policy is reviewed annually to ensure it continues to reflect the CSR risks and opportunities relevant to Shaftesbury. A revised Statement of Policies was approved by the Board in July 2005. The policy document and regular progress reports are available on the Group's website. As in previous years, an external review was undertaken in August 2005 by RPS Consultants in order to verify working practices against Policy Goals and achievement of objectives and targets in the Action Plan. The revised Policy, the results of the external review in this and previous years and the Action Plan are available in full on the Group's website. The following report highlights key achievements during the year.

The Group achieved a ranking of 69 out of 500 in this year's Business in the Community Corporate Responsibility Index and was the highest rated within the Real Estate sector. The Index is a voluntary self assessment survey that provides an annual benchmark of how companies manage, measure and report their corporate responsibility. The Index is open to all companies in the FTSE 100, FTSE 250 and Dow Jones Sustainability Index.

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 of in excess of 1% of pre-tax profits.

Environmental Strategy – Investment and 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. Its 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 the sourcing of materials. During the year:

- Eighteen refurbishment schemes of a capital value of above £50,000 have been registered with the Considerate Constructors' Scheme. This represents approximately 86% of such schemes which are subject to external scrutiny and audit. Of these, 89% of those audited have achieved satisfactory scores (2004 – 80%).
- The Group's Environmental, Social and Community Policy was included within tender documentation for subcontractors with guidance provided for the specification of materials, waste management and checklists for legal compliance.
- A Contractor's Induction leaflet, outlining the key points of Shaftesbury's Environmental, Social and Community Policy has been issued to all subcontractors working on Shaftesbury's portfolio.
- A timber sourcing questionnaire has provided information regarding the chain of custody of timber sourced by suppliers and will enable a performance standard to be set for next year.

As in 2004, waste management activities were monitored but it continued to be difficult to collect data in a form to compare against a recognised performance indicator. As a result of the small scale of most of Shaftesbury's refurbishment projects, the volumes of waste are relatively low and there is often insufficient space to segregate waste. This is a continuing problem, which is unlikely to be resolved given the unusual nature of Shaftesbury's portfolio. In view of this Shaftesbury will continue to monitor waste production, but considers that an appropriate performance indicator will not be readily identifiable.

In day-to-day property management, energy consumption and waste management are the key environmental issues. The Group continues to monitor energy consumption in the common parts of its portfolio where it has direct responsibility. Data collected indicates relatively low energy usage at comparable levels to the consumption last year. The 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 continues where appropriate within the portfolio.

Water meters have now been installed throughout Carnaby and Covent Garden and consumption is now being monitored.

Environmental Strategy – Property Management

In Chinatown, Shaftesbury continues to work closely with Westminster City Council to manage the issues that are specific to the area such as controlling street cleaning and disposal of food waste. Improved waste collection facilities have been incorporated in the Group's new retail scheme at Horse and Dolphin Yard.

The recycling and compacting schemes at Carnaby continue to be a success and are well used by tenants.

Environmental Strategy – Group’s Office

In the Group’s office, environmental impacts are low risk and relate to energy consumption, resource use and waste production. Energy consumption is relatively low but continues to be monitored. A paper recycling scheme continues to be operated.

Health & Safety Issues

All refurbishment schemes are subject to a formal Health and Safety Plan as required by current legislation. One site incident was reported to the Health and Safety Executive during the year. No other reportable incidents arose within the Group’s portfolio or in its own offices during the year.

Shaftesbury in the Community

The Group’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 the Group is working closely with the local statutory bodies to maintain and improve the local environment.

Shaftesbury has long established relationships with several organisations which are directly relevant to its business. The Group also provides financial support and advice to the National Campaign for the Arts, the Association of British Orchestras, the Orchestra of the Age of Enlightenment and the Donmar Theatre. Other organisations which the Group has supported during the year include: the London branch of the Samaritans (located in Carnaby), the Hungerford Drugs Rehabilitation Project, the Soho Family Centre, the Soho Green Charity, the Chinatown Association, the Chinatown Working Party, the Seven Dials Monument Charity, the Covent Garden Community Association, the Phoenix Garden Project, the Yellow Earth Theatre Company and Streetwise Opera.

The Group recognises that its villages must offer safe, well-maintained and welcoming environments if they are to continue to appeal to tenants, their staff and customers, and local residents. This is particularly challenging in these central locations where visitor numbers are high and trading hours are often long. Shaftesbury continues to work closely with Westminster City Council, Camden Council and other bodies to develop practical solutions to local issues, supporting initiatives such as CCTV, improved street cleaning and waste disposal, and environmental improvements.

During the year, the Group has partnered local authorities and charities to promote and provide financial support for street and lighting improvement works in Seven Dials and Chinatown which will improve public safety and accessibility. A number of other schemes are being investigated.

Employees

The Group employs 17 staff including executive Directors with 15 based in its head office. The Environmental, Social and Community Policy contains policy statements on equal opportunities in employment and procedures for reporting concerns regarding non-adherence to the Group’s ethical standards. Flexible working for staff is accommodated according to individual circumstances.

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 2005.

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

CSR Objectives for 2005-2006

For 2005-2006 the following key objectives have been set to build on the achievements to date:

- Continue to utilise 100% “brownfield” sites;
- Continue to track the sourcing of materials, particularly timber, and aim to purchase a minimum of 30% from sustainable sources;
- Ensure all refurbishment schemes above £50,000 are signed to the Considerate Constructors’ Scheme and aim to exceed a satisfactory score;
- Finalise and issue information leaflets to raise awareness amongst tenants regarding environmental issues, specifically relating to waste management, recycling and energy use;
- Monitor costs of use of “green tariff” electricity in Carnaby and Covent Garden and set a target for usage;
- Monitor water use in Carnaby and Covent Garden;
- Review the waste management strategy for Carnaby and Covent Garden in order to identify the best means to maximise recycling by tenants;
- Review energy usage in the Group’s office and identify ways to reduce consumption;
- Continue to support local community groups and continue to be proactive in mentoring charitable and other organisations.

Jonathan S Lane

Chief Executive
7th December 2005

Summary report by the valuers

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 2005 (the "date of valuation") held by Shaftesbury Carnaby Limited, Shaftesbury Covent Garden Limited, Shaftesbury Chinatown Limited and Shaftesbury Charlotte Street Limited, which are subsidiary companies of Shaftesbury PLC (collectively referred to as the "Subsidiary Companies"), and Shaftesbury PLC (the "Company"), as referred to in our valuation reports dated 30th November 2005 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2005 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 valuations have been undertaken by external valuers, qualified for the purpose of the valuations.

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 and the Subsidiary Companies. Sean Wordley is the signatory of our Reports. He has been the signatory of valuation reports addressed to Shaftesbury PLC, in respect of the properties which are the subject of our Reports, for the previous two years. DTZ Debenham Tie Leung has been carrying out this valuation instruction for the Company, and now the Subsidiary Companies, for a continuous period since 1996. As well as preparing our Reports, we also undertake valuations of certain of the properties referred to in our Reports for other purposes, such as secured lending and for inclusion in shareholders' circulars. Currently, in addition to valuation instructions, there are other fee-earning relationships between DTZ Debenham Tie Leung, the Company and certain of the Subsidiary Companies. These relate to our appointment 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 and to our involvement in advising the Company in connection with a potential joint venture scheme in respect of these properties with a third party; to our involvement in advising the Company or certain of the Subsidiary Companies in connection with the acquisition of certain properties and to our involvement on behalf of the Company or certain of the Subsidiary Companies in acting as letting agents in respect of certain of the office accommodation.

