


annual report 2006

Shaftesbury PLC

Shaftesbury at the heart of London's West End.

Shaftesbury PLC Annual Report 2006

Contents

Financial highlights

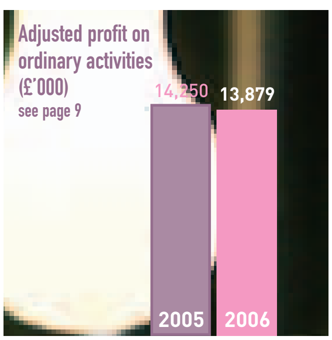
		2006	2005	Change
Net property income	£'000	**46,983**	43,401	+8.3%
Adjusted profit before tax*	£'000	**13,879**	14,250	-2.6%
Adjusted diluted earnings per share*	pence	**7.47**	7.65	-2.4%
IFRS profit before tax	£'000	**187,602**	140,351	+33.7%
IFRS diluted earnings per share	pence	**103.32**	74.62	+38.5%
Dividends per share	pence	**5.65**	5.0	+13.0%
Property assets at book value	£'000	**1,254,776**	987,516	
Adjusted net assets**	£'000	**788,704**	603,642	+30.7%
Adjusted diluted net assets per share**	pence	**590**	455	+29.7%
IFRS net assets	£'000	**606,881**	473,161	+28.3%
IFRS diluted net asset value per share	pence	**454**	357	+27.2%

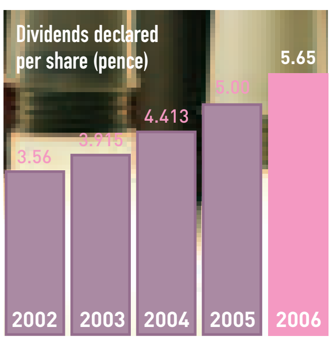
* Adjusted to exclude property and financial derivative valuation movements, gain on sale of investment properties, exceptional costs and loss on purchase of debenture stock (see page 3)

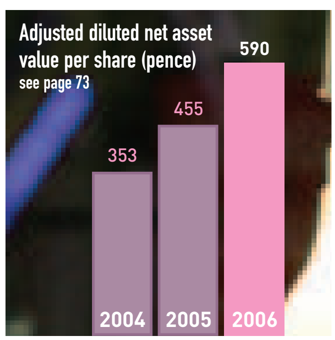
** Adjusted to exclude fair valuation of financial derivatives and deferred tax in respect of investment property revaluations and financial instrument fair values (see page 3)

Performance summary – year ended 30th September 2006

		Shaftesbury Group	Benchmark
Portfolio return (the annual valuation uplift 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)		**+18.1%**	IPD UK Monthly Index Capital Values **+14.7%**
	2005	*+15.6%*	*+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)		**+22.4%**	IPD UK Monthly Index Total Return - **+20.7%**
	2005	*+20.6%*	*+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)			
Based on reported net assets		**+28.9%**	
	2005	*+26.4%*	
Based on adjusted net assets		**+30.8%**	
	2005	*+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)		**+59.3%**	FTSE 350 Real Estate Index **+35.3%**
	2005	*+39.2%*	*+27.7%*







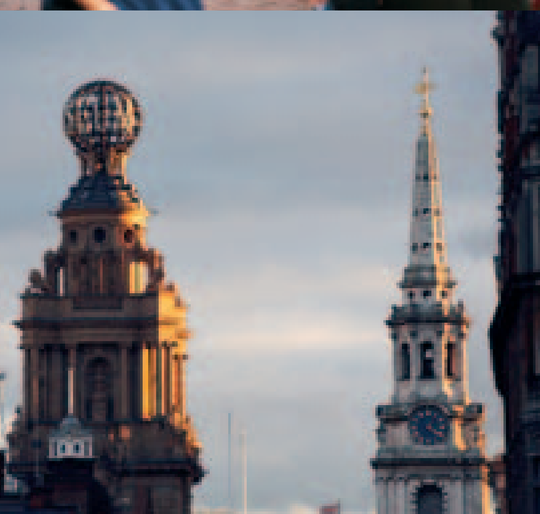
Shaftesbury continues to advance its well established strategy of investing over the long term only in the very centre of London's West End, which is renowned for its unique heritage, places of entertainment and vibrant atmosphere.

London's many attractions as an international city and its prospects for growth underpin the value of our portfolio.







DAY






THEATRE


‘THE GREATE
MUSICAL

Chairman's statement

Our results this year demonstrate again the success of our clearly defined strategy to invest only in London's West End which, combined with our detailed local knowledge, continues to deliver excellent growth in net asset value and a significant increase in shareholder value.

These are our first annual results reported under International Financial Reporting Standards. These new accounting rules require a number of changes to the basis of calculating certain items appearing in our results and to the presentation of those results but have no impact on our business strategy or our cash flows. In order to give a better indication of the Group's performance, we refer below to our adjusted profits, which exclude property and financial derivative valuation movements, the effects of property disposals and exceptional costs. Deferred tax provisions arising on investment property revaluation surpluses and financial derivatives valuation movements and their associated deferred tax have been excluded in arriving at adjusted net asset disclosures.

Shareholders' funds at 30th September 2006, adjusted to exclude deferred tax in respect of investment property revaluations and the fair value of financial derivatives and associated deferred tax, totalled £788.7 million, equivalent to a diluted net asset value per share of £5.90. This compares with adjusted shareholders' funds of £603.6 million at the previous year end, equivalent to £4.55 per share. This represents an increase of £1.35 per share, an uplift of 29.7% over the year and follows a similar increase last year.

Shareholders' funds shown in the unadjusted Group Balance Sheet totalled £606.9 million, equivalent to a diluted net asset value per share of £4.54 per share (2005 - £473.2 million equivalent to £3.57 per share).

Profit on ordinary activities before tax, adjusted to exclude exceptional costs, asset disposals and fair value movements in respect of investment properties and financial derivatives, amounted to £13.9 million, compared with £14.2 million last year.

This year's results include a charge of £1.6 million (2005 - £0.2 million) in respect of the National Insurance liability arising on past grants of share awards and share options that have vested during the year or are now expected to vest. This liability is calculated by reference to the Company's share price, which has increased from £3.80 to £6.00 over the year, and also reflects the Group's net asset value performance, which has increased the likelihood of performance-related options vesting.

The results this year also reflect an exceptional loss of £20.0 million before tax relief arising on the purchase and cancellation of £52.1 million (nominal) of 8.5% Debenture Stock 2024 in September 2006. Further Debenture Stock totalling £6.5 million (nominal) was purchased and cancelled in October 2006, realising a loss before taxation relief of £2.5 million which will be reflected in our results for the year ending 30th September 2007. Overall, the refinancing at current interest rates of this element of our historic fixed rate long term debt has created a useful economic surplus, enhanced by the corporation tax relief on the book loss crystallised, and allows us greater flexibility in future financing.

Profit before tax for the year ended 30th September 2006 reported in the Group Income Statement amounted to £187.6 million (2005 - £140.4 million).

	2006 £'000	2005 £'000
Net assets reported in the Group Balance Sheet	**606,881**	473,161
Adjusted for:		
Fair value adjustment in respect of financial derivatives	**9,318**	11,758
Deferred tax provided in respect of:		
Investment property revaluation gains	**175,300**	122,250
Financial derivatives	**(2,795)**	(3,527)
Adjusted net assets	**788,704**	603,642
Profit before tax reported in the Group Income Statement	**187,602**	140,351
Exceptional administration costs	**-**	297
Profit on disposal of investment properties	**(748)**	(4,220)
Surplus arising on revaluation of investment properties	**(190,933)**	(130,004)
Movement in fair value of financial derivatives	**(2,051)**	4,171
Loss on purchase of debenture stock	**20,009**	3,655
Adjusted profit before tax	**13,879**	14,250
Taxation charge reported in the Group Income Statement	**50,100**	41,574
Current tax in respect of:		
Exceptional administration costs	**-**	89
Loss on purchase of debenture stock	**6,002**	1,097
Deferred tax in respect of:		
Property disposals	**5,268**	(850)
Revaluation of investment properties	**(56,708)**	(39,000)
Movements in fair value of financial derivatives	**(732)**	1,210
Adjusted taxation charge on the adjusted profit before tax	**3,930**	4,120
Profit after tax:		
Reported in the Group Income Statement	**137,502**	98,777
Adjusted profit after tax	**9,949**	10,130

Provision for current and deferred taxation on the adjusted profit for the year amounted to £3.9 million (2005 - £4.1 million). The loss realised on the purchase and cancellation of Debenture Stock has eliminated our corporation tax liability for the year and created tax losses which we expect to utilise in the year ending 30th September 2007. Sales of properties allowed the release of deferred tax of £5.3 million.

The adjusted profit after tax for the year amounted to £9.9 million (2005 - £10.1 million). The profit after tax reported in the Group Income Statement amounted to £137.5 million (2005 - £98.8 million).

Your Directors are pleased to recommend an increased final dividend of 3.73p per share (2005 - 3.30p). Together with the interim dividend of 1.92p (2005 - 1.70p), this will bring the total distribution for the year to 5.65p (2005 - 5.00p), an increase of 13%.

Our property portfolio has been valued at 30th September 2006 at £1,254.9 million, resulting in a revaluation surplus of £190.9 million, which together with the surplus on disposals, are equivalent to an 18.1% uplift. This compares with an increase in the IPD UK Monthly Index of Capital Values for all classes of commercial property of 14.7% over the same period. Our portfolio showed an overall return for the year of 22.4% compared with the IPD UK Monthly Index of Total Returns for all classes of commercial property of 20.7%.

Once again, this year a reduction in yields applied to property investments has contributed substantially to the increase in value of our assets. Equivalent yields have generally moved in our favour by an average of approximately 0.75% over the year (2005 - 0.75%) in our wholly owned portfolio. Rental growth for shops and restaurants has continued throughout the year, reflecting strong occupier demand in our villages. We believe there is considerable potential for further growth through our policy of creating unique shopping destinations and over time we expect the rental gap with adjacent prime high streets will continue to narrow. We have also seen growth in office rents for the first time in several years.

Our valuers have estimated the rental value of our total portfolio at the year end to be £66.0 million per annum. This compares with the portfolio's current passing income at that date of £53.9 million per annum.

Once again DTZ, the valuers of our wholly-owned portfolio, have commented in their Report on the concentration of a high proportion of our properties in adjacent or adjoining locations within our principal villages and the dominance of retail and restaurant uses. They advise that, as a consequence of these unusual factors, our wholly-owned portfolio as a whole or in parts may have a greater value than that currently reflected in their valuation.

In a competitive market, we have made acquisitions in our villages totalling £107.7 million. We have made significant investments within Covent Garden including the Opera Quarter and in the formation of the Longmartin joint venture with The Mercers' Company. At the same time, we have taken advantage of the buoyant market to sell National Magazine House, a predominantly office building in Carnaby.

The Group, together with its advisors, is continuing to assess the legislation, regulations and guidance published by HM Treasury regarding the operation of Real Estate Investment Trusts ("REITS"). Based on the information currently available, the Board sees a number of benefits in adopting this new tax status and expects that in early 2007 the Group will make an election for REIT status with a view to conversion on 1st April 2007. This likely conversion date will coincide with the first external interim valuation of the Group's portfolio at 31st March 2007.

Conversion would entail a number of changes to the Company's Articles of Association, which would be proposed at an Extraordinary General Meeting to be held by 31st March 2007.

The Group would pay a charge on conversion based on 2% of the market value of its property assets at the date it converts. As an indication, a charge at 2% on our property values at 30th September 2006 equates to approximately £25 million, equivalent to 19p per share.

After conversion, the Group would be required to meet certain tests including distributing at least 90% of its property-derived tax exempt income, to maintain its REIT status. Conversion would effectively extinguish the Group's contingent capital gains tax liability on revaluation surpluses, estimated at 30th September 2006 to be £137.5 million, and the Group would be exempt from any corporation tax liability on this property-derived income. We expect that virtually all of our income would fall into this tax-exempt category. We estimate the distribution requirement would be likely to lead to an increase in our dividends in a full year as a REIT of some 60% when compared with this year's total dividend of 5.65p.

A likely consequence of the introduction of REITs is greater liquidity in property markets and Shaftesbury is well placed, with substantial committed bank finance and modest gearing, to acquire further properties in our chosen locations.

London's many attractions as an international city and its prospects for economic growth underpin the value of our portfolio. Although we expect a moderation in yield movements in the coming year, our portfolio has considerable capacity to continue to deliver rental growth, driven by occupier demand in our sought-after locations, in the heart of this unique city.

P John Manser
Chairman
11th December 2006

Business review

Strategy and overview

Shaftesbury continues to advance its well established strategy of investing over the long term only in the very centre of London's West End, which is renowned for its unique heritage, places of entertainment and vibrant atmosphere.

London is the major centre of economic and financial activity for the UK and Europe and is experiencing substantial growth in both population and employment levels. London continues to be the World's most popular city destination for overseas visitors, which is stimulating an expansion in hotel development within the West End. Also, London is a popular and easily accessible destination for day trips for over 20 million people from within the UK. These characteristics combine to produce a local economy that often differs from the UK nationally. At the present time, the West End's visitor numbers and spending levels are exceptionally buoyant.

The essence of the West End is its unique combination of shops, restaurants, bars and clubs, 46 theatres as well as cinemas, world class galleries, museums, palaces and historic buildings, all within close proximity. Visitors are attracted to the West End knowing that they will experience something that they are unlikely to find elsewhere. Through our support to charities and involvement with the local community we actively support a number of organisations which promote the Arts, Theatre and Music.

Over 15 years we have assembled clusters of properties to create distinctive villages such as Carnaby and Chinatown. Within Covent Garden, our investments include the Seven Dials Village and this year we have added the Opera Quarter (a cluster of 30 properties east of the Covent Garden Piazza) and our Longmartin joint venture. Longmartin's properties form an Island Site of almost two acres, with frontages to Long Acre and Upper St. Martin's Lane, next to St. Martin's Circus and close to Seven Dials.

Our strategy is to identify properties close to streets traditionally regarded as prime, which offer the opportunity to enhance income and values by changes of use and reconfiguration. With detailed local knowledge and experience, we set out to create distinctive retail and restaurant destinations. We have found that in our villages, these two uses let readily and show little obsolescence. All our villages have excellent access to public transport both day and night. A key element of our strategy is support for community groups, local charities and the statutory authorities in their work to address important issues including the maintenance and improvement of the local environment.

We continue to convert some of our office space to other uses. In the case of smaller office floors, our schemes frequently entail conversion to residential apartments. We provide reasonably-priced accommodation to rent, usually on one year Assured Shorthold Tenancies, which is extremely popular with young people, often from overseas, who work close by and enjoy the many attractions of the West End.

An important element of our strategy is to create a broad range of unit sizes and different levels of rent within each village. This gives us added flexibility to foster interesting leisure and shopping opportunities in a creative and relaxed atmosphere, such as at Kingly Court in Carnaby, and Thomas Neals and Neal's Yard at Seven Dials.

Shaftesbury specialises in restaurants with table service, which is now a separate planning use. As there is no longer a risk of automatic conversion to pubs, bars or takeaways, we expect Westminster City Council's policies will support our strategy to improve and extend our restaurant portfolio.

This year many of our acquisitions have included established restaurants or other commercial space which has potential for change of use to restaurant or retail uses. Most of these acquisitions are either completely or substantially vacant and many are in need of renovation, so already we are preparing several important new projects which will commence in 2007.

As most of these schemes entail refurbishment and reconfiguration of existing buildings, we are, in effect, conserving and extending the useful lives of many old buildings, some of which are Listed, and almost all of which are in Conservation areas. We believe that this strategy helps us to obtain planning consents as greater emphasis is now being placed on environmental sustainability. However, the increased complexity of planning requirements is extending the planning process and will increase refurbishment costs.

The very nature of our portfolio, with over 400 mixed use buildings, and our strategy of active management of our assets, means that we are continually identifying opportunities to reconfigure accommodation and introduce higher-value uses to enhance both income and capital values. We recognise the need to anticipate changing consumer tastes through constant attention to the mix and quality of shops and restaurants in our villages.

