

24:7

Carnaby

Holdings valued at £559.4 million and include 138 shops, 36 restaurants, bars and clubs, 255,000 sq.ft. of offices and 58 flats.

Our largest concentration of retail.

Chinatown

Holdings valued at £341.6 million and include 57 restaurants, 53 shops, 48,000 sq.ft. of offices and 70 flats.

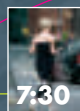
Our largest concentration of restaurants.



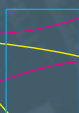
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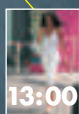
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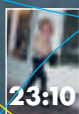
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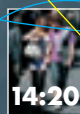
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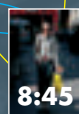
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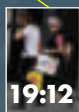
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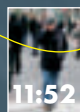
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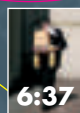
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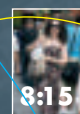
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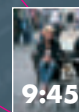
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6:37



8:15



9:45



12:31



13:25



21:02



19:45



17:15



12:01

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Covent Garden (Wholly owned)

Holdings valued at £381.1 million and include 98 shops, 53 restaurants and cafes, 106,000 sq.ft. of offices and 108 flats. Comprises Seven Dials, Opera and Coliseum districts.

Our most diverse village.

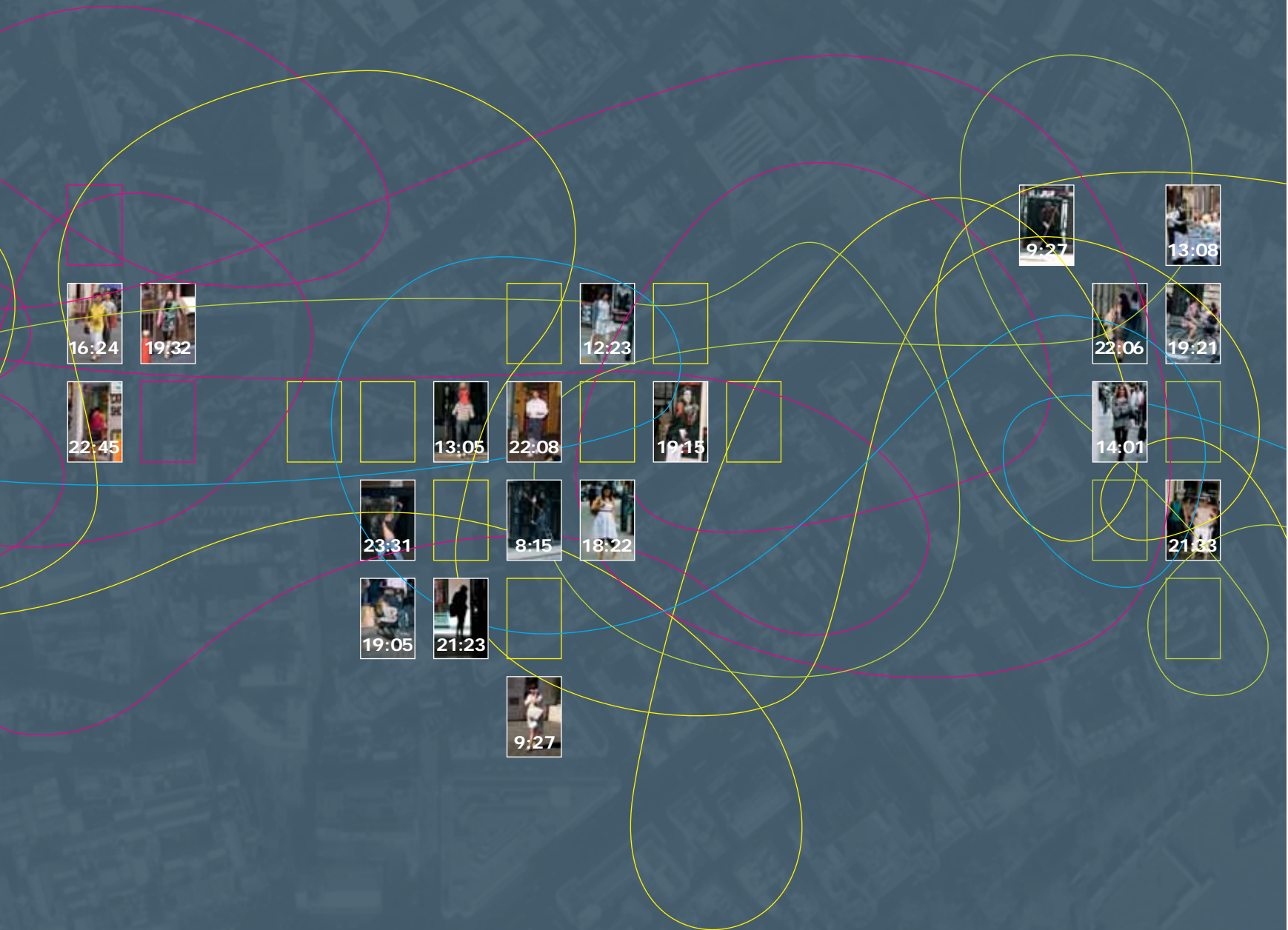
Covent Garden

Longmartin Joint Venture
(50% owned)

Group's property interest valued at £81.7 million.

Two acre island site being regenerated to create an entirely new destination with retail, restaurant, leisure, office and residential uses around a central courtyard.

Shaftesbury at the heart of London's West End





Carnaby 17:35

Financial highlights

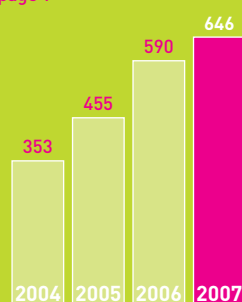
| | | 2007 | 2006 | Change |
|--|-------|-----------|-----------|--------|
| Net property income | £'000 | 49,580 | 46,983 | +5.5% |
| Adjusted profit before tax* | £'000 | 12,713 | **13,490 | -5.7% |
| Adjusted diluted earnings per share* | pence | 8.55 | **7.18 | +19.1% |
| Profit (including fair value movements in respect of investment properties and financial derivatives) before tax | £'000 | 124,176 | 187,602 | -33.8% |
| Diluted earnings per share | pence | 196.92 | 103.32 | +90.5% |
| Interim dividend per share | pence | 2.16 | 1.92 | +12.5% |
| Final dividend per share | pence | 5.50 | 3.73 | +47.4% |
| Property assets at book value | £'000 | 1,393,662 | 1,254,776 | |
| Adjusted net assets*** | £'000 | 872,726 | 788,704 | +10.7% |
| Adjusted diluted net assets per share | pence | 646 | 590 | +9.5% |
| Net assets | £'000 | 866,786 | 606,881 | +42.8% |
| Diluted net asset value per share | pence | 641 | 454 | +41.2% |

* Adjusted to exclude property and financial derivatives fair valuation movements, gain on sale of investment properties and, loss on purchase of debenture stock

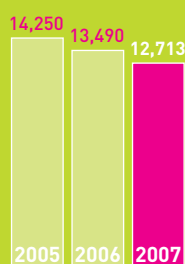
** 2006 - Adjusted to reflect re-classification of payments under hedging contracts (see Note 8).