In accordance with the provisions of Guidance Note 3 of the Red Book, in undertaking our valuations, 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 valuations 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 Subsidiary Companies' 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 purchasers' normal acquisition costs.

A full explanation of the assumptions made in our valuations and details of the sources of information are contained within our Reports.

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 2005, 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 2005, 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 £2,876,715 and details of the individual sums are included in our Reports.

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 Subsidiary Companies own 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 2005, of the freehold and long leasehold property interests owned by the Company and the Subsidiary Companies, subject to the assumptions and comments in our Reports dated 30th November 2005, were as follows:-

Freehold properties	£940,264,000 (Nine hundred and forty million, two hundred and sixty-four thousand pounds)
Long leasehold properties	£21,025,000 (Twenty-one million and twenty-five thousand pounds)
Total	£961,289,000 (Nine hundred and sixty-one million, two hundred and eighty-nine thousand pounds)

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

The contents of our Reports are confidential to Shaftesbury PLC, Shaftesbury Covent Garden Limited, Shaftesbury Carnaby Limited, Shaftesbury Chinatown Limited and Shaftesbury Charlotte Street Limited, for the specific purpose to which they refer and are for their 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 Reports or this summary report. Before our Reports or this summary report, 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 Reports or this summary report 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 53.

The maintenance and integrity of the Group'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 Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, the Reconciliation of Group Historical Cost Profits and Losses, the Reconciliation of Movements in Group Shareholders' Funds and the related notes which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in the statement of accounting policies. 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 into 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 and Group 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 Directors' Report, the unaudited part of the Directors' Remuneration report, the Chairman's Statement, the Business Review and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or 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 and the auditable part of the Directors' Remuneration Report.

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 2005 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the 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
7th December 2005

Group profit and loss account

for the year ended 30th September 2005

	Note	2005 £'000	2004 £'000
Turnover	2	52,126	48,707
Rents payable		(31)	(31)
Other property charges	3	(8,880)	(8,498)
Net Property Revenue		43,215	40,178
Administrative expenses	4	(5,022)	(4,375)
Exceptional administrative expenses	5	(297)	-
Total administrative expenses		(5,319)	(4,375)
Operating Profit		37,896	35,803
Surplus on disposal of investment properties	6	4,220	616
Profit Before Interest and Taxation		42,116	36,419
Net interest payable	7	(23,649)	(21,095)
Loss on purchase of debenture stock	8	(3,764)	-
Profit on Ordinary Activities Before Taxation		14,703	15,324
Taxation	9	(2,885)	(4,520)
Profit on Ordinary Activities After Taxation		11,818	10,804
Dividends	10	(6,589)	(5,816)
Retained Profit for the Financial Year	20	5,229	4,988
Earnings Per Ordinary Share	11		
Adjusted profit before taxation*		11.01p	11.15p
- basic		10.99p	11.13p
- diluted			
Profit before taxation		11.13p	11.62p
- basic		11.11p	11.60p
- diluted			
Profit after taxation		8.94p	8.19p
- basic		8.93p	8.18p
- diluted			

* adjusted to exclude exceptional costs and property disposals

All operations relate to continuing activities.

Group balance sheet

as at 30th September 2005

	<i>Note</i>	2005 £'000	2004 £'000
Fixed Assets			
Tangible Assets			
Investment properties	12	993,079	825,580
Premises, equipment and vehicles	13	364	296
		993,443	825,876
Current Assets			
Debtors	14	24,674	13,040
Creditors:			
Falling due within one year	15	(29,268)	(26,794)
Net Current Liabilities		(4,594)	(13,754)
Total Assets Less Current Liabilities		988,849	812,122
Creditors:			
Falling due after more than one year			
Borrowings	16	(383,260)	(343,282)
Provisions for liabilities and charges			
Deferred taxation	18	(5,380)	(4,195)
		600,209	464,645
Capital and Reserves			
Called up share capital	19	33,046	33,022
Share premium account	20	119,696	119,575
Revaluation reserve	20	396,018	259,175
Profit and loss account	20	51,449	52,873
Shareholders' Funds		600,209	464,645
Net Asset Value per Ordinary Share	21		
- Basic		£4.54	£3.52
- Diluted		£4.53	£3.51

On behalf of the Board who approved the financial statements pages 54 to 71 on 7th December 2005

Jonathan S Lane Chief Executive
Brian Bickell Finance Director

Group cash flow statement

for the year ended 30th September 2005

	<i>Note</i>	2005 £'000	2004 £'000
Net Cash Inflow from Operating Activities	22	40,261	34,135
Returns on Investments and Servicing of Finance			
Interest received		52	50
Interest paid		(22,282)	(22,016)
Bank loan arrangement costs		(226)	(122)
Net cash outflow		(22,456)	(22,088)
Taxation			
Corporation tax paid		(3,064)	(3,282)
Capital Expenditure and Financial Investment			
Acquisition of investment properties		(37,530)	(15,823)
Expenditure on investment properties		(11,156)	(11,120)
Net proceeds from sale of investment property		3,366	1,387
Net purchase of premises, equipment and vehicles		(167)	(143)
Net cash outflow		(45,487)	(25,699)
Equity Dividends Paid		(6,061)	(5,333)
Cash Outflow before use of Financing and Cash Resources		(36,807)	(22,267)
Financing			
Proceeds of shares issued for cash		145	548
Purchase of debenture stock	23	(16,686)	-
Drawdown of secured bank loans	23	53,348	21,719
Movement in Cash Balances		-	-

Other primary statements

for the year ended 30th September 2005

	2005 £'000	2004 £'000
Statement of Total Recognised Gains and Losses		
Profit on ordinary activities after taxation	11,818	10,804
Unrealised net surplus on revaluation of investment properties	130,190	72,689
Total Recognised Gains Relating to the Year	142,008	83,493
Historical Cost Profits and Losses		
Profit on ordinary activities before taxation	14,703	15,324
Investment property revaluation net deficit realised in year	(471)	155
Investment property revaluation deficit realised after the year end	(6,182)	-
Historical Cost Profit on Ordinary Activities Before Taxation	8,050	15,479
Taxation	(2,985)	(4,520)
Historical Cost Profit After Taxation	5,065	10,959
Dividends	(6,589)	(5,816)
Retained Historical Cost (Loss)/Profit for the Year	(1,524)	5,143
Reconciliation of Movements in Shareholders' Funds		
Profit on ordinary activities after taxation	11,818	10,804
Dividends	(6,589)	(5,816)
	5,229	4,988
Unrealised net surplus on revaluation of investment properties	130,190	72,689
	135,419	77,677
Proceeds of shares issued during the year	145	548
Net Addition to Shareholders' Funds in Year	135,564	78,225
Opening Shareholders' funds	464,645	386,420
Closing Shareholders' Funds as at 30th September 2005	600,209	464,645

Company balance sheet

as at 30th September 2005

	<i>Note</i>	2005 £'000	2004 £'000
Fixed Assets			
Tangible Assets			
Investment properties	12	11,660	825,580
Premises, equipment and vehicles	13	364	296
Investments			
Shares in subsidiary undertakings	25	1	-
		12,025	825,876
Current Assets			
Debtors			
Amounts due from subsidiary undertakings	14	9,800	13,040
		854,512	-
		864,312	13,040
Creditors:			
Falling due within one year			
	15	(10,497)	(26,794)
Net Current Assets/(Liabilities)			
		853,815	(13,754)
Total Assets Less Current Liabilities			
		865,840	812,122
Creditors:			
Falling due after more than one year			
Borrowings			
	16	(387,877)	(343,282)
Provisions for liabilities and charges			
Deferred taxation			
	18	-	(4,195)
		477,963	464,645
Capital and Reserves			
Called up share capital			
	19	33,046	33,022
Share premium account			
	20	119,696	119,575
Revaluation reserve			
	20	1,821	259,175
Profit and loss account			
	20	323,400	52,873
Shareholders' Funds			
		477,963	464,645

On behalf of the Board who approved the financial statements on pages 54 to 71 on 7th December 2005

Jonathan S Lane Chief Executive

Brian Bickell Finance Director

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 Companies Act 1985 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 cost. Previously investments in subsidiaries were stated at an amount equal to the subsidiaries' net asset value. This change in accounting policy had no effect on amounts reported in prior years.