We are encouraged that both Westminster City Council and the Mayor of London are advocating further improvements to the West End environment. Transport and infrastructure initiatives which are necessary to handle the increasing numbers of business and leisure visitors to the West End are always complex and any improvements will be slow. However, we are confident that these long term projects will contribute to the prosperity of our unique villages.

Portfolio activity

This has been a particularly active year, with acquisitions totalling £107.7 million. Whilst £79 million of investment has been within Covent Garden, we have also made strategic additions in all our villages.

As reported in November 2005, we sold National Magazine House, a freehold office building in Carnaby of 55,000 sq.ft. with 11 flats above, for £45 million, retaining a 999 year lease of the shops below.

These transactions have further advanced our long-term strategy of increasing retail, restaurant and leisure uses within our portfolio and reducing exposure to offices, which we consider in the longer term are more prone to obsolescence and volatility in both rents and capital values. An analysis of our portfolio at 30th September 2006 is set out on page 36.

Capital expenditure on our properties during the year totalled £8.9 million, representing 0.7% of our year end portfolio value. We expect capital expenditure to increase during the current year once projects now being planned have commenced on site.

In the year to 30th September 2006 we let £4.1 million of commercial space, comprising £2.1 million of shops, £1.4 million of offices and £0.6 million of restaurants and leisure.

The rental value of vacant commercial space at the year end was £2.7 million (see table below). The level of retail and office voids reflects our usual level of refurbishment and letting activity in a portfolio of over 400 buildings. We always have a number of projects awaiting planning consent, in the course of refurbishment as well as completed and available to let. The vacant restaurant space is represented by three purchases made with vacant possession within the final month of the financial year.

At the year end the total rental value of our un-let residential properties, almost all of which was in course of conversion, was approximately £0.8 million per annum. This included schemes underway at that date involving the conversion of offices into 30 residential units.

Analysis of Vacant Commercial Space at 30th September 2006

Estimated Rental Value	Shops £'000	Restaurants and leisure £'000	Offices £'000	Total £'000
Under refurbishment	275	143	55	473
Ready to let	487	500	751	1,738
Under offer	268	-	181	449
Total	**1,030**	**643**	**987**	**2,660**
Area - sq. ft.	18,000	17,000	38,000	73,000

Our portfolio

Our wholly owned portfolio at the year end included 290 shops with a total of 373,000 sq. ft., which provided 41% of current contracted income with an average unexpired lease term of seven years. This has been another active year in which we have let 38 shops, of which 23 have been in Carnaby. At the year end, we had 16 shops vacant and ready to let of which four were under offer. Eight shops were under reconstruction. We continue to see strong demand for shops of all sizes in each of our villages.

Our wholly owned restaurants, bars and clubs extend to 398,000 sq. ft. and for the first time they have a larger floor area than our shops. Following acquisitions and changes of use during the year, these now include 151 units, a net increase of 17. They provide 30% of contracted income with an average unexpired lease term of 15 years. Seven have been let during the year and three others, purchased with vacant possession in September 2006, are already attracting strong interest from experienced operators with enterprising concepts.

Our wholly owned offices extend to 420,000 sq. ft. They account for 23% of contracted income and have an average unexpired lease term of four years. Our offices are generally small and located above shops and restaurants. Over half of our offices are in Carnaby. We have 314 office tenancies, with an average floor area of 1,350 sq. ft. Letting activity has improved generally over the year, having shown the greatest improvement in recent months. Whilst we take every opportunity, where appropriate, to improve and extend our office space, the number of such schemes expected to be undertaken in 2007 will be much reduced as we identify opportunities to convert offices to other commercial or residential uses.

Our wholly owned residential accommodation now includes 241 flats and maisonettes, a net increase of 13 following sales, acquisitions and conversions. They represent 6% of our income.




PRINCE
OF
WALES




STO
NIGHT


BALCONY
CABARET



CAMBRIDGE
THEATRE
SHELTON STREET
STAGE DOOR

Carnaby

Carnaby represents 39% of our assets by value and includes 46% of our wholly-owned shops and 53% of our wholly-owned offices.

As a result of our policies of avoiding high street retail formats and encouraging overseas and independent retailers, Carnaby is now recognised as the leading location in the West End for flagship shops for sports and leisure fashion.

Kingly Court is an increasingly popular courtyard both for shopping and leisure. The addition of the removable roof has allowed us greater opportunity to extend the hours of activity. A large restaurant that fronts Kingly Court and Ganton Street is expected to open by the Summer of 2007.

Our recently completed reconstruction project at the corner of Carnaby Street and Broadwick Street with two large shops and 8,000 sq. ft. of offices is fully let. We have now started work to extend five adjacent shops in Broadwick Street, which will be followed by major improvements to the western end of the street itself.

We have identified several more schemes both for refurbishment and reconstruction as well as for street improvements. We hope to advance these projects during the current year.

We welcome the improvements and new initiatives being carried out in adjoining streets. The comprehensive reconstruction of shopping on Regent Street is well advanced and many new flagship stores have opened. In effect this enlarged project now extends from Oxford Circus to Piccadilly Circus.

We actively support the combined action of Westminster City Council and the New West End Company (responsible for the Business Improvement District which includes Oxford Street, Bond Street and Regent Street) to promote the area and to improve the West End over the medium to longer term.

Carnaby Statistics

Valuation 30th September 2006	£491.7 million
Percentage of portfolio	39%
Acquisitions during year	£14.4 million
Capital expenditure in year	£4.5 million
Book value of disposals	£44.2 million
Valuation surplus	£78.2 million
Valuation uplift	17.0%

	Number	Area sq. ft.	% of current gross income
Shops	133	185,000	48
Restaurants and leisure	36	78,000	12
Offices (tenancies)	167	231,000	37
Residential	52	41,000	3


CARNABY
CARNABY

Covent Garden

Our holdings in Covent Garden, including our share of the Longmartin joint venture, now represent 34% of our assets. They include 35% of our wholly owned shops and restaurants and 41% of our wholly owned residential accommodation.

Following significant investment during the year, our holdings now extend over three distinct areas: Seven Dials Village, the Opera Quarter and the Longmartin joint venture at St. Martin's Circus.

At Seven Dials, we have seen a good increase in demand, in particular for shops, restaurants and flats following completion of street improvements to upgrade Monmouth Street, a project we supported in partnership with the Seven Dials Trust, a local charity.

The Opera Quarter and the Longmartin joint venture currently form our largest potential projects for reconstruction and refurbishment in the Group. Both districts include extensive areas of un-modernised space.

In the Opera Quarter, which includes some of Covent Garden's oldest buildings, our main objective is to improve and extend our 17 restaurants and cafes, which are next to six important theatres. Much of the space at the upper floors is empty and un-refurbished. We have identified seven initial projects and have commenced works on three of them. Westminster City Council has recently completed improvements to the pavement and street at the northern boundary of our holdings which will improve pedestrian safety and comfort.

Since the formation of the Longmartin joint venture in December 2005, our priority has been to crystallise our ideas for the project as a whole. As well as developing the four frontages of this Island Site, we now propose to open a pedestrian access from Long Acre into the site via Slingsby Place, which will converge on a large new central courtyard where we expect to have new restaurant and retail space. Following preliminary discussions with Westminster City Council, we are now submitting planning applications for the initial phases. We expect to commence the first phases of works in 2007.

Immediately opposite the joint venture site at Cranbourn Street and St. Martin's Lane, we have two reconstruction projects in hand for conversion of offices to residential accommodation.

Covent Garden Statistics

	Wholly owned	Longmartin - Shaftesbury Group's 50% share
Valuation 30th September 2006	£345.4 million	£70.7 million
Percentage of portfolio	28%	6%
Acquisitions during the year	£55.2 million	£23.8 million
Capital expenditure in year	£1.6 million	£0.7 million
Book value of disposals (excluding transfers to joint venture)	£3.2 million	£0.2 million
Valuation surplus	£55.8 million	£7.3 million
Valuation uplift	23.8%	*11.6%

	Number	Area sq. ft.	% of current gross income	Longmartin Total Number	Longmartin Total Area sq. ft.	Longmartin Total % of current gross income
Shops	101	133,000	49	7	15,000	24
Restaurants and leisure	53	126,000	24	6	35,000	23
Offices (tenancies)	72	125,000	18	37	**157.000	**44
Residential	100	68,000	9	43	37,000	9

*From valuation of joint venture assets in November 2005
** Includes 35,000 sq.ft. of garaging


Peking & Canton cuisine

Chinatown

We own 55 restaurants and 53 shops in Chinatown. Chinatown represents 25% of our assets and includes 36% of our restaurants, bars and leisure units.

The small but unusual new courtyard at Horse and Dolphin Yard is progressing well. Already it is becoming established as a specialist location for Far Eastern food shops. Current levels of interest indicate that the new shops will continue to let readily as each phase is completed. There is the added advantage within this scheme that, as most of the new shops have frontages on either Shaftesbury Avenue or Gerrard Street, they will provide a new pedestrian route within Chinatown through a traffic-free shopping courtyard.

As part of the Chinatown Action Plan, where we are working closely with Westminster City Council and local Chinese Community Groups, this year has seen major environmental improvements, including the complete resurfacing of Gerrard Street and new street lighting, which are virtually finished. Work has now commenced in Macclesfield Street and in 2007 will extend to Lisle Street and Horse and Dolphin Yard.

We have introduced further initiatives to raise the quality of Chinatown, including implementing elements of a Design Brief discussed with Westminster City Council to create a more Far Eastern atmosphere. This is now becoming evident in bold external treatments to restaurants as they are modernised and refurbished. Also, we are actively supporting the Chinese Community with its plans for a new traditional style Chinese Gate across Wardour Street.

Chinatown Statistics

Valuation 30th September 2006	£319.5 million
Percentage of portfolio	25%
Acquisitions during the year	£12.1 million
Capital expenditure in year	£2.0 million
Valuation surplus	£44.8 million
Valuation uplift	16.3%

	Number	Area sq. ft.	% of current gross income
Shops	53	51,000	27
Restaurants and leisure	55	174,000	59
Offices (tenancies)	66	49,000	9
Residential	71	45,000	5


BROWSERS
COURT


garden


社區中
Community


POLICE
POLICE

Risks and uncertainties facing the business

Operational and financial risks facing the business are monitored through a process of regular assessment by the executive team and reporting and discussion at meetings of the Audit Committee and the Board.

The valuation of all property assets involves assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as changes in interest rates, bond yields and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal could lead to a reduction in property values and a loss in net asset value, amplified by the effect of gearing.

The key risks identified by the Group's assessment processes specific to its business arise from the concentration of the Group's assets in the centre of the West End of London. The prosperity of the West End economy and the Group's retail and restaurant occupiers are heavily dependent on large numbers of domestic and overseas visitors to this high profile area. Any external events, such as security and public safety concerns or transport disruption, which might result in a sustained and significant reduction in visitor numbers could, over time, lead to a reduction in occupier demand and the rental potential of the Group's property assets.

All of the Group's properties are located within the jurisdictions of Westminster City Council and the London Borough of Camden. Although the Group works closely in many aspects of day-to-day business with these local authorities, changes to their policies, particularly those relating to planning and licensing, could have a significant impact on the Group's ability to maximise the long term potential of its assets.

Results

Our adjusted profit before taxation for the year (adjusted to exclude exceptional costs, asset disposals and movements in the valuation of investment properties and financial derivatives) amounted to £13.9 million, a small decrease on the 2005 equivalent figure of £14.2 million.

This year's administrative expenses include a charge of £1.6 million (2005 - £0.2 million) in respect of the National Insurance liability on share awards and share options expected to vest in the future. The charge reflects the impact of the increase in the Company's share price over the year (from £3.80 to £6.00) and the increased likelihood of options vesting as a result of the Group's net asset value performance.

Profit on ordinary activities before taxation reported in the Income Statement amounted to £187.6 million (2005 - £140.4 million).

Our rental income has continued to rise, with rents receivable (adjusted for lease incentives) increasing from £48.9 million to £52.2 million. Non-recoverable property outgoings at £5.2 million have declined slightly over the year (2005 - £5.5 million).

Interest payable rose by £2.1 million during the year to £25.8 million and was covered 1.53 times (2005 - 1.60 times) by operating profits adjusted to exclude exceptional costs, property disposals and property valuation movements. The increase in interest costs in part reflects the cost of financing this year's net cash investment in our portfolio of £55.3 million. We have acquired a number of properties this year which were either vacant or producing a low initial income. Our estate management plans may, in the short term reduce income still further but over the long term should lead to much increased income, reversing the initial funding deficit.

In September we announced a major refinancing of half of our long term Debenture debt, funded out of a new £100 million ten year facility with the Nationwide Building Society. We completed the purchase and cancellation of £52.1 million of Debenture Stock prior to the year end at a cost of £74.9 million, realising a loss of £20.0 million before tax relief. Since the year end, a further £6.5 million of Debenture Stock has been purchased at a cost of £9.3 million realising a loss of £2.5 million, which will be accounted for in the results for the year to 30th September 2007. The terms of this refinancing, particularly the post-tax cost of the transaction, show a useful economic benefit to the Group. The Board continues to be alert to 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.

The loss realised as a result of the Debenture refinancing has eliminated our taxable profit for the current year and should provide sufficient losses to cover our taxable profits for the period up to 31st March 2007, when it is likely we will convert to REIT tax status.

This year's property disposals have resulted in a release of deferred tax amounting to £5.3 million. We have sufficient capital losses available to shelter the net taxable capital gains realised in the year.

Adjusted diluted post-tax earnings per share for the current year amounted to 7.47p compared with 7.65p last year. Unadjusted diluted post-tax earnings per share shown in the Group Income Statement for the current year amounted to 101.68p compared with 74.62p last year.

Unadjusted Shareholders' funds at the year end shown in the Group Balance Sheet totalled £606.9 million, equivalent to a diluted net asset value of £4.54 per share, an increase over the year of £133.7 million or 96p per share. As shown in the table on page 9, adjusting these amounts to exclude the deferred tax liability arising on the valuation of investment properties and the fair value of financial derivatives and associated deferred tax, our net asset value becomes £788.7 million equivalent to a diluted net asset value per share of £5.90 per share (2005 - £603.6 million - £4.55 per share), an increase of £185.1 million or £1.35 per share.

Finance

The nominal value of bank borrowings at the year end totalled £460.6 million, an increase of £81.9 million over the previous year end. Cash outflows during the year on acquisitions less disposals of investment properties amounted to £47.1 million and expenditure on refurbishments totalled £8.2 million. Cash generated from revenue operations after interest and taxation produced a net surplus of £11.9 million, compared with £14.5 million in the previous year. The purchase of Debenture Stock up to the year end resulted in an outflow of funds of £74.9 million. Since the year end, further Stock purchases have cost £9.3 million, largely met out of cash balances held at the year end.

Gearing at the year end, calculated by reference to our adjusted net assets referred to above and the nominal rather than book value of our Debenture and bank debt less cash balances was 57% (2005 - 63%) which gives us considerable borrowing capacity before we reach our self-imposed gearing limit of 100%. The ratio of the nominal value of Debenture and net bank debt to the market value of our property assets was 36% (2005 - 39%).

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 £200 million including £100 million from a new lender. We now have committed facilities totalling £500 million with a weighted average maturity of 8.8 years. Committed unutilised facilities at the year end totalled £107 million.

At the year end the weighted average cost of our borrowings including margin was 5.93% (2005 - 6.49%). Although interest rates have risen over the year, this reduction reflects the impact of refinancing part of our long term Debenture debt.

At the year end, £226.4 million of borrowings, equivalent to 49%, of our bank and Debenture debt was either at fixed rate or hedged to limit our exposure to excessive rate increases. During September and October 2006 we entered into forward start interest rate hedges for an average term of eight years on a further £135 million notional principal at an average rate of 4.96%. These new arrangements, which commence between November 2006 and March 2007, bring our fixed or hedged debt to 78% of year end borrowings.

At 30th September 2006, the fair value of the Group's interest rate derivatives contracted at that date represents a liability before tax of £9.3 million (2005 - £11.8 million), which has been reflected in the results in accordance with the accounting requirements of IFRS. This reduction in the liability reflects market expectations of rising future interest rates.

The deficit before tax arising on the fair value of the Group's long term Debenture debt, which IFRS does not allow to be reflected in the results, amounted to £24.9 million (2005 - £34.5 million). The valuation reflects the terms of the refinancing carried out in September 2006.