*** 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)

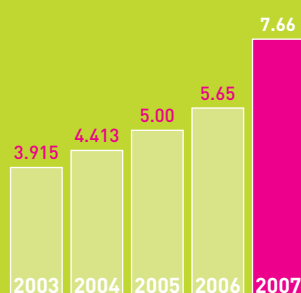
Adjusted diluted net asset value per share (pence)
see page 9



Adjusted profit on ordinary activities (£'000) see page 9



Dividends declared per share (pence)



Performance summary

| | Shaftesbury Group | Benchmark |
|---|-------------------|-------------------------------------|
| Capital value 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) | | IPD UK Monthly Index Capital Values |
| | +8.2% | +2.2% |
| 2006 | +18.1% | +14.7% |
| Total return (a combination of the capital value return referred to above and the net property income 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) | | IPD UK Monthly Index Total Return - |
| | +12.0% | +7.2% |
| 2006 | +22.4% | +20.7% |
| Net asset value return (the growth in diluted net asset value per Ordinary share plus dividends paid 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 - before REIT conversion charge | +14.0% | |
| - after REIT conversion charge | +10.5% | |
| 2006 | +30.8% | |
| Based on adjusted net assets | +42.5% | |
| 2006 | +28.9% | |
| Total shareholder return (the growth during the year in the market price of an Ordinary share plus dividends reinvested expressed as a percentage of the share price at the beginning of the year, based on year end share price £4.95 (2006: £6.00)) | | FTSE 350 Real Estate Index |
| | -16.5% | -14.1% |
| 2006 | +59.3% | +35.3% |

Carnaby
13:04

Chinatown



Our strategy is to invest only in the busiest areas of the West End of London - a city that is universally recognised to be the best in Europe for present and future business ventures as well as being the World's most popular destination for overseas visitors.

Over the past fifteen years we have assembled a unique estate of over 400 buildings in the heart of the West End.



21:44
Seven Dials





9



Our clearly defined strategy to invest only in London's West End has continued to deliver growth in our net asset value. This has been achieved against a background of considerable uncertainty concerning the future direction and stability of the economy in general and property markets in particular. Our results for the year ended 30 September 2007 show further growth in rental income and capital values.

Our Results

The adjusted results referred to below are calculated in accordance with the guidance issued by the European Public Real Estate Association ("EPRA") in January 2006.

Net assets at 30 September 2007, adjusted as shown in the table below to exclude the fair value of financial derivatives and deferred tax provided in respect of the investment property and financial derivatives revaluations, totalled £872.7 million, equivalent to a diluted net asset value per share of £6.46. These figures include the charge we have incurred on conversion to REIT status of £27.5 million, equivalent to a reduction in diluted net asset value per share of £0.20. The increase in diluted net asset value per share over the year excluding this one-off charge was £0.76, an uplift of 12.9%, which reduces to £0.56 pence, an uplift of 9.5%, once the charge is deducted.

Shareholders' funds reported in the unadjusted Group Balance Sheet at 30 September 2007 totalled £866.8 million, equivalent to a diluted net asset value per share of £6.41 per share, and reflect the release arising on REIT conversion of net deferred taxation liabilities amounting to £171.4 million, less the conversion charge referred to above. The increase in unadjusted shareholders' funds since the last year end totalled £259.9 million, equivalent to £1.87 per share (diluted), an uplift of 41%.

As shown in the table below, adjusted profit before tax for the year ended 30 September 2007 amounted to £12.7 million, compared with £13.5 million in the same period last year. Although we have seen an increase in rental income of £3.4 million compared with last year, property outgoings have risen by £0.8 million, reflecting costs incurred ahead of commencement of a number of major new schemes.

Chairman's Statement

Net assets reported in the Group Balance Sheet

Adjusted for:

Fair value adjustment in respect of financial derivatives

Deferred tax provided in respect of:

Investment property revaluation gains

Financial derivatives

Adjusted net assets

REIT conversion charge

Adjusted net assets before REIT conversion charge

| | 2007 | | 2006 | |
|--|----------------|---|----------------|---|
| | Total £'000 | Diluted net asset value per share £ | Total £'000 | Diluted net asset value per share £ |
| | 866,786 | 6.41 | 606,881 | 4.54 |
| | 630 | | 9,318 | |
| | 5,310 | | 175,300 | |
| | - | | (2,795) | |
| | 872,726 | 6.46 | 788,704 | 5.90 |
| | 27,512 | 0.20 | - | - |
| | 900,238 | 6.66 | 788,704 | 5.90 |

Profit before tax reported in the Group Income Statement

Profit on disposal of investment properties

Surplus arising on revaluation of
investment properties

Movement in fair value of financial derivatives

Loss on purchase of debenture stock

Adjusted profit before tax

| | 2007 £'000 | *2006 £'000 |
|--|---------------|----------------|
| | 124,176 | 187,602 |
| | (2,215) | (748) |
| | (103,034) | (190,933) |
| | (8,688) | *(2,440) |
| | 2,474 | 20,009 |
| | 12,713 | *13,490 |

* Comparatives adjusted to reflect re-classification of payments under hedging contracts (see note 8)

Interest payable has risen by £4.1 million, due to higher interest rates, particularly in the second half of the year, but also as a result of the cost of financing the strategic acquisitions made over the last two years. The low initial income from these purchases has been further reduced in the short term as a result of our deliberate policy of securing vacant possession in advance of refurbishment and re-letting. We do not currently capitalise interest incurred in respect of properties or parts of multi-let buildings being refurbished.

In September 2007 we sold a number of non-core commercial and residential property interests for total proceeds after costs of £8.4 million, producing surpluses totaling £2.2 million over their 31 March 2007 book values of £6.2 million. Under our new REIT status, no taxation liability arises on these surpluses.

The results also include a loss of £2.5 million on repurchase of £6.5 million (nominal) of 8.5% Debenture Stock 2024, which was completed in October 2006. This was the final phase of the refinancing of part of our historic fixed rate long term debt announced in September 2006, which has allowed us to create a useful post-tax economic surplus ahead of REIT conversion and provided greater flexibility in future financing.

This year we have seen a substantial reduction in the fair value deficit of our financial derivatives from £9.3 million to £0.6 million, which has resulted in a credit to the Income Statement, of £8.7 million (2006: £2.4 million). The reduction in the deficit reflects the market expectation of higher interest rates in future years.

Profit before tax reported in the Income Statement was £124.2 million (2006: £187.6 million) and included investment property revaluation surpluses of £103.0 million (2006: £190.9 million).