Investment Properties

Investment properties are revalued annually either by external professional valuers on an open market basis or by the Directors in the case of properties sold shortly after the year end.

Any surplus or temporary deficit arising on the revaluation of investment properties is transferred to or from the revaluation reserve. Permanent diminutions in value below cost arising in the year are charged in the profit and loss account for that year. Cumulative revaluation deficits which are considered to be permanent are written off against profit and loss account reserves.

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 Group 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

Notes to the financial statements continued

1 Accounting Policies continued

Turnover

Turnover includes rents invoiced to tenants, recognition of lease incentives in accordance with UITF 28 and recoverable expenses incurred on behalf of tenants. Value added tax is excluded from all amounts.

The effect of UITF 28 is to spread the cost of any incentives given to lessees to enter into leases over the period from the lease commencement date to the earlier of the first rent review due under the lease and the lease expiry date. Lease incentives are usually in the form of rent free periods.

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 Turnover

	2005	2004
	£'000	£'000
Rents invoiced	48,688	42,067
Recognition of lease incentives in accordance with UITF 28	(500)	2,361
	48,188	44,428
Rents receivable	3,938	4,279
Recoverable property expenses	52,126	48,707

3 Other Property Charges

Property outgoing	4,942	4,219
Recoverable property expenses	3,938	4,279
	8,880	8,498

4 Administrative Expenses

	2005 £'000	2004 £'000
Included under this heading are the following:		
Auditors' remuneration for audit services (Group and Company)	73	62
Fees payable to PricewaterhouseCoopers LLP in connection with:		
Taxation advice - compliance	93	68
Taxation advice - group restructuring	16	30
Other professional services	23	12
	132	110
Taxation advice – Covent Garden joint venture (incurred but not charged in current year's results)	153	-
	285	110
Depreciation	95	97
Operating lease rentals - office premises	123	167
Staff costs (including executive Directors):		
Salaries	1,499	1,360
Annual bonuses	1,033	850
Social security costs	407	314
Pension contributions	321	291
	3,260	2,815

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:	2005	2004
Executive Directors	4	4
Administration	11	10
Estate management	2	2
	17	16

A summary of Directors' emoluments, including the disclosures required by the Companies Act 1985, is set out in the Directors' Remuneration Report on pages 42 to 46.

5 Exceptional Administrative Expenses

	2005 £'000	2004 £'000
Costs incurred in Group restructuring to create village subsidiaries	297	-

Notes to the financial statements continued

6 Surplus on Disposals of Investment Properties

	2005 £'000	2004 £'000
Net proceeds of sale	15,290	1,387
Book value at date of sale	(11,070)	(771)
	4,220	616

7 Net Interest Payable

Interest payable:		
Debenture stock interest and amortisation	10,497	10,902
On bank loans wholly repayable after five years	9,032	7,273
On bank loans wholly repayable within five years	4,172	2,970
	23,701	21,145
Interest receivable	(52)	(50)
	23,649	21,095

8 Loss on Purchase of Debenture Stock

Loss arising on the purchase and cancellation of £12.357 million (nominal) of 8.5% First Mortgage Debenture Stock 2024	4,329	-
Unamortised net premium written off	(565)	-
	3,764	-

9 Taxation

Current taxation:		
UK Corporation tax on revenue profit	2,000	4,150
Deferred taxation:		
Provision in respect of timing differences	1,539	570
	3,539	4,720
(Over)/under provisions in prior years:		
Corporation tax	(300)	-
Deferred taxation	(354)	(200)
Charge for the year	2,885	4,520

9 Taxation continued

	2005 £'000	2004 £'000
Factors affecting the current tax charge:		
Profit on Ordinary Activities	14,703	15,324
Tax at standard Corporation tax rate (30%)	4,411	4,597
Capital allowances claimed in excess of depreciation	(664)	(750)
Capital losses utilised to offset gain on disposal of investment property	(1,266)	(185)
Timing differences in deductibility of expenses	170	180
Timing difference in recognition of UITF 28 income	(1,045)	-
Expenses and provisions not deductible for tax purposes and other items	394	308
Current tax charge for the year	2,000	4,150
No taxation liability arises on the surpluses realised on the disposals of investment properties due to the availability of capital losses.		

10 Dividends

Interim dividend of 1.70p per share (2004 - 1.513p) paid on 24th June 2005	2,238	1,993
Proposed final dividend of 3.30p per share (2004 -2.90p)	4,351	3,823
	6,589	5,816

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 354,527 Ordinary shares (2004 - 292,296 shares) during the year.

11 Earnings Per Ordinary Share

The calculations of earnings per Ordinary Share are based on:

Adjusted profit on ordinary activities before taxation*	14,544	14,708
Exceptional administrative expenses	(297)	-
Loss on purchase of debenture stock	(3,764)	-
Surpluses on disposals of investment properties	4,220	616
Profit on ordinary activities before taxation	14,703	15,324
Taxation	(2,885)	(4,520)
Profit on ordinary activities after taxation	11,818	10,804
Weighted average number of Ordinary shares in issue	'000	131,931
Diluted average number of Ordinary shares	'000	132,146

*The adjusted earnings per share is considered to give a better indication of the Group's underlying performance before exceptional costs and property disposals.

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

Notes to the financial statements continued

12 Investment Properties

	Group £'000	Company £'000
At 1st October 2004 – book value	825,580	825,580
Acquisitions	37,571	-
Refurbishment and other expenditure	10,808	38
Disposals	(11,070)	-
Intra group disposals	-	(821,030)
Net surplus on revaluation	130,190	7,072
Book value at 30th September 2005	993,079	11,660
Add: Rents recognised in advance in accordance with UITF28	4,490	-
Market Value at 30th September 2005	997,569	11,660
Comprising:		
Properties valued by DTZ Debenham Tie Leung	961,289	560
Properties at Directors' valuation based on disposal values achieved after the year end	36,280	11,100
	997,569	11,660
Historic cost of properties at valuation	603,243	9,839

Investment properties which were subject to external valuation as at 30th September 2005 were valued 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 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 50 to 51.

Investment properties include freehold properties valued at £957,214,000, leasehold properties with an unexpired term of over 50 years valued at £28,925,000 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 £11,430,000.

Capital Commitments:	2005 £'000	2004 £'000
Authorised but not contracted - Group	10,275	2,200
- Company	-	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 £4,159,000 (2004 - £4,359,000).