The Group has no legal obligation to crystallise these fair value deficits by further early refinancing of its fixed rate debt or the early termination of its interest rate hedges but may consider doing so where there is a clear economic benefit to the business.

Performance and benchmarking

The table on page 2 summarises our performance this year against our chosen benchmarks.

As explained last year, we have been unable to identify a published property performance index which relates specifically to a portfolio of mixed use buildings such as ours, or includes restaurant uses as a component, an important aspect of our investment strategy. We have therefore used for comparison purposes the IPD UK Monthly Index which tracks movements across all main commercial 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 again out-performed the IPD All Property Monthly indices by useful margins.

The degree of out-performance in overall return was less than that for the portfolio return due to the lower yield profile of our assets. Our total shareholder return exceeded the FTSE 350 Real Estate Index by a substantial margin even though the index itself reflected further market re-rating of shares in the real estate sector during the year.

Key performance indicators

The key financial objective of the Group is to deliver to shareholders sustained out-performance in the long term growth in its net asset value.

Fundamental to this objective is the growth in value of the Group's property assets. The Group measures its overall portfolio performance against the IPD UK Monthly Index which, as explained above, tracks movements across all main commercial property categories on a monthly basis. The Group's performance against this Index is set out on page 2.

The rental growth prospects of the Group's portfolio is the key driver of its long term performance. The key non-financial performance indicators used within the business measure:

- the extent to which rental levels are achieved in excess of the market rental values assessed by the Group's external valuers at their last valuation and;
- the ability of management to minimise the time that properties are vacant and not producing income. In the case of properties being refurbished, the void period being monitored includes time spent in designing schemes, obtaining planning consents, carrying out physical works and marketing up to the point of completing lettings. For vacant properties ready to let, marketing periods are monitored and assessed.

The Board is satisfied that the key performance indicator of rental growth is meeting its expectations. Void periods are generally at an acceptable level although where delays occur these are often due to problems beyond the Group's control, such as delays in the planning process or the failure of utility companies to meet their service obligations.

Jonathan S. Lane Chief Executive
Brian Bickell Finance Director
11th December 2006

Portfolio analysis

		Carnaby	Covent Garden	Chinatown	Charlotte Street	Wholly Owned Portfolio	Longmartin	Total Portfolio
Market Value (note 1)		£491.7m	£345.4m	£319.5m	£27.7m	£1,184.3m	*£70.7m	£1,255.0m
% of total Market Value		39%	28%	25%	2%	94%	6%	100%
Current gross income (note 2)		£20.1m	£15.0m	£14.4m	£1.3m	£50.8m	*£3.1m	£53.9m
Estimated rental value (ERV) (note 3)		£26.3m	£18.1m	£16.3m	£1.4m	£62.1m	*£3.9m	£66.0m
Shops	Number	133	101	53	3	290	7	
	Area – sq.ft	185,000	133,000	51,000	4,000	373,000	15,000	
	% of current gross income	48%	49%	27%	9%	41%	24%	
	% of ERV	50%	51%	26%	9%	43%	22%	
	Vacancy rate by % of ERV	8%	4%	2%	-	6%	-	
	Average unexpired lease length- years (note 4)	6	10	7	12	7	2	
Restaurants and leisure	Number	36	53	55	7	151	6	
	Area – sq.ft	78,000	126,000	174,000	20,000	398,000	35,000	
	% of current gross income	12%	24%	59%	46%	30%	23%	
	% of ERV	13%	23%	58%	43%	28%	21%	
	Vacancy rate by % of ERV	-	4%	4%	-	3%	-	
	Average unexpired lease length- years (note 4)	12	14	15	16	15	6	
Offices	Number of tenancies	167	72	66	9	314	37	
	Area – sq.ft	231,000	125,000	49,000	15,000	420,000	**157,000	
	% of current gross income	37%	18%	9%	28%	23%	**44%	
	% of ERV	33%	16%	10%	32%	22%	**49%	
	Vacancy rate by % of ERV	7%	8%	10%	6%	8%	-	
	Average unexpired lease length- years (note 4)	4	4	4	3	4	3	
Residential	Number	52	100	71	18	241	43	
	Area – sq.ft	41,000	68,000	45,000	10,000	164,000	37,000	
	% of current passing rent	3%	9%	5%	17%	6%	9%	
	% of ERV	4%	10%	6%	16%	7%	8%	
	Vacancy rate by % of ERV	34%	19%	26%	10%	25%	-	

*Shaftesbury Group's share **Includes 35,000 sq.ft. of garaging

Basis of valuation

		Carnaby	Covent Garden	Chinatown	Charlotte Street	Wholly Owned Portfolio	Longmartin
Overall initial yield (note 6)		3.74%	3.86%	4.25%	4.17%	3.92%	4.00%
Overall equivalent yield (note 7)		4.72%	4.58%	4.79%	4.66%	4.70%	5.06%
Tone of retail equivalent yield		4.35 - 5.60%	4.00 - 5.50%	4.75 - 5.50%	4.35 - 5.00%		4.15 - 4.50%
Tone of retail estimated rental values	ITZA £ per sq.ft.	£100 - £305	£70 - £350	£150 - £255	£72.50 - £80		£317 - £390
Tone of restaurant equivalent yields		5.00- 5.25%	4.00 - 5.00%	4.75 - 5.50%	4.25 - 4.75%		4.00 - 6.00%
Tone of restaurant estimated rental values	£ per sq.ft.	£57 - £70	£44.25 - £100	£125 - £310 ITZA	£70		£40 - £81
Tone of office equivalent yields		4.75 - 5.50%	4.75 - 5.50%	5.50 - 5.60%	5.25 - 6.00%		4.25 - 6.00%
Tone of office estimated rental values	£ per sq.ft.	£35 - £47	£22.50 - £42.50	£30 - £40	£27.50 - £35		£25 - £37.50
Tone of residential estimated rental values	£ per annum	£9,100 - £40,600	£10,500 - £40,000	£7,800 - £22,500	£8,400 - £16,000		£13,000 - £26,000

Notes:

1 The Market Values shown above in respect of the four Villages are, in each case, the aggregate of the market values of several different property interests located within close proximity which, for the purpose of this analysis are combined to create each Village. The different interests in each Village were not valued as a single lot.

2 Current 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 2006 (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.

3 Estimated rental value is the respective valuers' 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.

4 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 through effluxion of time.

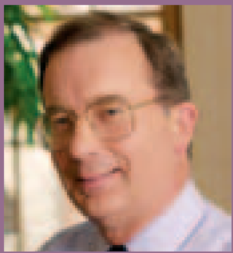
5 Where mixed uses occur within single leases, for the purpose of this analysis the majority use by rental value has been adopted.

6 The initial yield is the net initial income at the date of valuation expressed as a percentage of the gross valuation.

7 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.

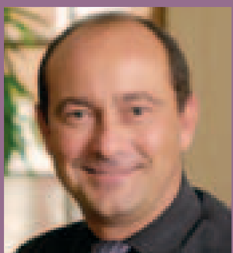
8 The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.

Directors, officers and advisors

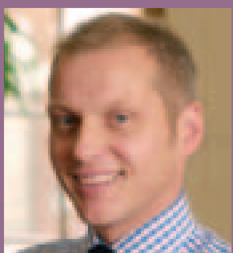


Jonathan S Lane, MA, FRICS
Chief Executive.
Joined in 1986 as managing director. Overall responsibility for the Group's strategy and day-to-day operations.

Brian Bickell, FCA
Finance Director.
Joined in 1986 and appointed a Director in 1987. Responsible for finance strategy, accounting and taxation.

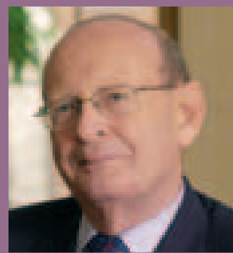


Simon J Quayle, BSc, MRICS
Director.
Joined in 1987 and appointed a Director in 1997. Responsible for strategy and management in Carnaby, parts of the Covent Garden estate and the Longmartin joint venture.



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.

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, Hiscox Investment Management Limited and London Asia Chinese Private Equity Fund PLC. Deputy Chairman of Colliers CRE plc. Non-executive director of SABMiller plc.



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.

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.

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, Alliance Trust plc and JP Morgan Mid-Cap Investment Trust plc.

Secretary and Registered Office
Penny Thomas LLB (Hons), FCIS,
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Tel: 020 7333 8118
Fax: 020 7333 0660
e-mail:
shaftesbury@shaftesbury.co.uk

Registered Number - 1999238

Stockbrokers
JPMorgan Cazenove
Merill Lynch International

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

Debenture Stock Trustee
Prudential Trustee Company Limited

Registered Auditors
PricewaterhouseCoopers LLP

Solicitors
Lovells
Eversheds LLP
Forsters LLP

Valuers
DTZ Debenham Tie Leung LNimited
Knight Frank LLP

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 company announcements by e-mail.

Carnaby: www.carnaby.co.uk
Seven Dials: www.sevendials.co.uk
Extensive information on villages with user registration to receive up-to-date news of shops and events in Carnaby and Seven Dials.

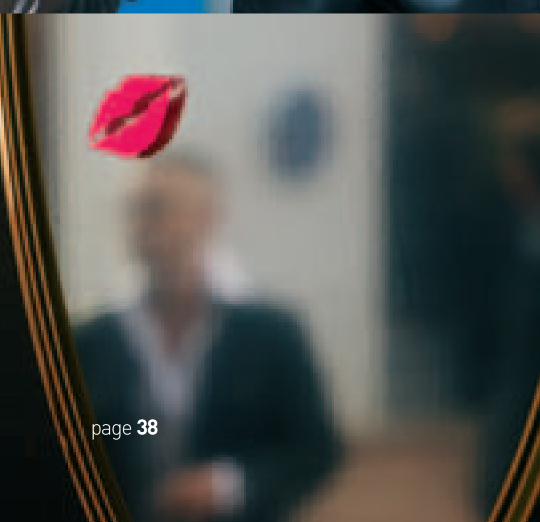

WEST END

attractions









Directors' report

The Directors present their report and the financial statements for the year ended 30th September 2006.

Business Review

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. The information which comprises the Business Review as required by Section 234ZZB of the Companies Act 1985 may be found in the Business Review on pages 16 to 32 and in the Corporate Responsibility Report on pages 52 to 53.

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 2006 are set out in the Group Income Statement on page 58.

An interim dividend of 1.92p per Ordinary Share was paid on 30th June 2006 (2005 – 1.7p).

The Directors recommend a final dividend in respect of the year ended 30th September 2006 of 3.73p per Ordinary Share (2005 – 3.3p), making a total dividend for the year of 5.65p per Ordinary Share (2005 – 5.00p). If authorised at the Annual General Meeting, the dividend will be paid on 16th February 2007 to members on the register at the close of business on 26th January 2007.

Share Capital

During the year, 582,893 Ordinary Shares of 25p each were issued fully paid at prices in the range £1.305 to £2.945 per Ordinary Share pursuant to the exercise of share options granted under the Group's Share Option Schemes.

Directors

The Directors of the Company who served during the year ended 30th September 2006, together with their interests in the Ordinary Share capital of the Company, were as follows:

	Ordinary Shares of 25p each		
	1.10.05	**30.9.06**	**8.12.06**
Beneficial interests:			
Jonathan S Lane	266,746	307,582	307,582
Brian Bickell	187,090	244,136	244,136
Simon J Quayle	162,030	219,771	219,771
Thomas J C Welton	68,668	143,219	143,219
P John Manser	80,000	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	5,000	5,000	5,000

The Group has a policy requiring executive Directors to build up and maintain a minimum shareholding in the Group equivalent to the value of one year's basic salary. Newly appointed executive Directors will be expected to accumulate a shareholding to the equivalent value over a period of five years from the date of their appointment.

Details of options granted to executive Directors under the Group's Share Schemes are set out in the Directors' Remuneration Report on pages 43 to 50.

At the forthcoming Annual General Meeting, P J Manser and J R K Emly will retire by rotation and will offer themselves for re-election. The unexpired terms of appointment of P J Manser and J R K Emly do not extend beyond the date of the 2007 Annual General Meeting. P J Manser will be subject to re-election annually commencing with the 2007 Annual General Meeting having been first appointed to the Board in 1997, in line with the Group's Articles of Association and the Combined Code. J R K Emly is proposed for a third three year term. The Board is satisfied that he is an effective and valuable member of the Board and plays a key role as Senior Independent Director and Chairman of the Remuneration Committee. The Board considers that both Directors have the skills, knowledge and experience that enable them to properly discharge their duties and contribute to the effective operation of the Board. The Board, on the advice of the Nomination Committee, therefore recommends their re-election.

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 8th December 2006, 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
Prudential PLC	4.94
Co-operative Insurance Society Limited	4.07
Stichting Pensioenfonds ABP	3.96
Legal & General Investment Management	3.93
FMR Corporation/Fidelity International Limited	3.70

Payment of Suppliers

The policy of the Company and Group 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 2006, the Group's creditors in respect of invoiced supplies represented 23 days purchases (2005 – 23 days).

Purchase of Own Shares

The Company was granted authority at the 2006 Annual General Meeting to make market purchases in its own shares. This authority will expire at the conclusion of the 2007 Annual General Meeting 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 £90,000 (2005 – £55,000). The principal charities supported by the Group are set out in the Corporate Responsibility Report on pages 52 to 53.

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

Employment

The Group's policies on employment are summarised in the Corporate Responsibility Report on pages 52 to 53.

Auditors

A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors to the Group will be proposed at the 2007 Annual General Meeting. Their re-appointment has been recommended by the Audit Committee and the Board.

2007 Annual General Meeting

The 2007 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 and authority to make political donations. The resolutions are set out in the Notice of Annual General Meeting on pages 82 to 83 together with explanatory notes on page 84.

Disclosure of Information to Auditors

Each Director has confirmed that:

1. So far as he is aware, there is no relevant audit information of which the Group's auditors are unaware, and
2. He has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given in accordance with Section 234ZA of the Companies Act 1985.

By Order of the Board

Penny Thomas
Secretary

11th December 2006

Corporate governance

The Board of Directors is responsible to shareholders for the strategic direction and management and control of the Group's activities and is committed to high standards of Corporate Governance in achieving these goals. The Board confirms that the Group has complied throughout the year with the recommendations of the 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 three non-executive Directors for the year. There were no changes to the composition of the Board during 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 date of his appointment as Chairman in October 2004.

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 Group'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. The Nomination Committee keeps the composition of the Board under review.

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 and their terms of appointment are available for inspection at the Group's registered office.

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. Non-executive Directors who have completed nine years service are required to submit themselves for annual re-election in accordance with the Company's Articles of Association and the Combined Code.

The Chairman, P J Manser holds a number of non-executive directorships. The Board considers that the time commitment required by his other roles does not impact on his Chairmanship of the Group. None of the executive Directors has taken any non-executive directorship at a FTSE 100 company or the chairmanship of such company.

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.

Functioning of the Board

The Board met five times during the year ended 30th September 2006. 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 risks 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.

The Chairman is responsible for ensuring that all the Directors continually update their skills and the knowledge and familiarity with the Group required to fulfil their role on the Board and the Board's Committees.

The Board carries out an annual review of its performance and effectiveness. The process includes completion by all members of the Board of a comprehensive questionnaire which incorporates the criteria recommended by the Good Practice Suggestions from the Higgs Report. The questionnaire addresses composition and function of the Board and each of its Committees, an assessment of each Director and the Chairman by his peers. The results of this appraisal process are considered by the Nomination Committee and the Board. The non-executive Directors, led by the Senior Independent Director, were responsible for the performance evaluation of the Chairman, taking into account the views of the executive Directors. The appraisal carried out in 2006 did not reveal any aspects of the Board's performance or effectiveness which were considered to be unsatisfactory.

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 web site.

A separate post of Company Secretary was established during the year. All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedure, corporate governance, statutory and compliance obligations are met and if there were any concerns about the running of the Group, that these would be recorded in the Board minutes. 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 reviewed the level of cover during the year and deemed it sufficient.