Provision for current and deferred tax on the adjusted profit for the year amounted to £1.2 million (2006: £3.9 million). The liability for corporation tax on the wholly owned Group's profits has been eliminated in the period prior to REIT conversion by the utilisation of losses arising from the Debenture refinancing carried out in September and October 2006 and other tax losses arising during that period. In the second half, the Group excluding the Longmartin joint venture was subject to taxation under the REIT regime and therefore net rental income and capital gains realised from the sale of let properties were exempt from tax. As virtually all of the wholly-owned Group's business fell within the REIT ring fence, no taxation liability arises on these exempt activities.

The tax credit reported in the Income Statement of £140.6 million (2006: charge - £50.1 million) includes both the charge incurred on conversion to REIT status of £27.5 million and a release of net deferred tax liabilities of £171.4 million as a result of conversion. Our interest in the Longmartin joint venture has not been included within our REIT election. Our share of Longmartin's profit continues to be subject to corporation tax and deferred tax continues to be provided in respect of our share of its property revaluation surpluses.

The adjusted profit after tax for the year amounted to £11.5 million (2006: £9.6 million). The profit after tax reported in the Group Income Statement amounted to £264.8 million (2006: £137.5 million).

Dividends

This year's final dividend reflects the distribution obligations contained in REIT legislation, which broadly require distribution of a minimum of 90% of net rental income (calculated by reference to tax rather than accounting rules). These distribution obligations apply to our business for the second half of the year during which we have been subject to the REIT regime. All future dividends will reflect this requirement.

As a result, your Directors are pleased to recommend a substantially increased final dividend of 5.50p per share (2006: 3.73p). Together with the interim dividend of 2.16p (2006: 1.92p), this will bring the total distribution for the year to 7.66p (2006: 5.65p), an increase of 36%. The final dividend will be paid entirely as a Property Income Distribution ("PID").

We intend to maintain a policy of increasing our distributions to reflect growth in our underlying income, although adherence to the REIT rules may result in a less even pattern than we have seen previously. From 2008 interim and final dividends will be more evenly balanced.

Taxation (credit)/charge reported in the Group Income Statement

Current tax in respect of:

REIT conversion charge

Loss on purchase of debenture stock

Deferred tax in respect of:

Property disposals

Revaluation of investment properties

Movement in fair value of financial derivatives

Deferred tax released on REIT conversion

Adjusted taxation charge on the adjusted profit

Profit after tax

Reported on the Group Income Statement

Adjusted profit after tax

| 2007 £ | 2006 £ |
|-----------|-----------|
| (140,632) | 50,100 |
| (27,512) | - |
| 742 | 6,002 |
| - | 5,268 |
| (2,766) | (56,708) |
| - | (732) |
| 171,378 | - |
| 1,210 | 3,930 |
| 264,808 | 137,502 |
| 11,503 | 9,560 |

Our Portfolio

Our property portfolio has been valued at 30 September 2007 at £1,394.0 million, resulting in a revaluation surplus of £103.0 million. Together with the surpluses realised on disposals of £2.2 million, this represents an uplift of 8.2% over the year, which compares with an increase in the IPD UK Monthly Index of Capital Values for all classes of commercial property of 2.2% over the same period. Our portfolio showed an overall return for the year of 12.0% compared with the IPD UK Monthly Index of Total Returns for all classes of commercial property of 7.2%.

Following two years of valuation increases driven by exceptional yield reductions, yields have ended the year largely unchanged. Consequently the growth in values we have seen this year has been driven by continued rental growth - both actual and prospective - and a reduction in vacant space. As a result of the current turbulence in financial markets there is a reduction in investment demand for property assets, which is leading to an increase in valuation yields. However, we believe that, against a background of continuing strong tenant demand in our markets, the impact on the values of our well located properties, which have the capacity to produce sustained rental growth, will be less marked.

Rental growth for all uses has continued throughout the year, reflecting strong occupier demand across our villages. We believe there is considerable potential for further growth through our policy of creating unique shopping and leisure destinations in the West End as rental values for all uses throughout our villages are much lower than those in adjacent high street locations.

We continue to take opportunities to establish higher rental levels by pro-actively taking back leases and re-letting. Although in the short term this leads to a loss of income from individual properties, the longer term benefits across our adjacent properties more than compensates and contributes to the out-performance which is evident in these results. We have also seen especially good growth in office rents as higher demand has resulted in low levels of vacant space in the West End.

Our valuers have estimated the rental value of our total portfolio at the year end to be £72.4 million per annum, compared with the portfolio's current passing income at that date of £57.9 million per annum. Estimated rental values have grown by 9.6% over the year of which 5.1% occurred in the second half. The table below demonstrates the success of our management initiatives which are focussed not only on delivering income growth but also on the long term improvement in the rental prospects of our portfolio and is reflected in the acceleration in its reversionary potential. Current strong demand across all our villages indicates that this trend will continue into 2008.

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, some prospective purchasers may consider that parts of or the entire wholly-owned portfolio when combined may have a greater value than that currently reflected in the valuation we have adopted in our results.

In the market in the West End, which continues to attract considerable investor interest despite recent uncertainties, we have made acquisitions in our villages totalling £32.1 million during the year, principally in and around our Carnaby village. Capital expenditure totalled £9.8 million, representing approximately 0.7% of the portfolio's capital value. This low level of capital expenditure reflects our strategy of improving existing buildings rather than redevelopment and our focus on retail, restaurant and residential uses, which are not prone to the costs of obsolescence evident in other sectors.

Total Shareholder Return

Both Shaftesbury and the FTSE 350 Real Estate Index recorded negative returns over the year as a result of the substantial reductions in share prices across the entire real estate sector from the high point seen in March 2007, when many real estate company shares were trading at substantial premiums to actual and prospective net asset values.

Current adverse sentiment towards property in the equity markets, which reflects concerns over the general economic prospects, the availability of finance for real estate investment and the outlook for property yields, has now resulted in real estate equities, including our shares, trading at discounts to net asset values. In contrast, our occupier markets have rarely been stronger, with falling vacancy rates, increasing demand and accelerating rental growth in all of our sectors.

Prospects

London's position as one of the World's most important financial centres and its status as the World's most popular city tourist destination underpin the value of our portfolio and its long term growth potential. Comprising over 400 mixed use freeholds in the West End, our portfolio is unique amongst UK listed real estate companies both in its nature and geographical focus. Although the longer term direction of yields is difficult to predict, and some set-backs in property markets are now evident, our local knowledge, experience in West End regeneration and financial strength will enable us to take full advantage of new opportunities to extend our core holdings.

We believe the exceptionally resilient nature of our unique portfolio, with its proven capacity to produce sustained growth in both actual and potential future income, will deliver long term outperformance in both income and capital values.