13 Premises, Equipment and Vehicles

Group and Company	Short Leasehold Office Premises £'000	Equipment and Vehicles £'000	Total £'000
Cost			
At 1st October 2004	154	622	776
Additions	-	194	194
Disposals	-	(93)	(93)
At 30th September 2005	154	723	877
Depreciation			
At 1st October 2004	115	365	480
Charge for the year	4	91	95
Eliminated on disposals	-	(62)	(62)
At 30th September 2005	119	394	513
Net book value at 30th September 2005	35	329	364

14 Debtors

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts due from tenants	7,275	7,617	131	7,617
Rents not yet due but recognised in advance in accordance with UITF28*	4,490	4,990	-	4,990
Due in respect of property disposal	12,100	-	-	-
Dividends receivable from subsidiary undertakings	-	-	8,738	-
Deferred tax asset (see note 18)**	-	-	249	-
Other debtors and prepayments	809	433	682	433
	24,674	13,040	9,800	13,040
* Of which receivable after more than one year	2,489	3,503	-	3,503

** Recoverable against future years corporation tax liabilities

15 Creditors Falling Due Within One Year

Rents invoiced in advance	10,368	9,948	110	9,948
Dividend proposed	4,351	3,823	4,351	3,823
Corporation tax payable	1,156	2,520	206	2,520
Capital expenditure accruals	4,159	4,359	30	4,359
Other creditors and accruals*	9,234	6,144	5,800	6,144
	29,268	26,794	10,497	26,794
* Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group's assets	3,191	1,553	3,191	1,553

Notes to the financial statements continued

16 Borrowings

	Nominal value £'000	2005 Unamortised premium and issue costs £'000	Book value £'000	Nominal value £'000	2004 Unamortised premium and issue costs £'000	Book value £'000
Group						
8.5% First Mortgage Debenture Stock 2024	119,643	5,338	124,981	132,000	6,209	138,209
Secured bank loans	259,071	(792)	258,279	205,723	(650)	205,073
	378,714	4,546	383,260	337,723	5,559	343,282
Company						
8.5% First Mortgage Debenture Stock 2024	119,643	5,338	124,981	132,000	6,209	138,209
Secured bank loans	263,688	(792)	262,896	205,723	(650)	205,073
	383,331	4,546	387,877	337,723	5,559	343,282

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 to the Company and certain subsidiaries, which are available throughout the term of those facilities. At 30th September 2005, Group and Company bank loans included overdrafts of £2,188,000 (2004 – £838,000) which have been classified according to the maturity dates of the facilities under which they are made available. Similarly, LIBOR loans tranches, all of which have been drawn for periods of less than one year, have been classified according to the maturity date of the facility under which they are drawn.

17 Financing

An explanation of the Group's objectives and policies for the financing of its operations is set out in the Business Review on page 33.

The Group's main financial instruments are its 8.5% First 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 Group does not trade financial instruments.

	Book value £'000	2005 Nominal value £'000	Undrawn facilities £'000	Book value £'000	2004 Nominal value £'000	Undrawn facilities £'000
Group						
Repayable after more than 15 years:						
8.5% First Mortgage Debenture Stock 2024	124,981	119,643	-	138,209	132,000	-
Repayable between 10 and 15 years	74,609	75,000	-	74,572	75,000	-
Repayable between 5 and 10 years	42,272	42,554	32,446	67,968	68,138	36,863
Repayable between 2 and 5 years	141,398	141,517	33,483	62,533	62,585	12,415
	383,260	378,714	65,929	343,282	337,723	49,278

17 Financing continued

The availability of the Group'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 Group 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 8.75 years).

The Group 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 Group 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 £35.25 million notional principal maturing in November 2012.

The Group pays 6.05% for a three month period if the benchmark LIBOR rate sets outside the ranges on the relevant calculation date falling:

In the period to July 2008	3.00% - 6.00%
In the period from August 2008 to August 2012	4.00% - 6.00%

If LIBOR sets within these ranges the Group pays 4.80%. The hedge is extendable at the counterparty's option in November 2012 for a further 10 years at 5.15%.

3. An interest rate hedge on £30 million notional principal at a fixed rate of 5.74% until March 2010.

Interest rate profile of financial liabilities

	Debt £'000	2005 Weighted Average Interest Rate %	Debt £'000	2004 Weighted Average Interest Rate %
Floating rate borrowings				
LIBOR-linked loans – interest rates fixed until March 2006 at latest (including margin)	103,029	5.62	85,073	5.72
Hedged borrowings				
Interest rate hedges in operation at year end (including margin)	155,250	5.81	120,000	5.72
Fixed rate borrowing				
8.5% First Mortgage Debenture Stock -interest rate fixed for 18.5 years until 31st March 2024	124,981	8.14	138,209	8.12
Weighted average cost of borrowings		6.51		6.68*

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

Fair values of financial instruments

	Book Value £'000	2005 Fair Value £'000	Surplus/ (Deficit) £'000	Book Value £'000	2004 Fair Value £'000	Surplus/ (Deficit) £'000
8.5% First Mortgage Debenture Stock 2024	124,981	160,693	(35,712)	138,209	165,660	(27,451)
LIBOR-linked loans	263,688	264,323	(635)	205,073	205,206	(133)
Deficit on fair valuation of interest rate hedging agreements	-	(11,758)	(11,758)	-	(7,724)	(7,724)
			(48,105)			(35,308)

The fair value of the Company's 8.5% First Mortgage Debenture Stock 2024 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.

Notes to the financial statements continued

17 Financing continued

The Company is not obliged to redeem its 8.5% First Mortgage Debenture Stock 2024 in advance of its redemption date of 31st March 2024, when repayment of the stock in issue at the year end will be at par value of £119,643,000.

Amounts payable or receivable under the Group'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.

18 Deferred Taxation

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
At 1st October 2004	4,195	3,825	4,195	3,825
Provided/(released) in respect of current year	1,539	570	(150)	570
Adjustments in respect of prior years	(354)	(200)	(354)	(200)
Released on transfers of properties to subsidiary undertakings	-	-	(3,940)	-
At 30th September 2005 –liability/(asset)	5,380	4,195	(249)	4,194
Comprising:				
Timing differences in respect of capital allowances	4,685	4,375	101	4,375
Timing differences arising on recognition of certain items of income and expenditure for taxation purposes	695	(180)	(350)	(180)
	5,380	4,195	(249)	(4,195)

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 2005, after deducting capital losses of approximately £9,100,000 (2004 - £11,200,000), the Group's estimated contingent corporation tax liability amounted to £91,000,000 (2004 - £57,500,000). At 30th September 2005 no such liability existed in the Company as the Company transferred most of its properties to subsidiaries during the year (2004 - £57,500,000).

The Company's deferred tax asset at 30th September 2005 has been included in debtors (see Note 14) and is expected to be recovered against future taxable profits.