Attendance at Meetings

Directors' attendance at Board and Committee meetings convened in the year ended 30th September 2006 was as follows:

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

Board Committees

The Board has established three committees to deal with specific aspects of the Group's affairs: Audit, Remuneration and Nomination. The terms of reference of these committees are available on the Group's web site. The Company Secretary acts as Secretary to each of the Committees. Separate reports from the Committees are set out on pages 43 to 51.

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 and all other Directors are encouraged to attend.

The Chief Executive and Finance Director meet investor representatives frequently to discuss strategic and other issues within the constraints imposed by the Disclosure Rules of the UK Listing Authority. The Board receives regular reports on these meetings from the Chief Executive.

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 key risks identified in these review processes are summarised in the Business Review on page 31.

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, which are reviewed annually, are:

a) The close involvement of the executive Directors in all aspects of day-to-day operations, including regular meetings with senior staff to review all operational aspects of the business.

b) Clearly defined responsibilities and limits of authority. The Board has responsibility for strategy and has adopted a schedule of matters which are required to be brought to it for decision.

c) A comprehensive system of financial reporting and forecasting. Financial accounts are prepared quarterly and submitted to the Board. Profit and cash flow forecasts are prepared at least quarterly, approved by the Board and used to monitor actual performance.

d) Regular meetings of the Board and Audit Committee at which financial information is reviewed and business risks are identified and monitored.

In view of the 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

Penny Thomas
Secretary

11th December 2006

Directors' remuneration report

This Report, which has been prepared in accordance with the Companies Act 1985 as amended by the Directors' Remuneration Report Regulations 2002, outlines the membership and workings of the Remuneration Committee ("the Committee") and provides an explanation of the components of the Group's remuneration policy together with details of Directors' remuneration in respect of the year ended 30th September 2006. A resolution to approve this Report will be proposed at the forthcoming Annual General Meeting.

The Auditors are required to report to shareholders regarding Directors' remuneration, 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.

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 2005 to the date of this Report regarding Directors' remuneration have been accepted by the Board without amendment.

Membership of the Remuneration Committee

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 and W G McQueen. P J Manser has been re-appointed as a member of the Committee with effect from 1st November 2006. This follows a recommendation made by the Financial Reporting Council and changes to the Combined Code in June 2006 effective from 1st November 2006 which permits the Chairman of a company, where he is deemed independent on appointment as Chairman, to be a member of the Remuneration Committee.

The Committee met three times during the year ended 30th September 2006 to consider the employment terms and remuneration of executive Directors and review the level of remuneration of the Group's employees. The Committee also reviews the fee level of the Group's Chairman. Proposals in respect of matters relating to the Directors' and Chairman's remuneration are submitted to the Board for approval before implementation. Whilst the Chief Executive may at the invitation of the Chairman attend Committee meetings, the other executive Directors do not attend. No Director has any involvement in decisions regarding his own remuneration.

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 the remuneration policy. NBSC is appointed by the Committee and only provides advice to the Group in respect of Directors' remuneration.

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 encourages 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. The performance related elements of annual bonus and long term incentives can constitute a substantial proportion of the overall remuneration package where the challenging performance targets set by the Committee are met.

The Committee undertakes an annual review of the share incentive schemes operated by the Group to ensure that they remain appropriate to the Group's circumstances and overall remuneration policy.

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 permitted to accept external appointments with the prior approval of the Board and where there is no impact on their role with the Group. Any fees arising from such appointments may be retained by the executive Director where the appointment is unrelated to the Group's business. Fees from external appointments are disclosed in this Report.

The terms of appointment of non-executive Directors are documented in letters of appointment between the Group and the Director. Their term of appointment does not extend beyond the date on which they are next subject to re-election by shareholders. If re-elected at the 2007 Annual General Meeting, P J Manser and J R K Emly will receive new letters of appointment.

Salaries, Benefits and Non-Executive Directors' Fees

The Committee's policy is broadly to align salaries with comparable companies in the real estate sector. 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 benefits provided to each executive Director are a fully expensed car or a car allowance in lieu, life assurance (including widow's pension), health insurance and long term disability 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.

Fees payable to non-executive Directors are determined by the Board and reviewed periodically, 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 Director's roles and are set at broadly market median levels to ensure individuals of the necessary calibre and experience are recruited and retained. The fees were last reviewed in November 2005.

Annual Bonus Scheme

The Group operates an Annual Bonus Scheme. Under the Scheme, executive Directors and staff may receive a bonus based on the achievement of a range of challenging personal and corporate 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. The personal performance targets focus on an individual's contribution to the achievement of the Group's key business objectives. The personal performance targets set by the Committee relate to operational and financial aspects of managing the Group's portfolio which are considered to be critical to maximising its income and capital value potential. Targets for corporate performance set by the Committee reflect a number of financial and non-financial measures appropriate to a particular year. Both personal and corporate targets used to determine annual bonuses are consistent with the long term growth of the Group's net asset value and the attainment of key management and business objectives.

A participant may elect to receive all or part of the annual bonus in the form of Ordinary Shares or in cash. The value of the bonus is reduced by 20% for that part taken in cash rather than shares. Other than in exceptional circumstances, 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.

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 following 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.

Annual bonuses are not pensionable and are not contractual. The Committee is satisfied that the bonus limit is competitive with peer companies and is not excessive.

Long Term Incentive Arrangements

A new Long Term Incentive Plan was approved at the 2006 Annual General Meeting and the initial awards which were made to employees in March 2006 were limited to 100% of salary. Annual awards will revert to the normal timetable of granting awards following the announcement of the Group's annual results. The Plan involves the conditional award of shares in the form of nil cost options. All awards granted under the Plan are subject to performance conditions set by the Committee each year. Awards of free shares to employees are limited to 150% of salary per annum in normal circumstances. 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. Details of the Plan are set out in Table 2.

Following the establishment of the 2006 Long Term Incentive Plan, no further awards of shares will be made under the 2001 Discretionary Share Option Scheme. Details of the Group's 2001 Scheme are set out in Table 2.

Sharesave Scheme

The Group operates an Inland Revenue approved Sharesave Scheme for all employees, including executive Directors, subject to a qualifying service period. Sharesave allows employees to save each month 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. A further offer of savings contracts to all eligible employees was made in 2006.

Table 1 – Remuneration (audited)

Directors' remuneration for the year ended 30th September 2006 was as follows:

		2006 £'000	2005 £'000
Aggregate emoluments	Executive Directors	**2,120**	1,978
	Chairman and other non-executive Directors	**168**	138
		2,288	2,116

Executive Directors		J S Lane £'000	B Bickell £'000	S J Quayle £'000	T J C Welton £'000	Total £'000
Service Contract dated		12.10.1987	12.10.1987	8.10.1997	8.10.1997	
Basic Salary		**338**	**239**	**228**	**212**	**1,017**
	2005	328	231	211	196	966
Annual bonus		**340**	**210**	**201**	**188**	**939**
	2005	300	187	202	175	864
Benefits		**78**	**24**	**34**	**28**	**164**
	2005	71	22	30	25	148
Aggregate Emoluments		**756**	**473**	**463**	**428**	**2,120**
	2005	699	440	443	396	1,978
Pension Contributions		**85**	**59**	**57**	**53**	**254**
	2005	82	58	53	49	242

The levels of bonuses awarded in respect of the year ended 30th September 2006 reflect the substantial achievement of individual and corporate targets set by the Committee at the beginning of the year. Each executive Director has elected to take his 2006 Annual Bonus entirely in shares.

Chairman and other non-executive Directors

	2006 £'000	2005 £'000
P J Manser (Chairman)	**60**	60
J R K Emly	**36**	32
A W MacDonald	**36**	32
W G McQueen	**36**	14
	168	138

Review of Salaries and Fees in November 2006

Executive Directors' basic annual salaries were revised with effect from 1st December 2006 to the following levels:

	£'000
J S Lane	355
B Bickell	250
S J Quayle	240
T J C Welton	225

Table 2 - Share Options (audited)

2001 Discretionary Share Option Scheme

Under the terms of the 2001 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 relevant performance period commenced on the first day of the financial year in which the options were granted. The Group's performance over an initial three year period was compared with that of a Peer Group of listed real estate companies selected and kept under review by the Committee to ensure it is of reasonable size and remains a valid group against which to compare the Group's performance. The Peer Group currently comprises 11 companies as set out below:

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	

Calculations of performance are 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 2001 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 options will lapse. For options granted in 2004, there is no retesting of the performance condition.

Following the transition to International Financial Reporting Standards, the Committee is considering how best to calculate net asset value performance, with the overriding objective of achieving a fair measurement of the Group's relative performance.

2006 Long Term Incentive Plan

There are two separate performance conditions for the vesting of awards granted in March 2006, each applying to one half of the shares awarded:

- 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).
- 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 Committee believes that these are the most appropriate measures of performance to deliver enhanced shareholder value.

Performance against TSR targets will be reviewed by the Group's auditors and the Committee prior to vesting.

Summary of Directors' Share Options

Directors' share options held and exercised during the year ended 30th September 2006 in the Group's schemes are as follows:

	Options and nil cost options held at 1.10.2005	Granted	Exercised	Lapsed	Options and nil cost options held at 30.9.2006			Exercise Period		
					Total	Vested	Not Vested	Grant Price	From	To
J S Lane										
1997 Scheme										
3.12.1998	96,096	-	(96,096)	-	-	-	-	£1.665	12.2001	12.2008
29.11.1999	49,104	-	-	-	49,104	49,104	-	£2.42	11.2002	11.2009
2001 Scheme*										
21.2.2001	164,000	-	-	(57,400)	106,600	106,600	-	£2.945	2.2004	2.2011
13.12.2001	242,230	-	-	-	242,230	199,840	42,390	£2.735	12.2004	12.2011
18.12.2002	265,000	-	-	-	265,000	218,625	46,375	£2.00	12.2005	12.2012
18.12.2003	308,445	-	-	-	308,445	-	308,445	£2.31	12.2006	12.2013
15.12.2004	188,235	-	-	-	188,235	-	188,235	£3.40	12.2007	12.2014
2006 LTIP										
15.2.2006	-	66,150	-	-	66,150	-	66,150	**£5.14	3.2009	9.2009
Sharesave										
13.3.2001	7,466	-	(7,466)	-	-	-	-	£2.26	6.2006	12.2006
3.7.2006	-	4,055	-	-	4,055	-	4,055	£3.97	8.2011	1.2012
B Bickell										
1997 Scheme										
3.12.1998	54,054	-	(54,054)	-	-	-	-	£1.665	12.2001	12.2008
29.11.1999	27,136	-	-	-	27,136	27,136	-	£2.42	11.2002	11.2009
2001 Scheme*										
21.2.2001	99,830	-	-	(34,940)	64,890	64,890	-	£2.945	2.2004	2.2011
13.12.2001	138,940	-	-	-	138,940	114,626	24,314	£2.735	12.2004	12.2011
18.12.2002	190,000	-	-	-	190,000	156,750	33,250	£2.00	12.2005	12.2012
18.12.2003	181,820	-	-	-	181,820	-	181,820	£2.31	12.2006	12.2013
15.12.2004	132,355	-	-	-	132,355	-	132,355	£3.40	12.2007	12.2014
2006 LTIP										
15.2.2006	-	46,695	-	-	46,695	-	46,695	**£5.14	3.2009	9.2009
Sharesave										
13.3.2001	7,466	-	(7,466)	-	-	-	-	£2.26	6.2006	12.2006
3.7.2006	-	4,055	-	-	4,055	-	4,055	£3.97	8.2011	1.2012

	Options and nil cost options held at 1.10.2005	Granted	Exercised	Lapsed	Options and nil cost options held at 30.9.2006			Exercise Period		
					Total	Vested	Not Vested	Grant Price	From	To
S J Quayle										
1997 Scheme										
3.12.1998	45,045	-	(45,045)	-	-	-	-	£1.665	12.2001	12.2008
29.11.1999	25,844	-	-	-	25,844	25,844	-	£2.42	11.2002	11.2009
2001 Scheme*										
21.2.2001	99,830	-	-	(34,940)	64,890	64,890	-	£2.945	2.2004	2.2011
13.12.2001	120,660	-	-	-	120,660	99,545	21,115	£2.735	12.2004	12.2011
18.12.2002	165,000	-	-	-	165,000	136,125	28,875	£2.00	12.2005	12.2012
18.12.2003	151,515	-	-	-	151,515	-	151,515	£2.31	12.2006	12.2013
15.12.2004	111,765	-	-	-	111,765	-	111,765	£3.40	12.2007	12.2014
2006 LTIP										
15.2.2006	-	44,750	-	-	44,750	-	44,750	**£5.14	3.2009	9.2009
Sharesave										
13.3.2001	7,466	-	(7,466)	-	-	-	-	£2.26	6.2006	12.2006
3.7.2006	-	4,055	-	-	4,055	-	4,055	£3.97	8.2011	1.2012
T J C Welton										
1997 Scheme										
3.12.1998	42,042	-	(42,042)	-	-	-	-	£1.665	12.2001	12.2008
29.11.1999	24,552	-	-	-	24,552	24,552	-	£2.42	11.2002	11.2009
2001 Scheme*										
21.2.2001	89,135	-	-	(31,197)	57,938	57,938	-	£2.945	2.2004	2.2011
13.12.2001	102,380	-	-	-	102,380	84,464	17,916	£2.735	12.2004	12.2011
18.12.2002	140,000	-	-	-	140,000	115,500	24,500	£2.00	12.2005	12.2012
18.12.2003	138.530	-	-	-	138,530	-	138,530	£2.31	12.2006	12.2013
15.12.2004	102,945	-	-	-	102,945	-	102,945	£3.40	12.2007	12.2014
2006 LTIP										
15.2.2006	-	41,830	-	-	41,830	-	41,830	**£5.14	3.2009	9.2009
Sharesave										
13.3.2001	7,466	-	(7,466)	-	-	-	-	£2.26	6.2006	12.2006
3.7.2006	-	4,055	-	-	4,055	-	4,055	£3.97	8.2011	1.2012

*Performance conditions as described above for options granted under the 2001 Scheme are applied prior to vesting. Options may vest no earlier than three years after grant and no later than five years after grant. A comparison of the Group's performance against the Peer Group described on page 46 resulted in the vesting of options granted under the 2001 Scheme during the year as follows:

Options Granted	Performance Period	% of options vested in year
21.12.2001	5 years to 30.9.2005	65%
13.12.2001	4 years to 30.9.2005	52.5%
18.12.2002	3 years to 30.9.2005	82.5%

The closing mid market share price on the date the options vested was £5.21.

The remainder of options granted on 21.2.2001 which had not vested, lapsed after retesting at the end of a five year performance period.

**Market value at date of grant of nil cost options based on average closing mid market share on the 5 days prior to the date of grant. (Closing mid market share price on the date of grant was £5.295).

Summary of Directors' Share Options continued

There have been no changes in options outstanding in the period from 1st October 2006 to 8th December 2006.

The Committee does not anticipate any changes to the conditions of the Schemes under which existing options have been granted. Minor changes were made to the Group's unapproved share scheme rules in the year to take account of the introduction of the Employment Equality (Age) Regulations 2006 on 1st October 2006. The changes have been approved by the Committee in accordance with the rules of each scheme which permit the Committee to make small changes to rules to take account of changes in legislation and other minor administrative changes. The changes do not impact the terms of the options.

The mid-market price of the Company's Ordinary Shares at 30th September 2006 was £6.005 and during the year then ended was quoted in the range £3.42 to £6.11.