P John Manser

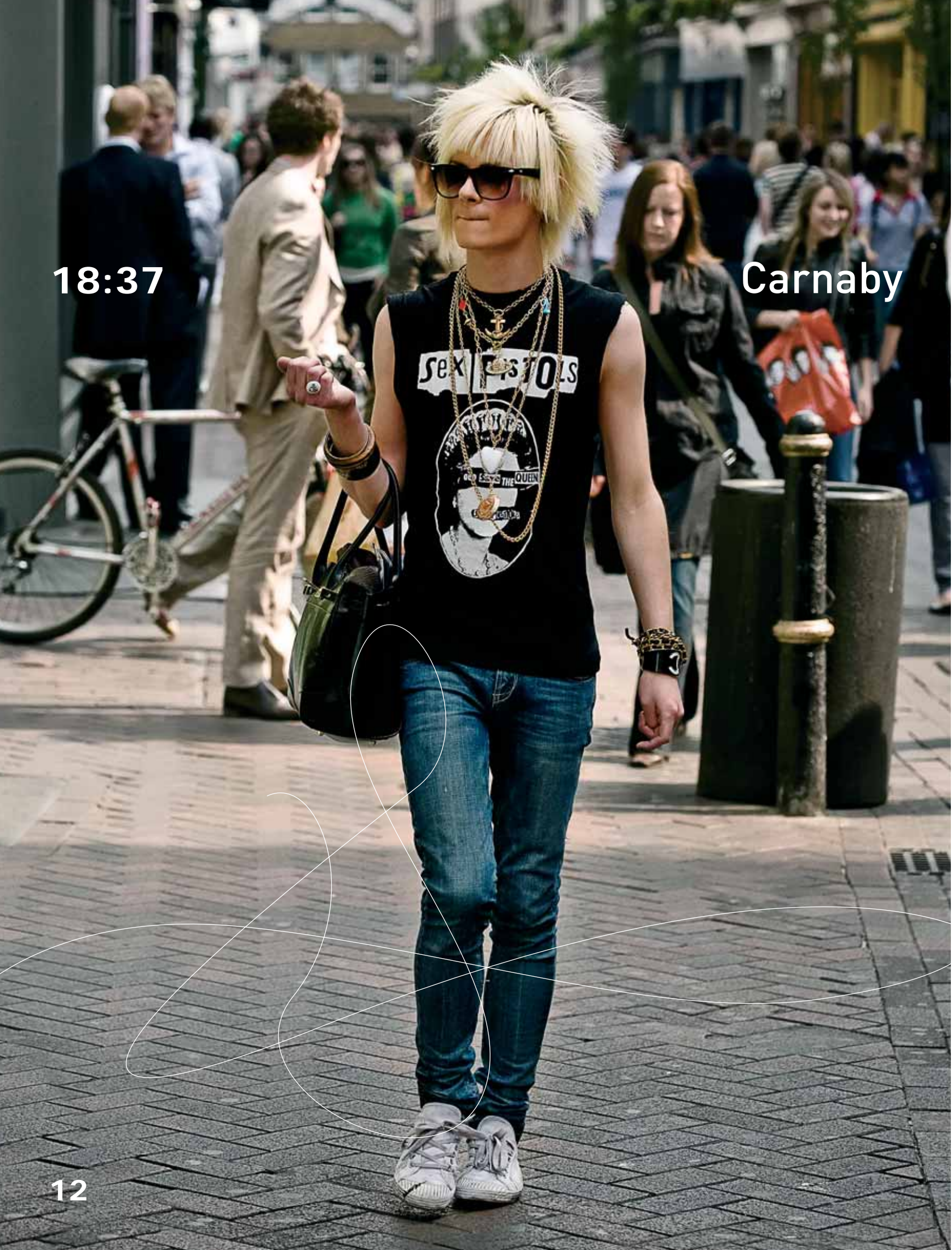
Chairman

5 December 2007

| | Valuers' estimates | | |
|-----------------------------|----------------------------------|------------------------------------|------------------------------------|
| | Current gross income £million | Estimated rental value £million | Reversionary potential £million |
| At 30 September 2005 | 49.8 | 60.6 | 10.8 |
| At 30 September 2006 | 53.9 | 66.0 | 12.1 |
| At 31 March 2007 | 56.0 | 69.0 | 13.0 |
| At 30 September 2007 | 57.9 | 72.4 | 14.5 |

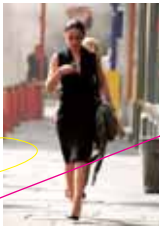
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Carnaby



Covent Garden

18:37



17:00



Business review

Overview and Strategy

Our strategy is to invest only in the busiest areas of the West End of London – a city that is universally recognised to be the best in Europe for present and future business ventures as well as being the World's most popular destination for overseas visitors.

As a consequence, London's economy is very buoyant. This prosperity is stimulating the development of large new business districts such as Paddington and King's Cross, which have easy access to the West End. It is also encouraging to see investment in several major new hotels in the West End as well as projects to improve London's infrastructure, which are essential if the city's prosperity is to be maintained.

Central and Local Government are now committed to improving public transport upon which the success of London depends. Important long-term improvements to public transport are starting to have an impact with the re-opening of St. Pancras Station, improvements to King's Cross and the consequent release of Waterloo Station's Eurostar platforms for domestic services. Recently, the Government has also given a commitment to the construction of the Crossrail East/West route.

A growing cosmopolitan population, together with exciting and varied opportunities for employment is giving Central London a prosperity which is materially greater than that seen elsewhere in the UK and which is less reliant on the domestic economy than other UK cities. We are seeing the benefits of this prosperity in our villages.

London also has an exceptionally extensive, varied and historic urban environment, which distinguishes it from other cities. This makes Central London and in particular the West End especially attractive to domestic and overseas visitors, whose numbers and expenditure are at record levels. Tourists are attracted by those cultural and leisure assets which set the West End apart from any other city, namely its unrivalled cluster and choice of World class theatres, cinemas, museums, galleries, historic buildings and public spaces, as well as the extensive choice of shops and restaurants.

Over the past fifteen years we have assembled a unique estate of over 400 buildings in the heart of the West End. Clustered around some of London's most vibrant areas, we have created distinctive villages such as Carnaby and Chinatown. Within Covent Garden we now have a number of districts including Seven Dials, the Opera Quarter and our Longmartin Joint Venture, as well as holdings around the Coliseum, which is close to Trafalgar Square. In addition, we have identified other adjacent areas within the West End in which we are investing.

Whilst we choose areas with good access to public transport, generally we avoid streets which are dominated by national brands and where high rents restrict the potential for long term growth.

Our tightly knit team has very detailed local knowledge and specialist skills in urban regeneration, as well as an enterprising approach to estate management. We are able to identify clusters of streets, where properties are run down, often vacant, and rents are low. Through numerous transactions and projects, we create over time distinctive high quality neighbourhoods thereby generating long term rental growth. We always take care to introduce an appropriate mix of uses in such a way that prosperity is enhanced without destroying local identity.