19 Called Up Share Capital

	2005	2004	2005	2004
	Number	Number	£'000	£'000
	'000	'000		
Ordinary Shares of 25p each Authorised	200,000	200,000	50,000	50,000
Issued, called up and fully paid				
At 1st October 2004	132,086	131,724	33,022	32,931
Issued in connection with the exercise of share options	99	362	24	91
At 30th September 2005	132,185	132,086	33,046	33,022

19 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 2005:

Date of Grant	Ordinary Shares of 25p each	Option Exercise Price	Exercise Period
1997 Executive Share Option Schemes			
3rd December 1998	237,238	£1.665	2001 - 2008
29th November 1999	126,636	£2.42	2002 - 2009
	<u>363,874</u>		
2001 Discretionary Share Option Schemes*			
21st February 2001	547,900	£2.945	2004 - 2011
13th December 2001 – Vested	189,678	£2.735	2004 - 2011
13th December 2001 – Not yet vested	512,068	£2.735	2004 - 2011
18th December 2002	935,370	£2.00	2005 - 2012
18th December 2003	955,185	£2.31	2006 - 2013
15th December 2004	676,915	£3.40	2007 - 2014
	<u>3,817,116</u>		
2001 Sharesave Scheme			
19th February 2001	29,864	£2.26	2004 - 2006
14th April 2003	61,325	£1.305	2006 - 2010
	<u>91,189</u>		
Total number of Ordinary Shares under option at 30th September 2005	<u>4,272,179</u>		

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

20 Reserves

Group	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1st October 2004	119,575	259,175	52,873	431,623
Retained profit for the year	-	-	5,229	5,229
Net surplus on revaluation of investment properties	-	130,190	-	130,190
Investment property net revaluation deficit realised in year	-	471	(471)	-
Investment property deficit realised after the year end	-	6,182	(6,182)	-
Premium arising on issue of shares during year (net of expenses)	121	-	-	121
At 30th September 2005	119,696	396,018	51,449	567,163
Company				
At 1st October 2004	119,575	259,175	52,873	431,623
Retained profit for the year	-	-	6,101	6,101
Net surplus on revaluation of investment properties	-	7,072	-	7,072
Investment property revaluation surplus realised in year	-	(264,426)	264,426	-
Premium arising on issue of shares during year (net of expenses)	121	-	-	121
At 30th September 2005	119,696	1,821	323,400	444,917

The Company's Profit and Loss account reserve at 30th September 2005 includes amounts not distributable of £264,898,000.

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 £6,101,000.

Notes to the financial statements continued

21 Net Asset Value

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

		2005	2004
Shareholders' funds	£'000	600,209	464,645
Shareholders' funds – diluted	£'000	601,577	465,558
Ordinary Shares in issue	'000	132,185	132,086
Diluted Ordinary Shares	'000	132,830	132,610

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

22 Net Cash Inflow from Operating Activities

	2005	2004
	£'000	£'000
Net property revenue	43,215	40,178
Administrative expenses	(5,319)	(4,375)
Depreciation adjusted for profits/(losses) on disposals of fixed assets	99	109
Decrease/(increase) in debtors	466	(4,366)
Increase in creditors	1,800	2,589
	40,261	34,135

23 Reconciliation of Net Cash Flow to Movement in Net Debt

Purchase of Debenture Stock	16,686	-
Increase in secured bank loans	(53,348)	(21,719)
Bank loan arrangement costs	226	122
	(36,436)	(21,597)
Non cash movements	(3,542)	380
	(39,978)	(21,217)
Movement in net debt in year	(343,282)	(322,065)
Net debt at 1st October 2004		
Net debt at 30th September 2005 – book value	(383,260)	(343,282)

24 Analysis of Changes in Net Debt

	1.10.2004	Cash flows	Non-cash items	30.9.2005
	£'000	£'000	£'000	£'000
8.5% First Mortgage Debenture Stock 2024	(138,209)	16,686	(3,458)	(124,981)
Secured bank loans	(205,073)	(53,122)	(84)	(258,279)
	(343,282)	(36,436)	(3,542)	(383,260)

25 Shares in Subsidiary Undertakings

	2005 £'000	2004 £'000
Shares at cost	1	-

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

At 30th September 2005 the Group's principal operating subsidiary companies were:

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

All of the Company's subsidiary undertakings are incorporated in England and Wales. A complete list of subsidiaries, all of which are consolidated, will be annexed to the next Annual Return delivered to the Registrar of Companies.

26 Leasing Commitments

At 30th September 2005 there were annual commitments under non-cancellable property leases as follows:

	2005 £'000	2004 £'000
Group and Company		
Leases expiring between two and five years	9	9
Leases expiring after more than five years	210	210

27 Post Balance Sheet Events

In November 2005 the Group sold National Magazine House, a freehold building in Carnaby, at a price of £45,050,000, retaining a long leasehold interest in part of the building. The sale price together with the value of the part retained was approximately equal to the valuation of the entire interest at 30th September 2005.

Following approval by shareholders at an Extraordinary General Meeting held on 29th November 2005, the Company concluded the arrangements to establish its 50/50 joint venture with the Mercers' Company.

Longmartin Properties Limited, a wholly owned subsidiary of Shaftesbury PLC at the balance sheet date, has been recapitalised with equity provided jointly by Shaftesbury PLC and the Mercers' Company totalling £162.28 million. Shaftesbury's equity has been contributed by way of long leasehold property assets totalling £38.82 million and cash of £42.32 million. The Mercers' Company has provided equity by way of contribution of long leasehold property assets totalling £81.14 million. Further, Shaftesbury has also sold the freehold interest which it owned at 30th September 2005 in certain of the long leasehold assets owned by Longmartin to the Mercers' Company for £3.2 million. The values at which Shaftesbury disposed of these assets equate to the valuations of these interests at 30th September 2005. Following these transactions, surplus cash held by Longmartin Properties has been loaned back to its shareholders.

From December 2005 Longmartin Properties Limited will be accounted for as a 50% joint venture in the Group's financial statements. The costs associated with these transactions will be dealt with in the 2006 financial year.

Five year financial summary

Balance Sheets

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Investment Properties					
At 1st October	825,580	728,143	698,195	647,250	560,029
Additions	37,571	16,361	14,377	54,663	52,344
Refurbishment expenditure	10,808	9,158	14,040	18,376	17,697
Disposals	(11,070)	(771)	(6,167)	(18,996)	-
Net revaluation surplus/(deficit)	130,190	72,689	7,698	(3,098)	17,180
	993,079	825,580	728,143	698,195	647,250
At 30th September					
Other assets	364	296	262	286	256
	993,443	825,876	728,405	698,481	647,506
Net current liabilities	(4,594)	(13,754)	(16,095)	(18,476)	(16,865)
Creditors falling due after more than one year	(383,360)	(343,282)	(322,065)	(301,573)	(254,874)
Deferred taxation	(5,380)	(4,195)	(3,825)	(2,869)	(2,256)
Shareholders' Funds	600,209	464,645	386,420	375,563	373,511

Movements in Shareholders' Funds

Retained profit for year	5,229	4,988	3,091	5,035	4,960
Net surplus/(deficit) on revaluation of investment assets	130,190	72,689	7,698	(3,098)	17,180
Net proceeds of share issues	145	548	68	115	20
Net increase in shareholders' funds in year	135,564	78,225	10,857	2,052	22,160
Opening shareholders' funds	464,645	386,420	375,563	373,511	351,351
Closing Shareholders' Funds	600,209	464,645	386,420	375,563	373,511
Reported Diluted Net Asset Value per Ordinary Share	453p	351p	292p	284p	283p
Mid market Share price at 30th September	380.25p	276.5p	222.5p	198.5p	269.5p

Profit and Loss Accounts

	2005 £'000	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Rents invoiced	48,688	42,067	40,606	38,506	33,058
Recognition of lease Incentives in accordance with UITF28	(500)	2,361	832	349	668
Recoverable property expenses*	3,938	4,279	2,949	-	-
Turnover*	52,126	48,707	44,387	38,855	33,726
Rents payable	(31)	(31)	(181)	(32)	(72)
Other property charges*	(8,880)	(8,498)	(7,363)	(4,584)	(3,020)
Net property revenue	43,215	40,178	36,843	34,239	30,634
Administrative expenses	(5,319)	(4,375)	(4,010)	(3,822)	(3,130)
	37,896	35,803	32,833	30,417	27,504
Income from listed investment	-	-	-	-	334
Operating profit	37,896	35,803	32,833	30,417	27,838
Surplus on disposal of investment assets	4,220	616	40	2,106	1,465
	42,116	36,419	32,873	32,523	29,303
Net interest payable	(23,649)	(21,095)	(20,529)	(19,521)	(16,643)
Loss on purchase of debenture stock	(3,764)	-	-	-	-
Profit on ordinary activities before taxation	14,703	15,324	12,344	13,002	12,660
Taxation	(2,885)	(4,520)	(4,106)	(3,288)	(3,428)
Profit on ordinary activities after taxation	11,818	10,804	8,238	9,714	9,232
Dividends	(6,589)	(5,816)	(5,147)	(4,679)	(4,272)
Retained Profit for Year	5,229	4,988	3,091	5,035	4,960
Adjusted Diluted Pre Tax Earnings per Ordinary Share**	10.99p	11.13p	8.26p	8.48p	6.84p
Diluted Post Tax Earnings per Ordinary Share	8.93p	8.18p	6.25p	7.36p	7.00p
Total Dividends declared per Ordinary Share	5.00p	4.413p	3.915p	3.56p	3.25p

* Turnover and other property expenses for 2000, 2001 and 2002 have not been restated 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.