Gains made on the exercise of Directors' share options during the year were as follows:

		Date of Exercise	Number of Shares over which Options Exercised	Market Value at Date of Exercise	Gain on Exercise £'000
J S Lane	1997 Scheme	15.12.2005	46,096	£4.48	130
		10.2.2006	50,000	£5.15	174
					304
B Bickell	1997 Scheme	15.12.2005	54,054	£4.48	152
S J Quayle	1997 Scheme	15.12.2005	45,045	£4.48	127
T J C Welton	1997 Scheme	15.12.2005	42,042	£4.48	118

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 their annual bonus by way of shares rather than cash. At 30th September 2006 and at 8th December 2006, the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 251,346 Ordinary Shares in respect of awards granted but not delivered to Directors as set out below:

Date of Award	Entitlement to Ordinary Shares at 1.10.2005	Awarded in Year	Delivered in Year	Entitlement to Ordinary Shares at 30.9.2006
J S Lane				
15.12.2003	9,071	-	(9,071)	-
7.12.2004	22,850	-	-	22,850
15.12.2005	-	22,406	-	22,406
	31,921	22,406	(9,071)	45,256
B Bickell				
17.12.2002	25,000	-	(25,000)	-
15.12.2003	25,200	-	(25,200)	-
7.12.2004	38,084	-	-	38,084
15.12.2005	-	14,004	-	14,004
	88,284	14,004	(50,200)	52,088
S J Quayle				
5.12.2001	16,062	-	(16,062)	-
15.12.2003	40,952	-	(40,952)	-
7.12.2004	47,033	-	-	47,033
15.12.2005	-	45,162	-	45,162
	104,047	45,162	(57,014)	92,195
T J C Welton				
5.12.2001	17,209	-	(17,209)	-
17.12.2002	31,875	-	(31,875)	-
15.12.2003	38,305	-	(38,305)	-
7.12.2004	33,799	-	-	33,799
15.12.2005	-	28,008	-	28,008
	121,188	28,008	(87,389)	61,807

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 opposite 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 uses this index as one measure of performance for the 2006 Long Term Incentive Plan, it considers this is an appropriate benchmark against which the relative performance of the Company should be compared for the purposes of considering executive Directors' remuneration.

The graph below shows the same information over ten financial years compared with the FTSE 350 Real Estate Index as the Committee considers that it gives a better indication of the Group's long term total shareholder return.

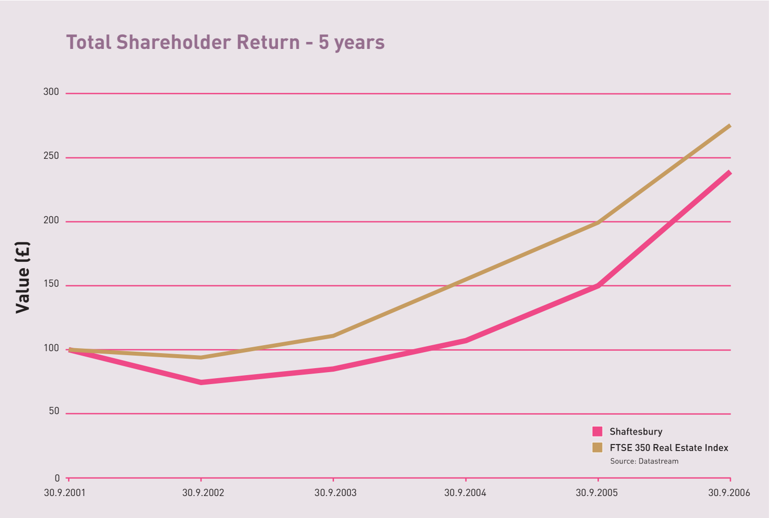
Fees from external appointments

J S Lane received and retained fees in the year ended 30th September 2006 in respect of his directorship of two private companies unconnected with the Group's business totalling £7,400 (2005 - £7,400). The other executive Directors did not hold any paid external appointments during the year.

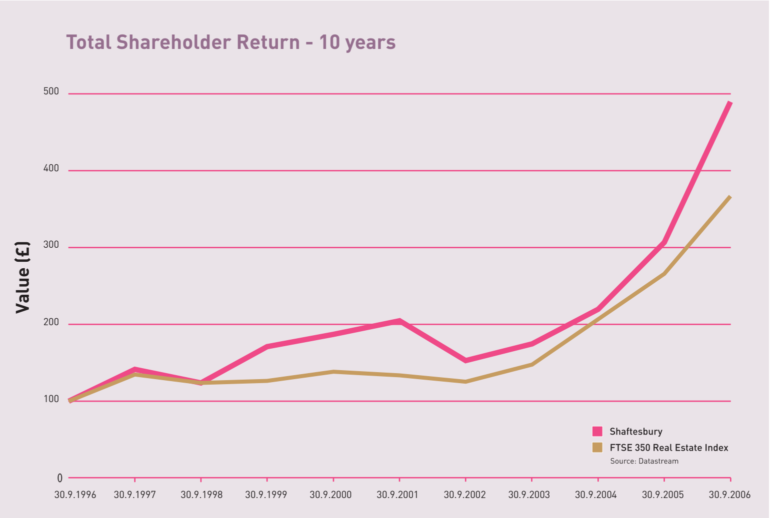
On behalf of the Board

John R K Emly
Remuneration Committee Chairman

11th December 2006



This graph shows the value, by 30th September 2006, of £100 invested in Shaftesbury PLC on 30th September 2001 compared with the value of £100 invested in the FTSE 350 Real Estate Index. The other points plotted are the values at intervening financial year-ends.



This graph shows the value, by 30th September 2006, of £100 invested in Shaftesbury PLC on 30th September 1996 compared with the value of £100 invested in the FTSE 350 Real Estate Index. The other points plotted are the values at intervening financial year-ends.

Nomination committee report

Membership

The Nomination Committee (the "Committee") is comprised of independent non-executive Directors and has been chaired throughout the year by P J Manser. Members of the Committee are J R K Emly, A W MacDonald and W G McQueen.

Meetings

The Committee met once during the year ended 30th September 2006.

Main activities of the Committee

The Committee is responsible for the selection and nomination to the Board of candidates for directorship and in addition advises the Board on the orderly succession for appointment of Directors and monitors the balance of the composition of the Board. In the year under review, the Committee has undertaken:

- The monitoring of the composition of the Board;
- Board succession planning;
- Nomination of Directors for re-election; and
- A review of the results of the annual Board performance evaluation and made recommendations to the Board.

On behalf of the Board

P John Manser
Nomination Committee Chairman

11th December 2006

Audit committee report

Membership

The Audit Committee (the "Committee") is comprised solely of independent non-executive Directors and is chaired by W G McQueen. Other members of the Committee who served throughout the year were J R K Emly and A W MacDonald.

W G McQueen is a Member of the Institute of Chartered Accountants of Scotland and a Fellow of the Chartered Institute of Bankers in Scotland. 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 2006. The Finance Director and representatives of the external auditors have been invited to attend each meeting. The Committee considers some items of business without executives or the external auditors present as appropriate.

Main activities of the Committee

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. 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 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 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 which commenced 1st October 2005 and the impact of the Transparency Directive;
- A review of the Committee's effectiveness;
- 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 Committee confirming their independence and stating the methods they employ to safeguard their independence;
- Monitoring non-audit assignments awarded to the external auditors; and
- Monitoring PricewaterhouseCoopers' rotation of the audit partner.

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 £199,000. Of that amount, £78,000 relates to advice in respect of establishing the Longmartin joint venture which was completed in December 2005. Audit fees for the year totalled £100,000.

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 auditors' independence or performance of their statutory audit responsibilities.

On behalf of the Board

W Gordon McQueen
Audit Committee Chairman

11th December 2006

With respect to the managed portfolio, the responsibility for waste collection lies with the Group's managing agents. The volumes generated are a result of the tenants' activities and outside the Group's control. The recycling and compacting schemes at Carnaby continue to be a success and are well used by tenants, although, exact figures for proportions of waste recycled have not been possible to determine.

During the year, a leaflet explaining the principles of the Group's Environmental policy was issued to all tenants to raise awareness of the Group's policy and to suggest ways that they could lessen the environmental impacts of their businesses.

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 and figures collated for the year indicate a decrease in consumption over previous years. A paper recycling scheme continues to be operated.

Health & Safety Issues

Within the managed portfolio and the Head Office, there were no reportable health and safety incidents during the year.

Shaftesbury in the Community

The Group's policy is to align its charitable support and community involvement with 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 continues to work closely with 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 Art Fund, the Association of British Orchestras, the Orchestra of the Age of Enlightenment, the Donmar Theatre, the Royal Shakespeare Company and the Theatres Trust. 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 (located in Chinatown), the Soho Family Centre, the Soho Green Charity, the Chinatown Association, the Chinatown Working Party, the Seven Dials Trust, the Covent Garden Community Association and the Yellow Earth Theatre Company.

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 scheduled for the year ahead. In addition, the Group supports and endorses the Soho Action Plan.

Employment Issues

The Group employs 18 staff including executive Directors with 16 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 2006.

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

In view of the small number of employees, the Group does not consider that employee-based key performance indicators would provide a meaningful measure of the performance of the Group.

Corporate Responsibility Objectives for 2006 – 2007

For the year ahead, the following key objectives have been set to build on the achievements to date:

- Continue to use 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 a specified capital value are registered with the Considerate Constructors' Scheme and continue to achieve 26/40 (above the 'satisfactory' score);
- Extend use of "green tariff" electricity to Seven Dials;
- Continue to monitor water use in Carnaby and Seven Dials;
- Continue to monitor the waste management strategy for Carnaby and Seven Dials in order to encourage recycling by tenants;
- Continue to monitor energy use in the Group's office and investigate the purchase of "green tariff" electricity.
- Continue to support local community groups and continue to be proactive in helping charitable and other local organisations

Jonathan S Lane
Chief Executive

11th December 2006

Corporate 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 Responsibility. The Board receives regular reports on Corporate Responsibility matters.

The Group's Environmental, Social and Ethical Policy is reviewed annually to ensure it continues to reflect the Corporate Responsibility risks and opportunities relevant to the Group. A revised Statement of Policies was approved by the Board in July 2006. The policy document and regular progress reports are available on the Group's web site. As in previous years, an external review was undertaken in August 2006 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 audit in this and previous years and the Action Plan are available in full on the Group's web site. The following report highlights key achievements and challenges during the year.

The Group achieved a ranking of 48 in this year's Business in the Community Corporate Responsibility Index. This was an improvement upon last year's performance and the Group maintained its position at the top of 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 Group is a constituent of the FTSE4 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 Group's community investment of in excess of 1% of pre-tax profits. The Group is also listed on the Kempen SNS Smaller European Index, the first sustainable index for smaller European companies.

Environmental Strategy – Investment and Refurbishments

The Group continues to purchase and refurbish only properties that are within central London and, therefore, in line with Government policy for maximising the re-use of existing development land and minimising the use of resources.

For refurbishment projects it is recognised that the principal issues that require management are minimising local environmental impact, particularly noise and dust; managing construction waste and sourcing materials. During this year:

- Twelve refurbishment schemes with a capital value above £50,000 have been registered with the Considerate Constructors Scheme. Of these, 80% of the schemes that have been audited achieved the target score of 26/40. This is an improvement in performance over last year.
- One of the Group's projects won a Silver Considerate Constructors Scheme Award in 2006.
- The Group's Corporate Responsibility Policy is included within tender documentation for subcontractors with guidance provided for the specification of materials, waste management and checklists for legal compliance.
- The Contractors' Induction leaflet, briefly outlining the key points of the Group's Corporate Responsibility Policy has been issued to all subcontractors working on the portfolio.
- The use of the timber continues to be monitored to endeavour to identify the proportion that is sourced from well managed sources certified by third party certification bodies.

Waste management activities are monitored but it continues to be difficult to collect data in a form to compare against a recognisable performance indicator. As a result of the small scale of most of the Group's refurbishment projects, the volumes of waste are relatively low and there is often insufficient space to segregate waste. This problem, which has been identified in previous years, is unlikely to be resolved given the unusual nature of the Group's portfolio. In view of this, the Group will continue to monitor waste production, but considers that an appropriate performance indicator will not be identified. In the year under review, the Group undertook a waste management duty of care audit (tracking the audit trail of waste recycling) over a sample of refurbishment sites and no issues were identified from the audit.

Environmental Strategy – Property Management

Energy consumption and waste management are the key environmental issues for the managed portfolio. 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 similar levels to the data collected 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. This is showing a progressive increase year-on-year. For the forthcoming year, a number of projects will involve converting existing light systems to allow low energy bulbs. It is intended that these projects will be used as case studies to demonstrate the impact of energy usage in the portfolio.

In September 2006, the electricity contract for Carnaby was re-tendered to supply 100% "green tariff" power. It is intended that this will be extended to Seven Dials in 2007.

Water meters have now been installed in Carnaby and Seven Dials and baseline data collected.

In Chinatown, the Group continues to work closely with Westminster City Council to manage the issues that are specific to the area such as controlling the problems of fly tipping and disposal of food waste. A new initiative for the year was the installation of CCTV in parts of Chinatown to track fly tipping and inappropriate disposal of food waste.

At Horse and Dolphin Yard, the new covered bin store has proved effective for taking bins off the street and preventing overspill of waste into the road, consequently improving the local environment for visitors and local residents.

Valuers' summary report

To the Directors of Shaftesbury PLC

In accordance with your instructions, we have undertaken a valuation of the various commercial and residential freehold and long leasehold property interests as at 30th September 2006 (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 (collectively referred to as the "Subsidiary Companies") of Shaftesbury PLC (the "Company"), as referred to in our valuation reports dated 16th November 2006 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2006 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. John Bareham is the signatory of our Reports. This is the first time that he has been the signatory of valuation reports addressed to the Subsidiary Companies. 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 and certain of the Subsidiary Companies or the Company itself.

These relate to our appointment as property and asset managers in respect of the properties known as Wellington House (6-9 Upper St Martin's Lane, 6-8 Shelton Street & 7-13 Mercer Street), 10/11, 12, 13/14, 16-19 & 20 Upper St Martin's Lane, 124, 125/126, 127/130 (inc 1-3 Slingsby Place), 132/135, 136/137, 138 (Beckett House), 140-142 & 143 Long Acre, 1, 3-5 &15/17 Mercer Street, London WC2 (all of which are owned by Longmartin Properties Limited, a joint venture company owned in equal shares by the Company and the Mercers' Company); to our involvement in advising the Company and Longmartin Properties Limited in respect of landlord and tenant and other matters; to our involvement in advising the Company or some of the Subsidiary Companies in connection with the acquisition of certain properties and to our involvement on behalf of the Company or one of the Subsidiary Companies in acting as letting agents in respect of certain of the office accommodation.

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30th April 2006, the proportion of total fees payable by the Company and the Subsidiary Companies to the total fee income of the Group was less than 5%.

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. Our opinion of the Market Value of each of the properties or Properties has been primarily derived using comparable recent market transactions on arm's length terms.

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, its managing agents or professional advisers 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 2006, 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. The costs will be borne by the Company as they are not recoverable from the tenants. We have reflected these costs in our valuations. The total amount of such costs is £3,138,088 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 three 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 they also hold long leasehold interests within the freehold and have 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 2006, 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 16th November 2006, were as follows:-

Freehold properties	£1,111,586,500 (One billion, one hundred and eleven million, five hundred and eighty-six thousand, five hundred pounds)
Long leasehold properties	£72,668,500 (Seventy-two million, six hundred and sixty-eight thousand, five hundred pounds)
Total	**£1,184,255,000 (One billion, one hundred and eighty-four million, two hundred and fifty-five 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, 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.

John Bareham BSc (Hons) MRICS
Director
DTZ Debenham Tie Leung Limited
International Property Advisers
One Curzon Street
London W1A 5PZ

Directors' responsibilities

Company law requires the Directors to prepare the Annual Report, Directors' Remuneration Report and the 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 that the financial statements comply with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRSs issued by the International Accounting Standards Board;
- 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 maintenance and integrity of the Group's web site 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.

The Directors' confirmation in accordance with Section 234ZA of the Companies Act 1985 is contained within the Directors' Report on page 40.