Using extensive local knowledge and specialist skills, we create value in a number of distinctive ways. For example:-

- We cluster our ownerships so that we give areas an identity with an emphasis on retail, restaurant and leisure uses.
- We welcome exciting combinations of alternative shops, individual restaurants and leisure uses to create a vibrant street life. Increasingly as London continues to prosper, we focus on higher quality and more varied concepts which meet current expectations of demand.
- We adapt our properties and change our tenants as we identify opportunities to reconfigure space to meet the changing needs of occupiers and customers.
- We provide a range of sizes and rental levels especially for shops within each of our villages. For example, we are aware that there is strong demand and lack of availability of units over 1,000 sq. ft., so we are quick to adapt our refurbishment strategies to satisfy this growing market.

- We work closely with Westminster City Council and Camden Council to coordinate our respective plans and to combine resources so that the best possible environments are created. Between us we seek to deliver regeneration of high quality which includes not just buildings, but also pedestrian friendly environments. Many of the issues faced are complex ones and increasingly our involvement now includes environmental health and licensing as well as the public realm. The mutual benefits of this integrated approach are apparent in the success and vibrancy of our villages.
- Each year we identify new opportunities to invest in our chosen locations, which we know will deliver long term growth once refurbished. Many acquisitions are of un-modernised or derelict properties, which we can improve to our specifications. For example, by conversion, we introduce new residential accommodation into former office floors as we are aware of the strong demand from those wishing to live in the liveliest districts in London.

We make it a priority to have frequent and direct contact with our principal shareholders and stakeholders as well as prospective investors so that they are aware of our unique strategy and how we implement it.



Portfolio activity

Acquisitions during the year totalled £32.1 million. During 2007 the supply of suitable property in our chosen locations was limited by vendors’ reluctance to sell other than at very high prices. Increasing economic uncertainty since the year end has led to a change in sentiment, and already we are being offered a number of interesting opportunities.

Since the year end, taking advantage of our REIT tax status, we acquired the entire share capital of Carnaby Investments Limited for a consideration of £4.89 million, satisfied by the issue of 889,000 Ordinary 25p shares at £5.50. The sole asset of that company is the one freehold in Carnaby Street which we did not already own.

Capital expenditure on our portfolio totalled £9.8 million, equivalent to 0.7% of its year end valuation. Of the total, fees and preliminary works incurred in our Longmartin project accounted for £1.8 million. The continuing low level of expenditure on our wholly owned portfolio reflects our focus on improving existing buildings and concentration on uses where the extent of fit-out costs and obsolescence we incur is low.

Following our conversion to REIT status in April 2007, and the consequent elimination of any taxation liability on sales of properties, we have identified certain investments which are no longer central to our core holdings and strategy and their potential for rental and capital growth does not meet our requirements. Our initial sales, which included a restaurant, a theatre and three apartments, realised net proceeds of £8.4 million and reflected prices

which in aggregate were 36% above their book value at 31 March 2007. Further sales are being considered.

In the year to 30 September 2007 we let commercial space with an aggregate rental value of £3.2 million per annum, comprising £1.6 million of shops, £0.7 million of restaurants and £0.9 million of offices. New opportunities to let or re-let vacant space have been limited by the absence of large shops and restaurants coming vacant and also by delays in obtaining the planning consents needed to change use or reconfigure units. However, since the year end we have obtained a number of useful consents which will allow us to advance these projects.

Demand from prospective tenants is exceptionally strong and extends to every use across all our villages.

The rental value of wholly-owned vacant commercial space at 30 September 2007 was historically low at only £2.1 million, which represents 3% of the estimated rental value of our wholly-owned portfolio. Almost half the vacant space at the year end was under offer. Where planning consents are awaited, these rental values do not fully reflect values expected on completion of renovation works.

In addition to the commercial space under refurbishment, we have 25 new apartments currently being created from former offices, of which nineteen are in Covent Garden.

Our Portfolio

Our wholly owned portfolio at 30 September 2007 included 292 shops extending to 368,000 sq. ft. and producing 41% of total income with an average unexpired lease term of seven years. Sixteen of our 22 vacant shops available to let are small units of under 1,000 sq. ft. Recently, we have identified a number of larger shops where we intend to secure vacant possession in 2008. This will enable us to introduce new brands and create new rental evidence.

We actively encourage new retail ideas. During the year, we have introduced several exciting new retailers especially in to Carnaby and Seven Dials. Demand for new food based concepts both in Chinatown and the Opera Quarter is a particularly interesting development, which we intend to encourage. Preliminary enquiries for shops to be created in our Longmartin project are already most encouraging.

We have 153 restaurants, bars and clubs, with a total area of 399,000 sq. ft. in our wholly owned portfolio. They provide 29% of contracted income with an average unexpired

lease term of fifteen years. Catering projects are long-term investments for both landlord and tenant. Installation of plant essential for today’s high quality restaurants can present particular challenges in conservation areas and often listed structures such as our own. Whilst such practical issues, combined with a strict planning and licensing regime, greatly limit the supply of new restaurants in the West End, there is, at the same time, a growing demand from experienced and enterprising caterers to open new ventures as the popularity of “eating out” increases. Consequently, we have strong interest whenever a restaurant comes vacant.