** Adjusted to exclude investment property disposals and also in 2005 exceptional administrative costs and the loss on debenture repurchase.

International Financial Reporting Standards

All groups with capital listed on a regulated stock exchange in the European Union are required to adopt International Financial Reporting Standards ("IFRS") for accounting periods commencing on or after 1st January 2005. Shaftesbury's results for the year commencing on 1st October 2005 will be its first to be prepared under IFRS rather than UK Financial Reporting Standards (UK GAAP).

The significant aspects of financial reporting that will be affected as a result of adopting IFRS are summarised below together with a table setting out adjustments to reported net assets and profits that would arise if IFRS were to be applied in respect of the year ended 30th September 2005. The principles underlying the changes and detailed calculations have been reviewed by the Group's advisors.

The changes identified below are based on the current interpretation of existing IFRS. It is possible that before the Group first publishes results under IFRS the standards may be subject to changes or the basis on which they are applied to the real estate sector could develop differently from current understanding.

1. Revaluation surpluses and deficits reported in the Income Statement

IAS 40, Investment Property, requires that the surplus or deficit arising on the revaluation of investment properties is reported in the Income Statement. Under UK GAAP these surpluses or deficits are reported as a movement in revaluation reserve in the Statement of Recognised Gains and Losses unless any deficit below original cost is considered to be permanent.

This change will have no impact on reported net assets. However the annual revaluation movement (adjusted for the year-on-year movements in items 4 and 5 below) will be reported in the Income Statement as part of the Group's profit for the year. The cumulative surplus on revaluation will not be distributable.

2. Contingent tax on revaluation surpluses reported as part of the taxation charge

IAS 12, Income Taxes, requires a provision to be made for tax based on the revaluation surplus in respect of investment properties.

In the situation where there is no present intention to sell the Group's investment properties, the current interpretation of IAS 12 is that the provision should be calculated at the basic rate of Corporation Tax ignoring any indexation relief which is available under UK tax legislation or accumulated capital losses. Applying this interpretation, the provision required under IAS 12 is greater than the contingent liability previously disclosed (but not provided) under UK GAAP.

The provision calculated under IAS 12, based on the investment property valuations at 30th September 2005, would be approximately £122.25 million. This compares with an estimated liability calculated under UK GAAP of £91 million after allowing for indexation relief and capital losses. The provision will not affect distributable reserves.

3. Accrual for costs to complete projects

Under IFRS, costs in respect of projects in progress at a period end can be accrued only to the extent of work actually completed to that date. This contrasts with the Group's policy of accruing costs expected to be incurred in physically completing projects.

The effect of applying this basis of accounting is to reduce accruals to eliminate the provision for the cost of works incurred after the period end up to completion. A similar amount will be deducted from the valuation of investment properties to reflect the costs to be incurred to complete projects in hand at the valuation date, so that there will be no net effect on the Group's revaluation surplus or net assets.

4. Lease incentives amortised over period to lease expiry

SIC 15, Operating Leases – Incentives, requires lease incentives granted to tenants at any time in the past to be spread over the term of the lease or to the date of the first right to break the lease. Under UK GAAP, incentives arising after 1st October 1999 are written off to the earlier of the first rent review or expiry of the lease.

The effect of spreading lease incentives over the longer period to the date of the first break under the tenant's lease is to increase the amount of income recognised in advance at 30th September 2005 by £2.4 million. The same adjustment is deducted from the book value of investment properties, so there is no net effect on reported net assets.

A deferred tax liability of £0.7 million will arise in respect of the additional income recognised.

5. Property marketing and letting costs reported in the Income Statement

IAS 40, Investment Property, classifies such costs as start-up costs and does not permit them to be capitalised. Currently the Group's accounting policy is to capitalise such costs where they relate to the first letting of a property following a major refurbishment.

At 30th September 2005, the cumulative amount of such costs capitalised was £4.6 million. Charging these costs in the Income Statement will reduce the historic cost of investment properties and increase the cumulative revaluation surplus by an equivalent amount, with no overall effect on reported net assets.

6. Share option expense

IFRS 2, Share-based Payment, requires an expense to be recognised in respect of share options granted after 7th November 2002. The charge is based on the fair value of the options granted and is spread over their vesting period.

As new shares are issued to satisfy option exercises under current arrangements, the expense recognised in calculating reported profit will be credited to reserves in the balance sheet and therefore will have no effect on reported net assets.

A deferred tax asset of £0.26 million arises as a result of the basis on which tax relief will be available in respect of share options where vesting is considered reasonably certain.

7. Dividends not declared at the period end

IAS 10, Events after the Balance Sheet Date, requires that dividends not declared at the balance sheet date are not recognised. Currently, dividends proposed in respect of a reporting period are recognised as a liability at the end of that period.

Eliminating the provision for the 2005 final dividend which has only been proposed at the year end and is subject to approval by shareholders at the 2006 Annual General Meeting increases reported net assets at 30th September 2005 by £4.35 million.

8. Recognition and Measurement of Financial Instruments

IAS 39, Financial Instruments: Recognition and Measurement, will require;

- i) The net premium on the issue of £132 million 8.5% Mortgage Debenture Stock to be amortised on a "yield to maturity" basis. Previously the amortisation was calculated on a straight line basis.
- ii) The inclusion in the financial statements of the fair value of the Group's financial instruments used to hedge interest rate exposure.

The effect of a change in the basis of debenture premium amortisation is to increase the book value of the outstanding debenture stock by £1.17 million at 30th September 2005. A deferred tax liability of £0.35 million will arise as a result of reducing the amortisation charged to date in the profit and loss account.

In accordance with IAS 39, the 8.5% First Mortgage Debenture Stock will continue to be reported at amortised historic cost rather than fair value. The current fair value will continue to be disclosed by way of note.

The nature of the Group's interest rate hedging arrangements is such that they do not qualify for hedge accounting under IAS 39 and therefore they will be recorded in the Balance Sheet at fair value and changes in fair value will be recorded in the Income Statement.

The fair value of financial instruments at 30th September 2005 has been calculated by external advisors at £11.76 million. The provision will give rise to a deferred tax asset amounting to £3.53 million.

Other changes not affecting Shaftesbury

Finance leases

Under IFRS, leases granted which transfer substantially all the risks and rewards of ownership to tenants cannot be categorised as investment properties and should therefore be accounted for as finance leases. Leases in the Group's portfolio have been reviewed and it has been concluded that none of leases granted to date by Shaftesbury fall within the definition of finance leases.