Independent auditors' report

To the Members of Shaftesbury PLC

We have audited the group and parent company financial statements (the "financial statements") of Shaftesbury PLC for the year ended 30th September 2006 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Corporate Responsibility that is cross referred from the Business Review section of the Directors' Report.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Performance Summary, the Chairman's Statement, the Business Review, the Directors' Report, Corporate Governance, the unaudited part of the Directors' Remuneration Report, the Nomination Committee Report, the Audit Committee Report, the Corporate Responsibility, the Summary Report by the Valuers and Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 part of the Directors' Remuneration Report to be audited 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 part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30th September 2006 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30th September 2006 and of its cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
London

11th December 2006

Group income statement
for the year ended 30th September 2006

	Note	2006 £'000	2005 £'000
Continuing operations			
Revenue from properties	3	**58,792**	52,799
Property charges	4	**(11,809)**	(9,398)
Net property income		**46,983**	43,401
Administrative expenses	5	**(5,320)**	(4,781)
Charge in respect of equity settled remuneration	6	**(2,101)**	(726)
Exceptional administration expenses	7	**-**	(297)
Total administration expenses		**(7,421)**	(5,804)
Operating profit before investment property disposals and valuation movements		**39,562**	37,597
Profit on disposal of investment properties	8	**748**	4,220
Investment property valuation movements	9	**190,933**	130,004
Operating Profit		**231,243**	171,821
Interest receivable		**130**	52
Interest payable	10	**(25,813)**	(23,696)
Change in fair value of financial derivatives		**2,051**	(4,171)
Loss on purchase of debenture stock	11	**(20,009)**	(3,655)
Profit before tax		**187,602**	140,351
Current tax	12	**(391)**	(1,700)
Deferred tax	12	**(49,709)**	(39,874)
Tax charge for the year		**(50,100)**	(41,574)
Profit for the year		**137,502**	98,777
Earnings per share:	13		
Basic		**103.75p**	74.75p
Diluted		**103.32p**	74.62p

Balance sheets
as at 30th September 2006

	Note	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Non-current assets					
Investment properties	15	**1,254,776**	987,516	**-**	11,581
Office assets and vehicles	16	**409**	364	**409**	364
Investment in subsidiary undertakings	27	**-**	-	**278,441**	1
Investment in joint venture	28	**-**	-	**78,958**	-
Deferred tax	21	**7,610**	4,849	**7,619**	4,849
		1,262,795	992,729	**365,427**	16,795
Current Assets					
Trade and other receivables	17	**15,058**	27,067	**589,899**	855,373
Cash		**9,090**	-	**8,898**	-
Total assets		**1,286,943**	1,019,796	**964,224**	872,168
Current liabilities					
Trade and other payables	18	**22,633**	21,747	**25,666**	6,117
Non-current liabilities					
Borrowings	19	**468,341**	384,432	**469,857**	389,049
Financial derivatives	20	**9,318**	11,758	**9,318**	11,758
Deferred tax	21	**179,770**	128,698	**-**	100
Total liabilities		**680,062**	546,635	**504,841**	407,024
Net assets		**606,881**	473,161	**459,383**	465,144
Equity					
Called up share capital	22	**33,192**	33,046	**33,192**	33,046
Other reserves	23	**123,888**	120,913	**123,888**	120,913
Retained earnings	23	**449,801**	319,202	**302,303**	311,185
Total equity		**606,881**	473,161	**459,383**	465,144
Net assets per share:	24				
Basic		**£4.57**	£3.58		
Diluted		**£4.54**	£3.57		

On behalf of the Board who approved the financial statements on pages 58 to 78 on 11th December 2006.

Jonathan S Lane
Chief Executive

Brian Bickell
Finance Director

Cash flow statements
for the year ended 30th September 2006

	Note	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Operating activities					
Cash generated from operations	25	**41,564**	39,774	**(3,450)**	(8,332)
Interest received		**130**	52	**38**	12
Interest paid		**(27,356)**	(22,282)	**(28,127)**	(22,282)
Tax payments in respect of operating activities		**(2,182)**	(3,064)	**(943)**	(2,014)
Cash flows from operating activities		**12,156**	14,480	**(32,482)**	(32,616)
Investing activities					
Property acquisitions		**(107,389)**	(37,530)	**-**	-
Capital expenditure on properties		**(8,212)**	(10,669)	**-**	(38)
Net proceeds from sales of properties		**60,262**	3,366	**11,660**	-
Net purchase of office assets and vehicles		**(185)**	(167)	**(185)**	(167)
Purchase of shares in joint venture		**-**	-	**(43,455)**	-
Cash flows from investing activities		**(55,524)**	(45,000)	**(31,980)**	(205)
Financing activities					
Issue of shares		**1,184**	145	**1,184**	145
Purchase of debenture stock		**(74,874)**	(16,686)	**(74,874)**	(16,686)
Increase in borrowings		**134,032**	53,348	**136,493**	57,964
Bank loan arrangement costs		**(773)**	(226)	**(773)**	(226)
Payment of finance lease liabilities		**(208)**	-	**-**	-
Equity dividends paid		**(6,903)**	(6,061)	**(6,903)**	(6,061)
Net loans to subsidiary undertakings		**-**	-	**(1,642)**	(2,315)
Loan from joint venture		**-**	-	**19,875**	-
Cash flows from financing activities		**52,458**	30,520	**73,360**	32,821
Net change in cash		**9,090**	-	**8,898**	-

Statement of changes in shareholders' equity

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
At 1st October 2005	**473,161**	379,479	**465,144**	462,395
Profit/(loss) for the year	**137,502**	98,777	**(1,979)**	7,844
Dividends paid	**(6,903)**	(6,061)	**(6,903)**	(6,061)
Proceeds of shares issued for cash	**1,184**	145	**1,184**	145
Fair value of share based remuneration	**539**	485	**539**	485
Deferred tax in respect of share based remuneration charged to equity	**1,398**	336	**1,398**	336
At 30th September 2006	**606,881**	473,161	**459,383**	465,144

Notes to the financial statements
for the year ended 30th September 2006

1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and the measurement of financial derivatives at fair value.

An analysis of the impact of adoption of IFRS was provided with the 2005 Annual Report published in December 2005. Reconciliations between UK GAAP and IFRS of equity at 1st October 2004 and of profits and equity reported for the year ended 30th September 2005 are set out in notes 33 and 34 below. Although the format of the Cash Flow Statement prepared under IFRS differs from that prepared under UK GAAP, there are no material changes to previously reported cash flows. Certain exemptions are available on the adoption of IFRS for the first time. The only exemption taken by the Group was in respect of share based remuneration as explained below.

The preparation of financial statements requires management to make judgements, assumptions and estimates that affect the application of accounting policies and amounts reported in the Income Statement and Balance Sheet. Such decisions are made at the time the financial statements are prepared and adopted based on the best information available at the time. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent.

2. Accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting as modified by the annual revaluation of investment properties and the valuation of derivative financial instruments. Accounting policies have been applied consistently.

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.

Subsidiary undertakings

Investments in subsidiary undertakings are included at cost less any provision in respect of any permanent impairment loss.

Joint ventures

Joint ventures are those entities over which the Group has joint control, established by contractual agreement. Interests in joint ventures are accounted for using the proportional consolidation method permitted under IAS 31 ('Interests in joint ventures'). The Group's Balance Sheet includes its share of the assets and liabilities of the joint venture entity and the Income Statement includes its share of the entity's income and expenditure.

The profit or loss arising on transactions with the joint venture entity are recognised only to the extent of that attributable to the interest of the other joint venture party unless any loss represents a permanent impairment loss, in which case it is provided in full.

In the Company's balance sheet, investments in joint ventures are stated at cost less any provisions for permanent impairment loss.

Entity set up costs

Costs incurred which are directly attributable to the formation of a specific joint venture entity which has the main purpose of property investment are capitalised in the Company's Balance Sheet.

Investment properties

Investment properties are properties owned or leased by the Group which are held for long term income and capital appreciation.

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

In the case of investment properties which are leasehold interests, such leases are accounted for as finance leases and recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is held in the balance sheet at fair value, gross of the finance lease liability. Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

Gains or losses arising on the revaluation of investment properties are included in the Income Statement in the accounting period in which they arise. Depreciation is not provided in respect of investment properties or any plant or equipment contained therein.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in identifiable future economic benefits which are expected to accrue to the Group. All other property expenditure is written off in the Income Statement as incurred. No finance costs have been capitalised.

Where refurbishment projects are in progress at the balance sheet date, the contractually committed costs to be incurred in completing such projects are taken account of in the valuation.

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 Income Statement.

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.

Office assets and vehicles

Office assets and vehicles are stated at cost less accumulated depreciation.

Depreciation is provided on office assets and 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

Revenue

Revenue includes rents due from tenants, recognition of lease incentives and recoverable expenses incurred on behalf of tenants. Value added tax is excluded from all amounts.

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

Trade receivables and payables

Trade receivables and trade payables are recognised and carried at the original transaction value.

Borrowings and costs of raising finance

Borrowings are initially recognised at fair value net of transaction costs incurred.

Expenses and discounts relating to the issue of long term debt are deducted from the proceeds and written off in the Income Statement over the life of the debt instrument using an effective yield method. Any premium arising on the issue of long term debt is added to the proceeds and credited to the Income Statement over the life of the debt instrument using an effective yield method.

The costs of arranging long and medium term bank facilities are written off in the Income Statement at a rate which results in a constant charge over the unexpired term of the facilities.

Financial derivatives

Financial derivatives are recorded at fair value based on market prices, estimated future cash flows and forward interest rates. Movements in fair value, together with amounts payable or receivable under such arrangements, are recognised in the Income Statement as a finance cost.

Cash

Cash comprises cash in hand and on-demand bank deposits unless such deposits can be offset against any amounts owing to that bank under a loan agreement, in which case they are deducted from that loan liability.

Income taxes

Income tax on the profit for the year comprises current and deferred tax.

Current tax is the corporation tax payable on taxable income for the current year adjusted for prior years' under and over provisions.

Deferred tax is provided in respect of all temporary timing differences between the values at which assets and liabilities are recorded in the financial statements and their cost base for corporation tax purposes. Deferred tax is recognised in the Income Statement unless the items to which it relates have been accounted for in equity, in which case the deferred tax is also dealt with in equity.

In the case of deferred tax in relation to investment property revaluation surpluses, the base cost used is historical book cost and ignores any allowances or deductions which may be available to reduce the actual tax liability which would crystallise in the event of a disposal of the asset.

Deferred tax liabilities are not discounted. Deferred tax assets are recognised when recoverability is considered reasonably certain.

Equity settled remuneration

The cost of granting share options and other share based remuneration to employees and Directors is recognised in the Income Statement based on the fair value at the date of grant. Fair value is calculated using an option pricing model and charged in the Income Statement over the relevant vesting period. As permitted by IFRS 2 ('Share Based Payments') no provision is made in respect of options granted or which had vested on or before 7th November 2002.

Exceptional items

Exceptional items are those which derive from events or transactions that fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or nature.

Dividends

Dividends payable on the Company's Ordinary Share capital are recognised in the year in which they are paid.

3. Revenue from properties

	2006 £'000	2005 £'000
Rents due from tenants	**51,535**	48,688
Recognition of lease incentives	**696**	173
Rents receivable	**52,231**	48,861
Recoverable property expenses	**6,561**	3,938
	58,792	52,799

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

4. Property charges

	2006 £'000	2005 £'000
Property outgoings	**5,248**	5,460
Recoverable property expenses	**6,561**	3,938
	11,809	9,398

5. Administration expenses

Included in this heading are the following:

	2006 £'000	2005 £'000
Auditors' remuneration for audit services (Company: 2006 -£15,000; 2005 - £7,500)	**100**	73
Fees payable to PricewaterhouseCoopers LLP in connection with:		
Taxation advice – compliance	**109**	93
Taxation advice – group restructuring	**-**	16
Taxation advice - Longmartin joint venture structuring (charged to cost of investment)	**78**	153
Other professional services	**12**	23
	199	285
Depreciation	**138**	95
Operating lease rentals – office premises	**166**	123
Staff costs (including executive Directors):		
Salaries	**1,677**	1,499
Annual bonuses	**1,138**	1,033
Social security costs	**381**	407
Pension contributions	**347**	321
Equity settled remuneration (see note 6)	**2,101**	726
	5,644	3,986

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 Income Statement is equal to the contributions payable during the year.

Average number of employees	**Number**	Number
Executive Directors	**4**	4
Administration	**12**	11
Estate management	**2**	2
	18	17

A summary of Directors' emoluments, including the disclosures required by the Companies Act 1985, is set out in the Directors' Remuneration Report on pages 43 to 50.

6. Charge in respect of equity settled remuneration

	2006 £'000	2005 £'000
Charge for share based remuneration	**539**	485
Employers National Insurance in respect of share awards and share options vested or expected to vest	**1,562**	241
	2,101	726

A summary of the principal assumptions made in the calculation of the charge for share based remuneration is set out in note 32.

7. Exceptional administration expenses

	2006 £'000	2005 £'000
Costs incurred in Group restructuring to create village subsidiaries	**-**	297

8. Profit on disposal of investment properties

	2006 £'000	2005 £'000
Net sale proceeds	**48,338**	15,290
Book value at date of sale	**(47,590)**	(11,070)
	748	4,220

9. Investment property valuation movements

	2006 £'000	2005 £'000
Surplus arising on revaluation of investment properties	**191,629**	130,177
Valuation movement in respect of lease incentives recognised in the year	**(696)**	(173)
Net revaluation movement recognised in the Income Statement	**190,933**	130,004

10. Interest payable

	2006 £'000	2005 £'000
Debenture stock interest and amortisation	**9,868**	10,629
Bank and other interest	**15,737**	13,067
Amount payable under finance leases	**208**	-
	25,813	23,696

11. Loss on purchase of debenture stock

	2006 £'000	2005 £'000
Cost of debenture stock purchased:		
Nominal amount - £52.101 million	**74,874**	-
Nominal amount - £12.357 million	**-**	16,686
Nominal amount of stock purchased	**(52,101)**	(12,357)
	22,773	4,329
Unamortised net premium written off	**(2,764)**	(674)
	20,009	3,655

Since the year end, a further £6.494 million of Stock has been purchased and cancelled resulting in a loss of £2.474 million.

12. Taxation

	2006 £'000	2005 £'000
Current tax		
UK Corporation tax at 30%	**754**	2,000
Adjustments in respect of prior years	**(363)**	(300)
	391	1,700
Deferred tax		
Revaluation of investment properties	**56,708**	39,000
Revaluation of financial instruments	**732**	(1,210)
Provision in respect of capital allowances	**-**	664
Properties sold in year	**(5,268)**	850
Other temporary differences	**(2,326)**	924
Adjustments in respect of prior years	**(137)**	(354)
	49,709	39,874
Tax charge for the year	**50,100**	41,574
Factors affecting the tax charge:		
Profit before tax	**187,602**	140,351
UK Corporation tax at 30%	**56,280**	42,105
Difference due to tax treatment of property disposals	**(5,492)**	(416)
Expenses and provisions not deductible for Corporation tax purposes	**(188)**	539
Adjustments in respect of prior years	**(500)**	(654)
	50,100	41,574
Tax charged directly to reserves		
Deferred taxation in respect of share based remuneration	**1,398**	339

13. Earnings per share

Profit after tax used for calculation of basic earnings per share	**137,502**	98,777
Adjusted for:		
Exceptional administration expenses	**-**	297
Gain on sale of investment properties	**(748)**	(4,220)
Investment property valuation movements	**(190,933)**	(130,004)
Movement in fair value of financial instruments	**(2,051)**	4,171
Loss on purchase of Debenture Stock	**20,009**	3,655
Current tax in respect of:		
Exceptional administration expenses	**-**	(89)
Loss on purchase of debenture stock	**(6,002)**	(1,097)
Deferred tax in respect of:		
Investment property revaluation gains	**56,708**	39,000
Adjustment in respect of property disposals	**(5,268)**	850
Movement in the fair value of financial instruments	**732**	(1,210)
Profit after tax used for adjusted earnings per share	**9,949**	10,130

13. Earnings per share continued

	2006 '000	2005 '000
Weighted average number of shares in issue	**132,532**	132,152
Weighted average number of shares in issue for calculation of diluted earnings per share	**133,084**	132,367
Earnings per share:	**Pence**	Pence
Basic	**103.75**	74.75
Diluted	**103.32**	74.62
Adjusted basic	**7.51**	7.67
Adjusted diluted	**7.47**	7.65

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

The adjusted earnings per share is considered to give a better indication of the Group's underlying revenue performance before exceptional costs, property disposals, movements in the valuation of investment properties and financial derivatives, and losses on Debenture Stock purchases.

14. Dividends paid

	2006 £'000	2005 £'000
Final dividend paid in respect of:		
Year ended 30th September 2005 at 3.30p per share	**4,360**	-
Year ended 30th September 2004 at 2.90p per share	**-**	3,823
Interim dividend paid in respect of:		
Six months ended 31st March 2006 at 1.92p per share	**2,543**	-
Six months ended 31st March 2005 at 1.70p per share	**-**	2,238
	6,903	6,061

A final dividend in respect of the year ended 30th September 2006 of 3.73p per Ordinary share amounting to £4.94 million will be proposed by the Board at the 2007 Annual General Meeting. If approved, this dividend will be paid on 16th February 2007 to shareholders on the register at 26th January 2007. The dividend will be accounted for as an appropriation of revenue reserves in the year ending 30th September 2007.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 257,295 (2005 – 354,527) Ordinary shares during the year.