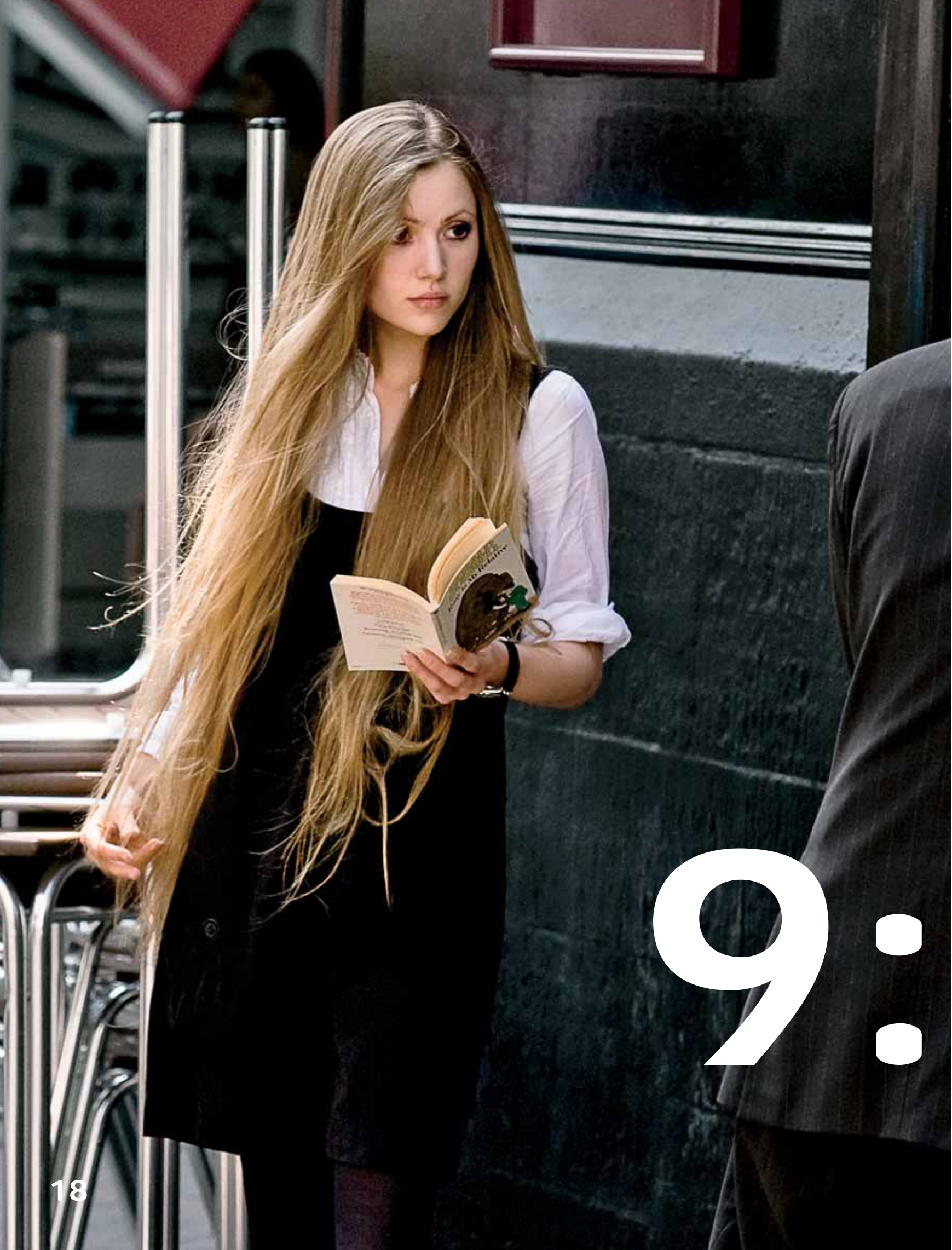
Offices in our wholly owned portfolio extend to 425,000 sq. ft. With 334 tenancies, they comprise the largest single tenant group in our portfolio. However, they only represent 23% of our income. Whilst virtually all our offices are let, the unit size is small (1,270 sq. ft. on average) and leases are short, with an average un-expired term of four years. We are aware that the office market tends to be cyclical and in any downturn our office tenants, unlike our retail and restaurant tenants, can readily find alternative locations. Consequently, we continue our long-term policy of converting smaller and older office space to other less cyclical commercial and residential uses.

We have 254 apartments in our wholly owned portfolio, which now represent 7% of our income. They are currently fully let. Such is the strength of current demand that when a unit becomes vacant it is usually re-let and income-producing within 4 weeks. Whilst we expect to make selective residential sales, we will also continue with our current conversion programme to create new flats and maisonettes.

Analysis of Wholly Owned Vacant Commercial Space at 30 September 2007

| | Shops £'000 | Restaurants and leisure £'000 | Offices £'000 | Total £'000 |
|------------------------|----------------|-------------------------------------|------------------|----------------|
| Estimated Rental Value | | | | |
| Under refurbishment | 42 | 88 | 335 | 465 |
| Ready to let | 257 | 300 | 92 | 649 |
| Under offer | 558 | 400 | 39 | 997 |
| Total | 857 | 788 | 466 | 2,111 |
| Number of units | 22 | 5 | 25 | |
| Area - sq. ft. | 18,000 | 20,000 | 24,000 | 62,000 |





9:

Carnaby

Carnaby, our largest village, represents 40% of our assets by value and includes 47% of our wholly owned shops and 60% of our wholly owned offices.

Whilst the shops in Carnaby Street are substantially fully let, our priority is, wherever possible, to promote change by introducing fresh brands which are often new to the UK. Since April, lettings of larger shops have included Hilfiger Denim, G-Star and USA Pro. We have identified new opportunities to obtain vacant possession of a number of shops in 2008 for which there is a ready demand.

The opening of a new 6,000 sq. ft. restaurant, Cha Cha Moon, which fronts both Ganton Street and Kingly Court, is imminent. Whilst long awaited, this exciting new concept is likely further to invigorate activity in Kingly Court, which now has a canopy for most of the winter months. Ganton Street, with its cluster of bars, cafes and clubs at the centre of Carnaby village, is now well established as an exciting leisure destination.

Recently, we have made a number of key acquisitions which will allow us to progress further development opportunities over the next three years.

Westminster City Council's Action Plan for Soho was adopted in June 2007. This includes, as a priority, the improvement and partial pedestrianisation of Kingly Street on the western boundary of our Carnaby holdings, adjacent to Regent Street. We expect work to take place on this under-utilised street during 2008.

Carnaby Statistics

| | |
|-----------------------------|----------------|
| Valuation 30 September 2007 | £559.4 million |
| Percentage of portfolio | 40% |
| Acquisitions during year | £19.0 million |
| Capital expenditure in year | £2.6 million |
| Valuation surplus | £45.9 million |
| Valuation uplift | 9.0% |

| | Number | Area sq. ft. | % of current gross income |
|----------------------------|--------|-----------------|------------------------------|
| Shops | 138 | 186,000 | 47 |
| Restaurants and leisure | 36 | 78,000 | 12 |
| Offices (tenancies) | 189 | 255,000 | 37 |
| Residential | 58 | 45,000 | 4 |

23

Carnaby



15:26
Carnaby





20:34

18:22

22:17



11:27

8:30

17.24



19:17

13:22

16:43



18:14

9:54

14:12

19:47

Opera Quarter



Covent Garden

Our holdings in Covent Garden, including our 50% share in the Longmartin Joint Venture, represent 33% of our property assets.

Seven Dials offers a diverse choice of shops and restaurants in a distinctive urban village environment.

Our successful regeneration of Monmouth Street is now having a beneficial impact on neighbouring streets, especially Earlam Street, and we are experiencing strong retail demand in these locations. As with Carnaby, we have very few vacant shops, but, with our proactive management style, we already have projects in hand, which offer opportunities to introduce exciting new retailers in 2008.

In October, we secured the purchase of a small but strategically significant building in Neal's Yard, completing our ownership of the south side of the yard. We have also identified a number of potential acquisitions in the area.

Following two key purchases during the second half of the year, holdings in our Opera Quarter now include eighteen restaurants and cafes and nine shops. Centred on four streets, this area is in the heart of Covent Garden, next to seven of London's world famous theatres, and adjacent to the Piazza.