Head lease liabilities

IAS 17, Leases, requires that the liability to pay rent in respect of investment leasehold properties is provided in full, based on the present value of minimum rental obligations. The liability calculated on this basis in respect of the Group's leasehold investment properties at 30th September 2005 is immaterial.

Cash flows and distribution policy

The adoption of IFRS will have no impact on the underlying cash flows of the Group although there will be changes in the presentation of the cash flow statement prepared under IFRS.

Changes in accounting under IFRS will not affect the Group's ability to continue with its current progressive dividend policy.

Taxation

The Group taxation charge will reflect profits calculated and reported under IFRS. The tax effects arising from the conversion of the Group accounts to an IFRS basis will be recorded principally as deferred tax adjustments and will not significantly affect current tax liabilities. At present the parent and subsidiary companies are expected to continue to prepare their accounts under UK GAAP and their actual tax liabilities will be calculated by reference to those accounts.

Summary of effects of IFRS on Reported Net Assets

	At 1.10.2004 £'000	Movement in year £'000	At 30.9.2005 £'000
Reported net assets under UK GAAP	464,645	135,564	600,209
Revaluation surpluses and deficits reported in the Income Statement	No effect	-	No effect
Contingent tax on revaluation surpluses reported as part of the taxation charge	(83,750)	(38,500)	(122,250)
Accrual for costs to complete projects	No effect	-	No effect
Lease incentives amortised over period to lease expiry	No effect	-	No effect
Less: Deferred tax liability	(516)	(202)	(718)
Property marketing and letting costs reported in the Income Statement	No effect	-	No effect
Deferred tax arising in respect of share options	91	173	264
Dividends not declared at the period end	3,823	528	4,351
Recognition and Measurement of Financial Instruments:			
Adjustment to debenture stock amortisation	(1,149)	(23)	(1,172)
Less: Deferred tax liability	345	7	352
Fair value of interest rate hedges	(7,724)	(4,034)	(11,758)
Add: Deferred tax asset	2,317	1,210	3,527
Net assets calculated under IFRS	378,082	94,723	472,805
Diluted net asset value per share reported under IFRS	£2.85		£3.56

Summary of effects of IFRS on Reported Profit for the year ended 30th September 2005

	Profit on Ordinary Activities £'000	Taxation £'000	Profit after taxation £'000
Reported Profit under UK GAAP	14,703	(2,885)	11,818
Revaluation surpluses reported in the Income Statement adjusted for the change in basis of recognising lease incentives and property letting and marketing expenses	130,004	-	130,004
Contingent tax on revaluation surpluses reported as part of the taxation charge	-	(38,500)	(38,500)
Lease incentives amortised over period to lease expiry	673	-	673
Less: Deferred tax liability	-	(202)	(202)
Property marketing and letting costs reported in the Income Statement	(487)	-	(487)
Recognition and Measurement of Financial Instruments:			
Adjustment to debenture stock amortisation	(23)	-	(23)
Less: Deferred tax liability	-	7	7
Fair value of interest rate hedges	(4,034)	-	(4,034)
Add: Deferred tax asset	-	1,210	1,210
Reported Profit under IFRS	140,836	(40,370)	100,466

Notice of annual general meeting

Important: If the securities have been sold or transferred by the addressee of this Notice, this document and other relevant documents should be passed to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice Is Hereby Given that the Twentieth Annual General Meeting of Shaftesbury PLC will be held at Pegasus House, 37/43 Sackville Street, London W1S 3DL, on Wednesday 1st February 2006 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the audited financial statements for the year ended 30th September 2005, and the reports of the Directors and auditors.
2. To approve the report on Directors' Remuneration for the year ended 30th September 2005.
3. To declare a final dividend for the year ended 30th September 2005 of 3.30p per Ordinary Share payable on 7th February 2006 to holders of Ordinary Shares registered at the close of business on 6th January 2006.
4. To re-elect J S Lane as a Director of the Company.
5. To re-elect S J Quayle as a Director of the Company.
6. To elect W G McQueen as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company from the end of the Meeting until the end of the next general meeting at which financial statements are laid before the Company.
8. To authorise the Directors to agree the remuneration of the auditors.

Special Business

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

9. 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 1st February 2006 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.
10. 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 9; 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 1st February 2006 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. This power is in substitution of all unexercised existing powers given for the purposes of section 95(1) of the Act.

11. 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 of 25 pence each 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 10 per cent. of the issued share capital of the Company as at 30th September 2005);
 - 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 or 15 months from 1st February 2006 if earlier; 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.

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 Section 347C of the Act to make:

- i. donations to EU political organisations not exceeding £100,000 and
- ii. to incur EU political expenditure not exceeding £100,000;

provided that any such donations and/or EU political expenditure made or incurred by the Company does not exceed an aggregate of £100,000 in the period ending at the conclusion of the Company's next Annual General Meeting or 15 months from 1st February 2006 if earlier; 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.

13. THAT the rules of the Shaftesbury Long Term Incentive Plan (the "Plan") referred to in the Chairman of the Board's letter to shareholders dated 7th December 2005 and which have been produced to the meeting (initialled by the Chairman for identification only) be approved and the Directors be authorised to make such modifications to the Plan as they may consider appropriate to take account of the requirements of the UK Listing Authority and best practice and to adopt the Plan as so modified and to do all such acts and things as they may consider appropriate to implement the Plan.

By Order of the Board
Brian Bickell
 Secretary
 21st December 2005

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 30th January 2006 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 30th January 2006 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
4. The Register of Directors' Interests in the Company kept under section 325 of the Act and copies of Directors' contracts of service may be inspected at the registered office (and place of AGM) of the Company during normal business hours on weekdays (public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting.
5. A copy of the draft rules of the Shaftesbury Long Term Incentive Plan will be available for inspection at the registered office (and place of AGM) of the Company during normal business hours on weekdays (public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting.

6. Biographical details of the Directors standing for election and re-election are set out on page 37 of the Annual Report.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 1st February 2006 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. The "Vote Withheld" option on the Form of Proxy is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" a particular resolution.

Explanation of special business to be dealt with at the 2006 annual general meeting

Resolution 9 – Authority to issue shares

This resolution authorises the Board, for a period of 15 months from 1st February 2006 or to end of 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 1st December 2005 (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 10 – Disapplication of pre-emption rights

This resolution, which will be proposed as a special resolution, 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 1st December 2005 (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 11 – Purchase of own shares

This resolution, which will be proposed as a special resolution, seeks authority for the Directors to purchase the Company's own shares. 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 1st December 2005 (the latest practicable 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 1st December 2005 (the latest practicable date prior to the publication of this document) is 4,272,179. This represents 3.23 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 under this resolution, then these options would represent 3.59 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 purchased 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.