15. Investment properties

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
At 1st October 2005 – book value	**987,516**	820,431	**11,660**	31,326
Acquisitions	**107,667**	37,571	**-**	-
Refurbishment and other capital expenditure	**8,856**	10,580	**-**	84
Disposals	**(45,757)**	(11,070)	**(3,200)**	-
Intra-group disposals	**-**	-	**(8,460)**	(21,860)
Net surplus on revaluation	**190,933**	130,004	**-**	2,031
	1,249,215	987,516	**-**	11,581
Add: Head lease liabilities grossed up	**5,561**	**-**	**-**	-
Book value at 30th September 2006	**1,254,776**	987,516	**-**	11,581
Market value at 30th September 2006:				
Properties valued by DTZ Debenham Tie Leung Limited	**1,184,255**	958,119	**-**	560
Properties valued by Knight Frank LLP	**70,685**	-	**-**	-
Properties at Directors' valuation based on disposal values achieved after the year end	**-**	36,280	**-**	11,071
	1,254,940	994,399	**-**	11,631
Add: Head lease liabilities grossed up	**5,561**	-	**-**	-
Less: Lease incentives recognised to date	**(5,725)**	(6,883)	**-**	(50)
Book value at 30th September 2006	**1,254,776**	987,516	**-**	11,581
Historic cost of properties at valuation	**670,386**	595,523	**-**	9,775

Investment properties were subject to external valuation as at 30th September 2006 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors, either working for DTZ Debenham Tie Leung, Chartered Surveyors (in respect of the Group's wholly owned portfolio) or Knight Frank LLP, Chartered Surveyors (in respect of properties owned by Longmartin Properties Limited), both firms 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 of the Group's wholly owned properties (which does not form part of these financial statements) is set out on pages 54 to 55. Investment properties include freehold properties valued at £1,111.6 million, leasehold properties with an unexpired term of over 50 years valued at £77.3 million 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 £66.0 million.

Capital Commitments	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Authorised and contracted	**3,220**	3,170	**-**	-
Authorised but not contracted	**9,555**	10,275	**-**	-

16. Office assets and vehicles

	Short Leasehold Office Premises £'000	Equipment and Vehicles £'000	Total 2006 £'000	Total 2005 £'000
Group and Company				
Cost				
At 1st October 2005	154	723	**877**	776
Additions	8	223	**231**	194
Disposals	-	(179)	**(179)**	(93)
At 30th September 2006	**162**	**767**	929	877
Depreciation				
At 1st October 2005	119	394	513	480
Charge for the year	5	133	138	95
Eliminated on disposals	-	(131)	(131)	(62)
At 30th September 2006	**124**	**396**	**520**	513
Net book value at 30th September 2006	**38**	**371**	**409**	364

17. Trade and other receivables

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Amounts due from tenants	**7,616**	7,275	**-**	131
Lease incentives recognised in the Income Statement	**5,725**	6,883	**-**	50
Due in respect of property disposal	**-**	12,100	**-**	-
Corporation tax recoverable	**1,000**	-	**1,000**	-
Amounts due from subsidiary undertakings	**-**	-	**588,606**	854,511
Other receivables and prepayments	**717**	809	**293**	681
	15,058	27,067	**589,899**	855,373

18. Trade and other payables

	Group 2006	Group 2005	Company 2006	Company 2005
Rents invoiced in advance	**11,061**	10,368	**-**	110
Corporation tax payable	**365**	1,156	**100**	206
Amount due to joint venture undertaking	**-**	-	**19,875**	-
Trade payables in respect of capital expenditure	**1,438**	989	**-**	-
Other trade payables and accruals*	**9,769**	9,234	**5,691**	5,801
	22,633	21,747	**25,666**	6,117
* Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group's wholly owned assets	**1,879**	3,191	**1,879**	3,191

19. Borrowings

Group	2006 Nominal value £'000	2006 Unamortised premium and issue costs £'000	2006 Book Value £'000	2005 Nominal value £'000	2005 Unamortised premium and issue costs £'000	2005 Book Value £'000
8.5% First Mortgage Debenture Stock 2024	67,542	3,583	**71,125**	119,643	6,510	126,153
Secured bank loans	393,103	(1,448)	**391,655**	259,071	(792)	258,279
Debenture and bank borrowings	460,645	2,135	**462,780**	378,714	5,718	384,432
Finance lease obligations	5,561	-	**5,561**	-	-	-
	466,206	**2,135**	**468,341**	378,714	5,718	384,432
Company						
8.5% First Mortgage Debenture Stock 2024	67,542	3,583	**71,125**	119,643	6,510	126,153
Secured bank loans	400,180	(1,448)	**398,732**	263,688	(792)	262,896
Debenture and bank borrowings	**467,722**	**2,135**	**469,857**	383,331	5,718	389,049

The Group's finance lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 174 years held by Longmartin Properties Limited.

Debenture and bank borrowings are secured by fixed charges over certain wholly owned 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 2006, Group and Company bank loans included overdrafts of £3,930,000 (2005 – £2,188,000) which have been classified according to the maturity dates of the facilities under which they are made available. Similarly, LIBOR loan 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.

20. 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 32.

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.

Availability and maturity of financial facilities

Group	2006 Book value £'000	2006 Nominal value £'000	2006 Undrawn facilities £'000	2005 Book value £'000	2005 Nominal value £'000	2005 Undrawn facilities £'000
Repayable after more than 15 years:						
8.5% First Mortgage Debenture Stock 2024	**71,125**	**67,542**	**-**	126,153	119,643	-
Repayable between 10 and 15 years	**99,484**	**100,000**	**-**	74,609	75,000	-
Repayable between 5 and 10 years	**203,409**	**204,242**	**95,758**	42,272	42,554	32,446
Repayable between 2 and 5 years	**88,762**	**88,861**	**11,139**	141,398	141,517	33,483
	462,780	**460,645**	**106,897**	384,432	378,714	65,929
Finance lease obligations	**5,561**	**5,561**	**-**	-	-	-
	468,341	**466,206**	**106,897**	384,432	378,714	65,929

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.

20. Financing continued

Interest rate hedging

At the year end the Group had in place the following interest rate hedging:

1. Interest rate collars on £90 million notional principal maturing between October 2011 and January 2016 (weighted average maturity 7.3 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.

4. Interest rate hedges on £60 million notional principal commencing between January and March 2007 at an average fixed rate of 4.92% expiring 10 years from commencement.

Since the year end, hedging has been put in place on a further £75 million notional principal at fixed rates of 5%, commencing between November 2006 and January 2007 and expiring 7 years from commencement.

Interest rate profile of financial liabilities	**Debt £'000**	**2006 Weighted Average Interest Rate %**	Debt £'000	2005 Weighted Average Interest Rate %
Floating rate borrowings LIBOR-linked loans – interest rates fixed until January 2007 at latest (including margin)	**236,405**	**5.61**	103,029	5.62
Hedged borrowings Interest rate hedges in operation at year end (including margin)	**155,250**	**5.45**	155,250	5.81
Fixed rate borrowing 8.5% First Mortgage Debenture Stock -interest rate fixed for 17.5 years until 31st March 2024	**71,125**	**8.07**	126,153	8.06
Weighted average cost of borrowings		**5.93***		6.49

*As at 30th September 2006, ignoring interest rate hedges which commence after 1st October 2006.

Fair values of financial derivatives	**2006 £'000**	2005 £'000
Interest rate hedges		
At 1st October 2005 - Deficit	**(11,758)**	(7,724)
Fair value movement credited/(charged) in the Income Statement	**2,051**	(4,171)
Net amounts paid in respect of interest rate hedges during the year	**389**	137
At 30th September 2006 - Deficit	**(9,318)**	(11,758)

Changes in the fair value of the Group's financial derivatives, which are not held for speculative purposes, are reflected in the Income Statement. They have been valued by J. C. Rathbone Associates Limited by reference to the mid point of the yield curve at the balance sheet date. Amounts payable or receivable under the Group's hedging arrangements are dealt with in the Income Statement on an accruals basis.

20. Financing continued

8.5% Mortgage Debenture Stock 2024	2006 £'000	2005 £'000
Fair value deficit not recognised in the reported results for the year:		
At 30th September 2006 (nominal value of Stock in issue £67.542 million)	**(24,921)**	-
At 30th September 2005 – Deficit (nominal value of Stock in issue £119.643 million)	**-**	(34,540)

The fair value of the outstanding Debenture Stock has been calculated by J.C. Rathbone Associates Limited at 55 basis points above the yield to redemption of the 5% Treasury Stock 2025 at the balance sheet date. This reflects the price at which the Company redeemed £52.1 million of Stock immediately prior to that date.

Since the year end the Company has redeemed a further £6.494 million of Stock, realising a loss of £2.474 million, which will be accounted for in the year ending 30th September 2007. The Company is not obliged to redeem any further amounts of the £61.048 million (nominal) of Stock remaining in issue in advance of its redemption date of 31st March 2024, when repayment of the stock in issue will be at par value.

21. Deferred tax

	Capital allowances £'000	Valuation of investment properties and financial derivatives £'000	Other timing differences £'000	Total £'000
Group				
At 1st October 2005	4,685	118,723	441	**123,849**
Recognised in Income Statement	(1,191)	53,782	(2,882)	**49,709**
Recognised in equity:				
Share based payments	-	-	(1,398)	**(1,398)**
At 30th September 2006 - liability/(asset)	**3,494**	**172,505**	**(3,839)**	**172,160**
Comprising:				
Deferred tax assets	-	(2,795)	(4,815)	**(7,610)**
Deferred tax liabilities	3,494	175,300	976	**179,770**
	3,494	**172,505**	**(3,839)**	**172,160**
Company				
At 1st October 2005	101	(3,527)	(1,322)	**(4,748)**
Recognised in Income Statement	(110)	732	(2,095)	**(1,473)**
Recognised in equity:				
Share based payments	-	-	(1,398)	**(1,398)**
At 30th September 2006 – deferred tax assets	**(9)**	**(2,795)**	**(4,815)**	**(7,619)**

The Group expects to realise the value of its deferred tax assets recognised in the financial statements against future taxable income.

The deferred tax recognised in respect of gains on the revaluation of investment properties is calculated prior to deducting indexation relief and capital losses which would be available to reduce the chargeable gain which would arise in the event of disposals of investment properties at the values reflected in the financial statements. At 30th September 2006 the Group's contingent capital gains liability after allowing for indexation relief and capital losses was estimated at £137.5 million which compares with £175.3 million provided at that date in accordance with IFRS.

The Group has capital losses of approximately £8.3 million available to shelter future capital gains liabilities which have not been recognised at the balance sheet date.

22. Called Up Share Capital

	2006 Number '000	2005 Number '000	2006 £'000	2005 £'000
Ordinary Shares of 25p each				
Authorised	**200,000**	200,000	**50,000**	50,000
Issued, called up and fully paid				
At 1st October 2005	**132,185**	132,086	**33,046**	33,022
Issued in connection with the exercise of share options	**583**	99	**146**	24
At 30th September 2006	**132,768**	132,185	**33,192**	33,046

The following options to subscribe for Ordinary Shares granted to executive Directors and staff under the Company's Share Option Schemes were outstanding at 30th September 2006:

Date of Grant	**Ordinary Shares of 25p each** Vested	Not yet vested	**Exercise Price**	**Option Exercise Period**
1997 Executive Share Option Schemes				
29th November 1999	126,636	-	£2.42	2002-2009
2001 Discretionary Share Option Schemes*				
21st February 2001	294,317	-	£2.945	2004-2011
13th December 2001	498,475	128,013	£2.735	2004-2011
18th December 2002	627,000	163,689	£2.00	2005-2012
18th December 2003	-	955,185	£2.31	2006-2013
15th December 2004	-	676,915	£3.40	2007-2014
2001 Sharesave Scheme				
14th April 2003	19,133	-	£1.305	2008
3rd July 2006	38,372	-	£3.97	2009-2012
2006 Long Term Incentive Plan*				
15th February 2006		260,550	Nil Cost	2009
Number of shares under option at 30th September 2006	**1,603,933**	**2,184,352**		

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

23. Reserves

Group	**Share premium £'000**	**Share based payments £'000**	**Retained earnings £'000**	**Total £'000**
At 1st October 2004	119,575	396	226,486	346,457
Shares issued on exercise of options	121	-	-	121
Fair value of share based payments	-	485	-	485
Deferred tax adjusted in equity	-	336	-	336
Profit for the year	-	-	98,777	98,777
Dividends paid during the year	-	-	(6,061)	(6,061)
At 30th September 2005	119,696	1,217	319,202	**440,115**
Shares issued on exercise of options	1,038	-	-	**1,038**
Fair value of share based payments	-	539	-	**539**
Deferred tax adjusted in equity	-	1,398	-	**1,398**
Profit for the year	-	-	137,502	**137,502**
Dividends paid during the year	-	-	(6,903)	**(6,903)**
At 30th September 2006	**120,734**	**3,154**	**449,801**	**573,689**

23. Reserves continued

	Share premium £'000	Share based payments £'000	Retained earnings £'000	Total £'000
Company				
At 1st October 2004	119,575	396	309,402	427,373
Shares issued on exercise of options	121	-	-	121
Fair value of share based payments	-	485	-	485
Deferred tax adjusted in equity	-	336	-	336
Profit for the year	-	-	7,844	7,844
Dividends paid during the year	-	-	(6,061)	(6,061)
At 30th September 2005	119,696	1,217	311,185	**432,098**
Shares issued on exercise of options	1,038	-	-	**1,038**
Fair value of share based payments	-	539	-	**539**
Deferred tax adjusted in equity	-	1,398	-	**1,398**
Profit for the year	-	-	(1,979)	**(1,979)**
Dividends paid during the year	-	-	(6,903)	**(6,903)**
At 30th September 2006	**120,734**	**3,154**	**302,303**	**426,191**

The Company's retained earnings at 30th September 2006 include amounts not distributable of £265.1 million (2005 - £264.9 million).

As permitted by Section 230 of the Companies Act 1985, no Income Statement has been presented for the Company.

24. Net assets per share

		2006 £'000	2005 £'000
Net assets used for calculation of basic net assets per share		**606,881**	473,161
Adjusted for:			
Cumulative fair value adjustment in respect of financial derivatives		**9,318**	11,758
Cumulative deferred tax provided in respect of:			
Investment property revaluation gains		**175,300**	122,250
Financial derivatives		**(2,795)**	(3,527)
Adjusted net assets		**788,704**	603,642
Ordinary shares in issue	'000	**132,768**	132,185
Diluted Ordinary shares	'000	**134,425**	132,830
Net assets per share:			
Basic		**£4.57**	£3.58
Diluted		**£4.54**	£3.57
Adjusted basic		**£5.94**	£4.56
Adjusted diluted		**£5.90**	£4.55

The calculations of diluted net asset value per share show the potentially dilutive effect of outstanding vested options granted over Ordinary Shares and include the increase in shareholders' equity which would arise on the exercise of those options.