We are well advanced with our schemes for a high quality food and leisure quarter as well as improving office accommodation and introducing residential uses. Strong interest from occupiers of both commercial and residential accommodation is leading to early lettings. Recently, we have received two important planning consents and further schemes are now being prepared.

We welcome Westminster Council's proposals to improve the neighbouring streets as part of its Covent Garden Action Plan.

Longmartin, our 50% joint venture with The Mercers' Company currently includes 254,000 sq. ft. of predominantly un-modernised offices and garages on an Island Site of almost two acres with frontages to four streets including Long Acre and close to Leicester Square Station. It is also immediately south of our holdings in Seven Dials. Plans for regeneration envisage an entirely new destination with retail, restaurant, leisure, office and residential uses around a central courtyard with pedestrian access leading from Long Acre and St. Martin's Lane and Mercer Street.

In August, planning consent was obtained for the first four elements. These replace 105,000 sq. ft. of principally offices and garaging with 112,000 sq. ft. of mixed use with a balance of shops, offices, residential and restaurant accommodation. We are now submitting further applications to replace 58,000 sq. ft. predominantly of offices with 84,000 sq. ft. of shops, offices and residential uses. In total, these projects will comprise 25 shops, six restaurants, bars and cafes, 69,000 sq. ft. of offices and 33 apartments.

With all of the existing space currently either vacant or let on short term leases, we have started preliminary works and expect the main contracts to be commenced in Spring 2008. Securing vacant possession ahead of commencement of these works is resulting in a considerable loss of income and empty property costs. We currently estimate our share of the costs of the scheme will be in the region of £27 million, to be incurred in the period to mid-2010.

In close co-operation with our Joint Venture partner, The Mercers' Company, which also own adjacent properties along Long Acre, we are assisting Westminster Council in its plans to carry out significant environmental and street Improvements to Long Acre and to its busy junction at St. Martin's Cross. This work is expected to commence early in 2008.

During 2008, we expect to advance plans for the improvement of the remaining buildings on the site, which currently extend to 90,000 sq. ft. and include 32,000 sq. ft. of offices, 42 apartments, two shops, two clubs and a bar.



Covent Garden Statistics

| Covent Garden Statistics | | | | Longmartin* - Shaftesbury Group's 50% share | | |
|------------------------------|--------|-----------------|------------------------------|---|-----------------|------------------------------|
| | | | Wholly owned | | | |
| Valuation 30 September 2007 | | | £381.1 million | £81.7 million | | |
| Percentage of portfolio | | | 27% | 6% | | |
| Acquisitions during the year | | | £8.4 million | - | | |
| Capital expenditure in year | | | £4.0 million | £1.8 million | | |
| Book value of disposals | | | £6.2 million | - | | |
| Valuation surplus | | | £29.6 million | £9.2 million | | |
| Valuation uplift | | | 8.1% | 12.7% | | |
| | | | | Longmartin Total | | |
| | Number | Area sq. ft. | % of current gross income | Number | Area sq. ft. | % of current gross income |
| Shops | 98 | 123,000 | 47 | 7 | 16,000 | 23 |
| Restaurants and leisure | 53 | 124,000 | 23 | 7 | 44,000 | 26 |
| Offices (tenancies) | 72 | 106,000 | 18 | 40 | **157,000 | 38 |
| Residential | 108 | 78,000 | 12 | 44 | 37,000 | 13 |

* Longmartin statistics refer to existing accommodation at 30 September 2007
** Includes 35,000 sq. ft. of garaging

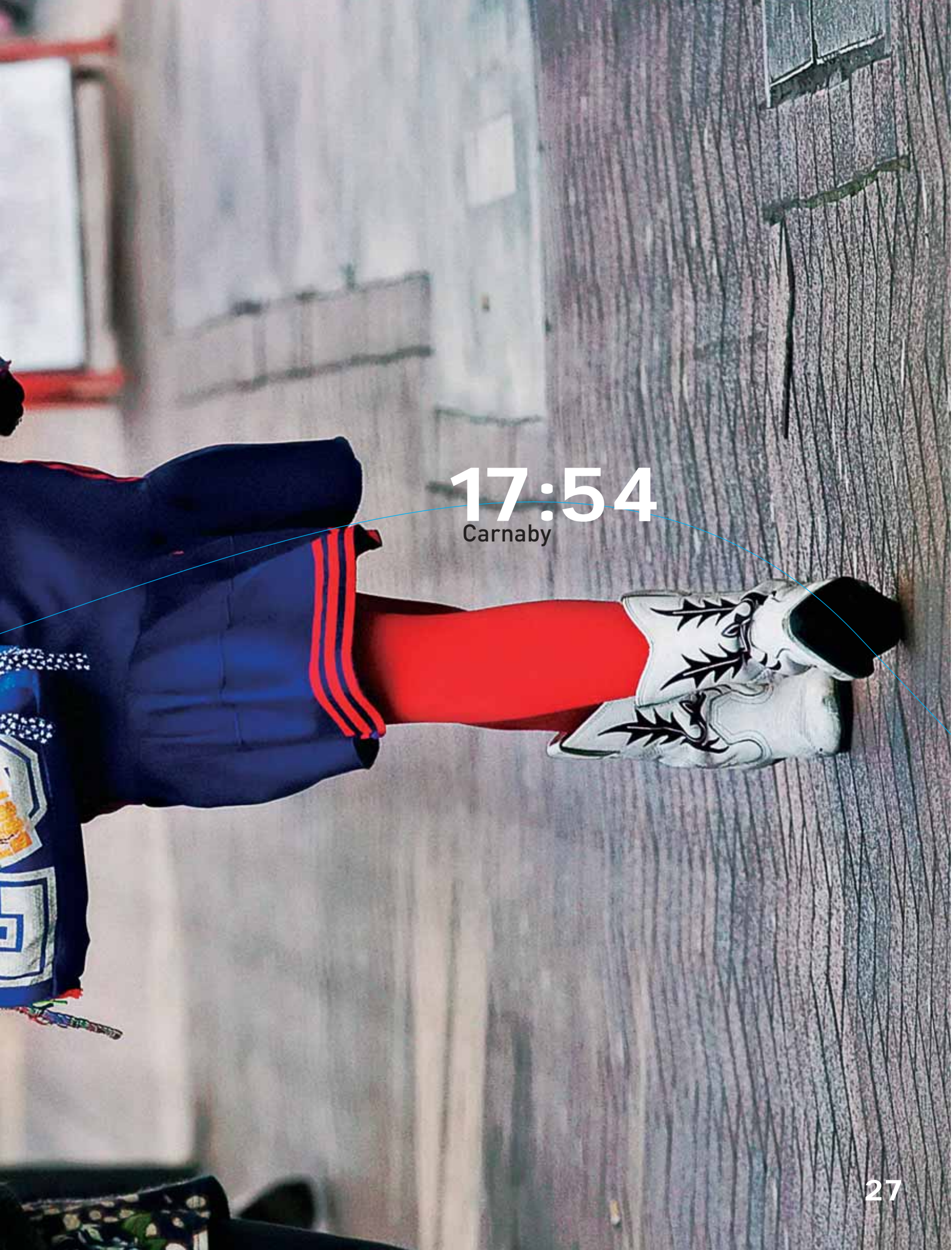
11:03
Opera Quarter

11:03
Covent Garden

11:03
Carnaby







17:54

Carnaby



16:45
Opera Quarter



20:20
Opera Quarter



5:00



24:7



12

Chinatown

Chinatown

Our holdings, which now extend to much of London's Chinatown, include 57 restaurants and 53 shops. These uses produce 87% of its income, which represents the highest concentration of restaurant and retail uses in our portfolio.