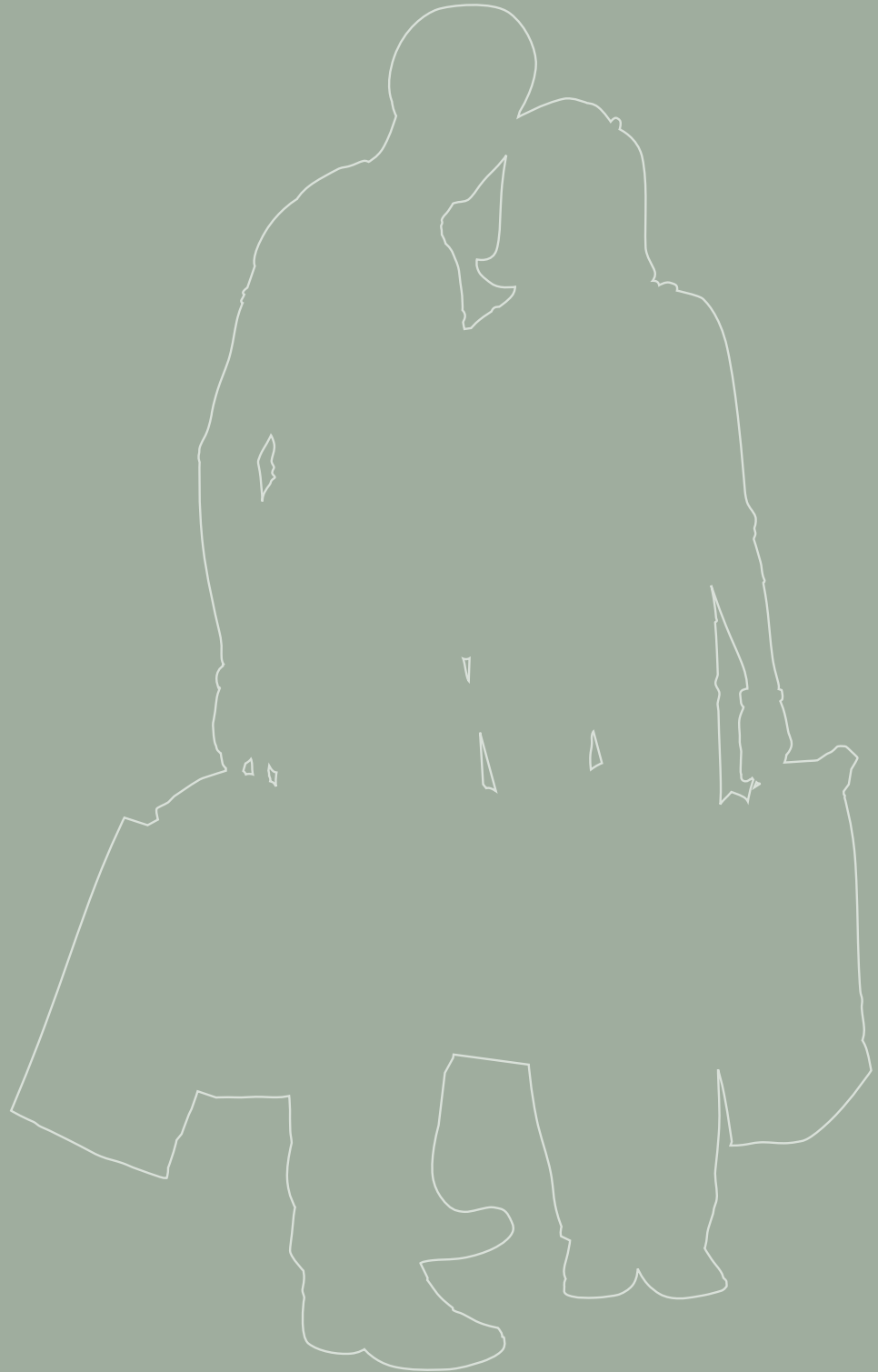
No dividends would be paid on shares whilst held in treasury and no voting rights would attach to treasury shares.

Resolution 12 – Political donations

This resolution authorises the Board to make donations under Section 347C of the Act. 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 the Act, the definition of political expenditure 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 annual report, in compliance with the Act, any expenditure or donations in excess of £200 which is within the ambits of the definitions of the Act.

Resolution 13 – Long Term Incentive Plan

This resolution is fully explained in the accompanying circular.



Shareholders and financial calendar

Shareholders

At 30th September 2005:

	No.	Shares held '000	%
Pension and investment funds and companies owning or managing:			
- in excess of 1,000,000 shares	32	98,986	74.9
- between 250,000 and 999,999 shares	31	16,789	12.7
Directors' beneficial holdings	8	826	0.6
Individuals	194	4,751	3.6
Other holdings - not analysed	-	10,833	8.2
		132,185	100.0

Financial Calendar

Annual results announced	7th December 2005
Annual report posted to shareholders	22nd December 2005
Annual General Meeting	1st February 2006
2006 Interim results to be announced	May 2006

Dividends and Interest

Proposed 2005 Final Dividend:	
Ex-Dividend	4th January 2006
Record date	6th January 2006
Payment date	7th February 2006
2006 Interim Dividend to be paid	30th June 2006
Debenture Stock interest to be paid	31st March 2006 and 30th September 2006

Shareholder Information

Lloyds TSB Registrars maintain the Company's Register of Members. They may be contacted at:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA
Telephone 0870 600 3964
(International +44 121 415 7047)

Shareholder accounts may be accessed online through www.shareview.co.uk.

This gives secure access to account information and permits shareholders to amend address information and payment instructions.

There is also a Shareview dealing service which is a simple and convenient way to buy or sell shares in the Company

Thanks to the following who appear in the 2005 annual report:

Pg 2 Aidan, Playlounge, Carnaby

Pg 5 *Clockwise from top left;*

Talullah, Nail Lounge, Kingly Court, Carnaby

Karlson, 55dsl, Carnaby

Jessica, Step In Reflexology, Chinatown

Emily, Beyond the Valley

Jim, Barbers Point, Carnaby

Andrew, Triyoga, Kingly Court, Carnaby

Carl, Quiksilver, Seven Dials

Stevan, Our Shop, Kingly Court, Carnaby

Oliver, Oliver Benjamin, Carnaby

Pg 6 Thierry, La Trouvaille, Carnaby

Pg 7 Fiona, Black Pearl, Kingly Court, Carnaby

Pg 8 *From left to right;*

Kate, Kristjana and Jo, Beyond the Valley, Carnaby

Pg 10 Mimosa, Arrogant Cat, Seven Dials

Pg 11 Sara, Pixi, Carnaby

Pg 14 *From left to right*

Captain, Bond, Carnaby

Mark, The Loft, Seven Dials

Pg 15 Tia, Quiksilver, Seven Dials

Pg 16 Jason, Ben Sherman, Carnaby

Pg 17 Lilly Ella, Carry Me Home, Kingly Court, Carnaby

Pg 19 Luke, Twinkled, Kingly Court, Carnaby

Pg 20 *Clockwise from top left;*

Antony, C'est Ici, Kingly Court, Carnaby

Roth, Shampers, Carnaby

Laurence, Red, Carnaby

Adam, Shaston Arms, Carnaby

Pg 21 Suzanne, Coco De Mer, Seven Dials

Pg 22 Chi, Beijing Tong Ren Tang, Chinatown

Pg 25 Raj, Deal Real, Carnaby

Pg 26 Michael, Donmar Warehouse, Seven Dials

Pg 27 Suzana, Canela, Seven Dials

Pg 28 Hang, New World Restaurant, Chinatown

Pg 29 Luke, Firetrap, Seven Dials

Pg 30 Dana, Firetrap, Seven Dials

Pg 31 *Clockwise from top left;*

Ady, Burgershack, Carnaby

Zhang Rong Hua, The Golden Gate Supermarket,
Chinatown

Patrice, La Trouvaille, Carnaby

Sho Han Mau, Mini Market, Chinatown

Mau, Lucky House, Chinatown

Jaime an Andreo, Canela, Seven Dials

Kiw, Top of the Town, Chinatown

Franklin and Marion, Thanks for Franks, Carnaby

Margaret, Cybercandy, Seven Dials

Pg 34 Yaw Le Hor, Chinese Experience, Chinatown

Pg 35 Craig, Harriets Muse, Kingly Court, Carnaby

Inside back cover; Patterson, The Great Frog, Carnaby



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