25. Cash flows from operating activities

Operating activities	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Operating profit	**231,243**	171,821	**(3,892)**	(2,608)
Adjustment for non-cash items:				
Amortisation of lease incentives	**(696)**	(173)	**-**	-
Share option expense	**539**	485	**539**	485
Depreciation and losses on disposals	**140**	99	**140**	99
Profit on sale of investment properties	**(748)**	(4,220)	**(1,841)**	-
Investment property valuation movements	**(190,933)**	(130,004)	**-**	(2,102)
Cash flows from operations before changes in working capital	**39,545**	38,008	**(5,054)**	(4,126)
Change in trade and other receivables	**(249)**	(34)	**519**	7,237
Change in trade and other payables	**2,268**	1,800	**1,085**	(11,443)
Cash flows from operating activities	**41,564**	**39,774**	**(3,450)**	(8,332)

26. Analysis of changes in net debt

Group	1.10.2005 £'000	Cash Flows £'000	Non-cash Items £'000	30.9.2006 £'000
8.5% First Mortgage Debenture Stock 2024	(126,153)	74,874	(19,846)	**(71,125)**
Secured bank loans	(258,279)	(133,259)	(117)	**(391,655)**
Cash at bank	-	9,090	-	**9,090**
Finance lease obligations	-	208	(5,769)	**(5,561)**
	(384,432)	(49,087)	(25,732)	**(459,251)**
Company				
8.5% First Mortgage Debenture Stock 2024	(126,153)	74,874	(19,846)	**(71,125)**
Secured bank loans	(262,896)	(135,719)	(117)	**(398,732)**
Cash at bank	-	8,898	-	**8,898**
	(389,049)	(51,947)	(19,963)	**(460,959)**

27. Investment in Subsidiary Undertakings

	2006 £'000	2005 £'000
Shares at cost		
At 1st October 2005	**1**	-
Shares acquired during the period	**278,440**	1
At 30th September 2006	**278,441**	1

At 30th September 2006 the Group's operating subsidiary companies, all of which are wholly-owned and engaged in property investment, were:
Shaftesbury Carnaby Limited
Shaftesbury Covent Garden Limited
Shaftesbury Chinatown Limited
Shaftesbury Charlotte Street Limited

All of the Company's subsidiary undertakings are incorporated in Great Britain and registered 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.

28. Investment in Joint Venture

	2006 £'000	2005 £'000
Shares at cost:		
Acquired during the year:		
Shares acquired for cash	**42,317**	-
Shares acquired in consideration of assets contributed to joint venture	**35,503**	-
Incidental costs of acquisition	**1,138**	-
At 30th September 2006	**78,958**	-

The Company owns 7,782,100 Ordinary £1 shares in Longmartin Properties Limited, representing 50% of that company's issued share capital. The company is incorporated in Great Britain and registered in England and Wales and is engaged in property investment.

The Group's share of the results of Longmartin Properties Limited for the period from 5th December 2005 (being the date of commencement of the joint venture) to 30th September 2006, and of its assets and liabilities at 30th September 2006, which have been consolidated in the Group's Income Statement and Balance Sheet, are as follows:

	5.12.2005 to 30.9.2006 £'000	2005 £'000
Income Statement		
Rents receivable	**2,485**	-
Recoverable property expenses	**272**	-
	2,757	-
Property expenses	**275**	-
Recoverable property expenses	**272**	-
	547	-
Net property income	**2,210**	-
Administration expenses	**(82)**	-
Operating profit before investment property disposals and revaluation	**2,128**	-
Profit on disposal of investment property	**40**	-
Investment property revaluation movements	**8,479**	-
Operating profit	**10,647**	-
Interest receivable	**794**	-
Interest payable	**(208)**	-
Profit before tax	**11,233**	-
Current tax	**(746)**	-
Deferred tax	**(2,544)**	-
Tax charge for the period	**(3,290)**	-
Profit for the period	**7,943**	-

28. Investment in Joint Venture continued

Balance Sheet	**2006 £'000**	2005 £'000
Non-current assets		
Investment properties at market value	**70,685**	-
Head lease liability grossed up	**5,561**	-
	76,246	-
Current assets		
Trade and other receivables	**544**	-
Amounts due from shareholders	**19,875**	-
Cash	**193**	-
Total assets	**96,858**	-
Current liabilities		
Trade and other payables	**1,296**	-
Non-current liabilities		
Deferred tax	**2,544**	-
Head lease liability	**5,561**	-
Total liabilities	**9,401**	-
Net assets attributable to the Shaftesbury Group	**87,457**	-

29. Commitments under operating leases

Annual commitments in respect of non-cancellable operating leases were as follows:

	Group		**Company**	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Leases expiring between two and five years	**12**	9	**12**	9
Leases expiring after more than five years	**210**	210	**210**	210

30. Related party transactions

During the year, the Company received from its wholly owned operating subsidiaries administration fees totalling £4.57 million (2005 - £2.32 million), interest in respect of inter-company debt totalling £32.99 million (2005 - £32.14 million) and dividends totalling £8.7 million (2005 - £Nil). The Company provides funding to its wholly owned operating subsidiaries as required. Surplus cash held by the operating subsidiaries is loaned to the Company. The amount owing to the Company by subsidiary undertakings at the year end totalled £588.61 million (2005 - £854.51 million).

During the year the Company received from Longmartin Properties Limited, a 50% owned joint venture formed during the year, administration fees totalling £0.54 million and paid interest in respect of a loan from that company totalling £0.77 million. The amount owing by the Company to Longmartin Properties Limited at the year end totalled £19.875 million.

31. Post balance sheet event

In October 2006, the Company purchased £6.494 million (nominal) of 8.5% Debenture Stock at a cost of £9.3 million, met largely from cash held at the year end. The loss on purchase of £2.474 million will be charged in the Income Statement in the year ending 30th September 2007.

32. Share based remuneration

The charge for share based remuneration has been calculated by Lane Clark & Peacock LLP, Actuaries and Consultants, using the following principal assumptions:

	2001 Discretionary Share Option Schemes	2001 SAYE Scheme	2006 Long Term Incentive Plan
Range of share prices at grant date	£2.00 - £3.47	£1.59 - £5.24	£5.295
Range of exercise prices	£2.00 - £3.40	£1.305 - £3.97	Nil Cost Options
Expected volatility	23% - 26%	25% - 26%	25%
Expected life	3.5 - 6.5 years (depending on vesting period and assumed exercise pattern)	3 - 7 years (depending on savings period)	3.6 years
Risk free rate	4.4% - 4.7%	3.9% - 4.8%	4.3%
Expected dividend yield	1.2% - 1.7%	1.0% - 2.5%	1.0%
Assumed pattern of exercise (once vested) - Directors	Exercise at earlier of expiry and time at which market price is 200% of exercise price	Exercise at earlier of expiry and time at which market price is 200% of exercise price	-
Assumed pattern of exercise (once vested) – Other staff	Exercise at earlier of expiry and time at which market price is 120% of exercise price	Exercise at earlier of expiry and time at which market price is 120% of exercise price	-
Employee turnover (before and after vesting) per annum	5%	5%	5%
Return volatility of FTSE 350 Real Estate Index	-	-	15%
Assumed statistical correction between the total return on the Company's shares and those in the FTSE 350 Real Estate Index	-	-	0.5
Basis of option pricing:			
Net asset value comparator	Modified binomial model	Modified binomial model	Modified binomial model
Total Shareholder Return comparator	-	-	Monte Carlo simulation
Range of Fair Values (pence per share):			
Directors	59.2 - 119.2	43.8 - 215.9	-
Other staff	45.7 - 91.9	43.8 - 215.9	-
2006 LTIP:			
NAV comparator	-	-	515.0
TSR comparator	-	-	253.0

The vesting conditions relating options granted under the 2001 Discretionary Share Option Schemes and the 2005 Long Term Incentive Plan are described in the Directors' Remuneration Report on pages 43 to 50.

33. Reconciliation of profit reported under UK GAAP to profit under IFRS

	2005 £'000
Group profit after tax for the year under UK GAAP	**11,818**
Revaluation surpluses reported in the Income Statement	130,004
Change in basis of recognition of lease incentives	673
Property marketing and letting expenses charged in the Income Statement	(487)
Share option expense	(485)
Adjustment to debenture stock amortisation	(132)
Restatement of loss arising on debenture stock purchase	109
Movement in fair value of financial derivatives	(4,034)
Deferred tax adjustments:	
Contingent tax in respect of revaluation surpluses	(39,850)
Change in basis of recognition of lease incentives	(202)
Fair value of financial derivatives	1,210
Share option expense	146
Debenture stock amortisation	7
Group profit for the year reported under IFRS	**98,777**

Detailed explanations of these adjustments were provided in the 2005 Annual Report.

34. Reconciliation of net assets reported under UK GAAP to net assets under IFRS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Net assets reported under UK GAAP	**600,209**	**464,645**	**477,963**	**464,645**
Dividend payable not declared at the balance sheet date	4,351	3,823	4,351	3,823
Dividends receivable not declared at the balance sheet date	-	-	(8,739)	-
Adjustment to debenture stock amortisation	(1,172)	(1,149)	(1,172)	(1,149)
Recognition of fair value of financial derivatives	(11,758)	(7,724)	(11,758)	(7,724)
Deferred tax adjustments arising from:				
Recognition of contingent tax on investment property revaluation surpluses	(122,250)	(82,400)	-	-
Change in basis of recognition of lease incentives	(718)	(516)	-	-
Fair value of financial derivatives	3,527	2,317	3,527	2,317
Share option expense	620	138	620	138
Debenture stock amortisation	352	345	352	345
Net assets reported under IFRS	**473,161**	**379,479**	**465,144**	**462,395**

Detailed explanations of these adjustments were provided in the 2005 Annual Report.

Five year financial summary

Net Assets

	IFRS 2006 £'000	IFRS 2005 £'000	IFRS 2004 £'000	UK GAAP 2003 £'000	UK GAAP 2002 £'000
Investment Properties					
At 1st October	**987,516**	820,431	723,808	698,195	647,250
Acquisitions	**107,667**	37,571	16,361	14,377	54,663
Refurbishment expenditure	**8,856**	10,580	9,728	14,040	18,376
Disposals	**(45,757)**	(11,070)	(771)	(6,167)	(18,996)
Net revaluation surplus/(deficit)	**190,933**	130,004	71,305	7,698	(3,098)
Head lease liabilities	**5,561**	-	-	-	-
At 30th September	**1,254,776**	987,516	820,431	728,143	698,195
Deferred tax assets	**6,244**	4,849	-	-	-
Other assets	**409**	364	296	262	286
	1,261,429	992,729	820,727	728,405	698,481
Net current assets/(liabilities)	**2,881**	5,320	(4,782)	(16,095)	(18,476)
Borrowings	**(468,341)**	(384,432)	(344,431)	(322,065)	(301,573)
Financial derivatives	**(9,318)**	(11,758)	(7,724)	-	-
Deferred taxation	**(179,770)**	(128,698)	(84,311)	(3,825)	(2,869)
Reported Net Assets	**606,881**	473,161	379,479	386,420	375,563
Add:					
Fair value deficit in respect of financial derivatives	**9,318**	11,758	7,724		
Deferred tax provisions in respect of property revaluations and financial derivatives	**172,505**	118,723	80,083		
Adjusted Net Assets	**788,704**	603,642	467,286		
Reported Diluted Net Asset Value per Ordinary Share	**£4.54**	£3.57	£2.87	£2.92	£2.84
Adjusted Diluted Net Asset Value per Ordinary share	**£5.90**	£4.55	£3.53	-	-
Mid market share price at 30th September	**£6.00**	£3.80	£2.76	£2.22	£1.98

Income Statements

	IFRS 2006 £'000	IFRS 2005 £'000	UK GAAP 2004 £'000	UK GAAP 2003 £'000	UK GAAP 2002 £'000
Rents invoiced	**51,535**	48,688	42,067	40,606	38,506
Adjustment in respect of lease incentives	**696**	173	2,361	832	349
Recoverable property expenses*	**6,561**	3,938	4,279	2,949	-
Turnover*	**58,792**	52,799	48,707	44,387	38,855
Property outgoings*	**(11,809)**	(9,398)	(8,529)	(7,544)	(4,616)
Net property income	**46,983**	43,401	40,178	36,843	34,239
Administration expenses	**(7,421)**	(5,804)	(4,375)	(4,010)	(3,822)
Operating profit	**39,562**	37,597	35,803	32,833	30,417
Surplus on disposal of properties	**748**	4,220	616	40	2,106
Property revaluation surpluses	**190,933**	130,004	-	-	-
	231,243	171,821	36,419	32,873	32,523
Net interest payable	**(25,683)**	(23,644)	(21,095)	(20,529)	(19,521)
Change in fair value of financial derivatives	**2,051**	(4,171)	-	-	-
Loss on purchase of Debenture Stock	**(20,009)**	(3,655)	-	-	-
Profit before tax	**187,602**	140,351	15,324	12,344	13,002
Taxation	**(50,100)**	(41,574)	(4,520)	(4,106)	(3,288)
Reported Profit after taxation	**137,502**	98,777	10,804	8,238	9,714
Adjust for:					
Exceptional administration costs	**-**	297	-	-	-
Property disposal surpluses	**(748)**	(4,220)	(616)	(40)	(2,106)
Property revaluation surpluses	**(190,933)**	(130,004)	-	-	-
Change in fair value of financial derivatives	**(2,051)**	4,171	-	-	-
Loss on purchase of Debenture Stock	**20,009**	3,655	-	-	-
Taxation movements relating to the above	**46,170**	37,454	-	-	-
Adjusted Profit after taxation	**9,949**	10,130	10,188	8,198	7,608
Reported diluted Post Tax Earnings per Ordinary Share	**100.32p**	74.62p	8.18p	6.25p	7.36p
Adjusted diluted Post Tax Earnings per Ordinary Share	**7.47p**	7.65p	7.71p	6.22p	5.76p
Total Dividends per Ordinary Share declared in respect of the financial year	**5.65p**	5.00p	4.413p	3.915p	3.56p

*Turnover and other property expenses for 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.

Shareholders and corporate information

Shareholders

at 30th September 2006

	No	Shares Held 000	%
Pension and investment funds and companies owning or managing:			
- in excess of 1,000,000 shares	32	92,760	69.9
- between 250,000 and 999,999 shares	31	16,105	12.2
Directors' holdings	8	1,056	0.8
Individuals	217	4,612	3.4
Other holdings – not analysed	-	18,235	13.7
		132,768	100.0

Financial Calendar

Annual results announced	11th December 2006
Annual report posted to shareholders	10th January 2007
Annual General Meeting	8th February 2007
2007 Interim results to be announced	May 2007

Dividends and Interest

Proposed 2006 Final Dividend:	
Ex-Dividend	24th January 2007
Record date	26th January 2007
Payment date	16th February 2007
2007 Interim Dividend to be paid	29th June 2007
Debenture Stock interest to be paid	31st March 2007 and 30th September 2007

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 3970
(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.

Sharegift

The Orr Mackintosh Foundation operates a voluntary charity share donation scheme for retail shareholders who wish to dispose of small numbers of shares whose value makes it uneconomical to sell them. Details are available from www.sharegift.org or the Group's Registrars.

Notice of annual general meeting

Notice Is Hereby Given that the Twenty-First Annual General Meeting of Shaftesbury PLC (the "Company") will be held at Pegasus House, 37/43 Sackville Street, London W1S 3DL, on Thursday 8th February 2007 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the audited financial statements for the year ended 30th September 2006, and the reports of the Directors and auditors.
2. To approve the report on Directors' Remuneration for the year ended 30th September 2006.
3. To declare a final dividend for the year ended 30th September 2006 of 3.73p per Ordinary Share payable on 16th February 2007 to holders of Ordinary Shares registered at the close of business on 26th January 2007.
4. To re-elect P J Manser as a Director of the Company.
5. To re-elect J R K Emly as a Director of the Company.
6. 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.
7. 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 8 and 11 and as special resolutions in the case of resolutions 9 and 10:

8. 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 8th February 2007 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.
9. 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 8; 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 8th February 2007 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.
10. 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 2006);
    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 8th February 2007 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

11. 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 8th February 2007 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.

By Order of the Board

Penny Thomas
Secretary

8th January 2007

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 6th February 2007 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 6th February 2007 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 Annual General Meeting) 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. Biographical details of the Directors standing for re-election are set out on page 37 of the Annual Report.

6. 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 8th February 2007 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.

7. 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.

8. 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.

Explanatory notes to notice of annual general meeting

Resolution 8 – Authority to issue shares

This resolution authorises the Board, for a period of 15 months from 8th February 2007 or to the 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 8th December 2006 (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 9 – 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 8th December 2006 (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 10 – 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 8th December 2006 (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 8th December 2006 (the latest practicable date prior to the publication of this document) is 3,788,285. This represents 2.85 per cent. of the issued share capital at that date. If the Company were to purchase the maximum number of ordinary shares permitted pursuant to the authority under this resolution, then these options would represent 3.17 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 11 – 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.

Design **SG Design** | Photography **Arnhel de Serra** | Print **Beacon Press**

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