Chinatown comprises 25% of our assets. Substantially all space is let, with most of the restaurants let on long leases with an average unexpired term of sixteen years. Vacant restaurant and retail units are rare.

Raising the overall quality of Chinatown remains a priority and we have made further investment in street improvements in conjunction with Westminster City Council. The resurfacing of Lisle Street is well advanced and our next project with Westminster City Council involves proposals for pavement widening in Wardour Street and a raised carriageway at the important junction of Wardour Street and Gerrard Street, to facilitate pedestrian flows.

Thames Water's extensive works to replace the Victorian water mains in Wardour Street, Shaftesbury Avenue and Lisle Street have been hugely disruptive for our tenants for much of 2007. However, these works are now substantially complete. Whilst further street improvements and neighbouring developments will inevitably cause further disruption in the short term, we are confident that, based on our experiences in other locations, these initiatives will materially enhance the attractiveness of the area.

Chinatown Statistics

| | |
|-----------------------------|----------------|
| Valuation 30 September 2007 | £341.6 million |
| Percentage of portfolio | 25% |
| Acquisitions during year | £4.7 million |
| Capital expenditure in year | £1.3 million |
| Valuation surplus | £15.9 million |
| Valuation uplift | 4.9% |

| | Number | Area sq. ft. | % of current gross income |
|-------------------------|--------|--------------|---------------------------|
| Shops | 53 | 55,000 | 26 |
| Restaurants and leisure | 57 | 177,000 | 61 |
| Offices (tenancies) | 64 | 48,000 | 7 |
| Residential | 70 | 45,000 | 6 |

:49

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 interest rate expectations, bond yields, the availability of finance 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 therefore of the Group's retail and restaurant occupiers, is heavily dependent on large numbers of domestic and overseas visitors to this high profile area. With such a diverse visitor base, our experience is that visitor numbers and spending are less influenced by economic considerations than other domestic retail locations. However, any external events in our high profile locations, such as security and public safety or health 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 profit before taxation for the year, adjusted as shown on page 9 to eliminate the surplus realised on property disposals, the loss on purchase of debenture stock and the fair valuation movements in respect of investment properties and financial derivatives, amounted to £12.7 million, a small decrease on the 2006 equivalent figure of £13.5 million. Profit on ordinary activities before taxation reported in the Income Statement amounted to £124.2 million (2006: £187.6 million).

Our rental income has continued to rise, with rents invoiced (adjusted for lease incentives) increasing from £52.2 million to £55.6 million. Eliminating the impact of property acquisitions and disposals, on a like-for-like basis rents receivable have increased by 6.2% this year compared with the previous year. The pattern of rent reviews and lease renewals means that the growth in rental income has been less than the growth in the estimated rental value of our portfolio.

Property outgoings have increased this year by £0.8 million to £6.0 million (2006: £5.2 million). Of this increase, £0.3 million relates to increased expenditure on the marketing and promotion of our villages both in the UK and overseas.

Interest payable rose by £4.1 million during the year to £30.3 million and was covered 1.41 times (2006: 1.51 times) by operating profits before investment property disposals and valuation movements. The increase in interest costs arose from the higher rates of interest payable on the capped and un-hedged elements of the Group's borrowings and the cost of financing recent property additions to our portfolio. Virtually all of the proceeds of this year's property disposals were received after the year end.

Over the last two years we have acquired a number of properties which were either vacant or producing a low initial income. Our estate management plans usually reduce income still further in the short term as we secure vacant possession, obtain planning permissions and carry out improvement works prior to re-letting. In the long term these initiatives are expected to lead to much increased income, which will reverse the initial funding deficit, and deliver higher capital values. We do not currently capitalise any interest.

This year's administration expenses include a charge of £0.1 million (2006: £1.6 million) in respect of the National Insurance liability on share awards and share options expected to vest in the future. During the year, a substantial number of share options were exercised at market prices materially in excess of the share price of £6.00 prevailing at the last year end. However, the additional national insurance costs which resulted from these exercises have been offset by the effect of the reduction in share price in the second half, which has materially reduced the provision in respect of options not yet exercised at the year end.

The tax charge on the adjusted profit for the year was £1.2 million, compared with £3.9 million last year. Tax losses within the wholly-owned Group effectively eliminated the liability to Corporation tax in the first half. No tax liability arose in the second half as, from 1 April 2007 when the Group converted to REIT status, virtually the entire taxable profits within the wholly-owned Group arose from its tax-exempt activities. Longmartin remains outside of the Group's REIT election, so that our share of Longmartin's profit continues to be subject to corporation tax and deferred tax continues to be provided in respect of our share of its property revaluation surpluses.

Results

The taxation credit reported in the Income Statement of £140.6 million (2006: charge - £50.1 million) includes both the charge incurred in converting to REIT status of £27.5 million and the release of net deferred tax liabilities of £171.4 million as a result of conversion.

The major refinancing of half of our long term Debenture debt was completed in October 2006, with the purchase of £6.5 million of Debenture Stock at a cost of £9.3 million, realising a loss of £2.5 million. 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.

Adjusted diluted post-tax earnings per share for the current year amounted to 8.55p compared with 7.18p last year. Unadjusted diluted post-tax earnings per share shown in the Group Income Statement for the current year amounted to 196.92p compared with 103.32p last year.

Unadjusted Shareholders' funds at the year end shown in the Group Balance Sheet totalled £866.8 million, equivalent to a diluted net asset value of £6.41 per share, an increase over the year of £259.9 million, or 187p per share. 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 adjusted net asset value becomes £872.7 million equivalent to a diluted net asset value per share of £6.46 per share (2006: £788.7 million - £5.90 per share), an increase of £84.0 million or 56 pence per share.

Dividends

Following our conversion to REIT status, the level of our dividends must now reflect the requirement of REIT legislation, which requires us to distribute a minimum of 90% of income arising from our rental business (calculated by reference to tax rather than accounting rules). For this year, these requirements apply to the second half only.

Our interest in Longmartin is not currently within our REIT election, so that our share of its rental income and the cost of financing our investment in the joint venture are excluded from the calculation of taxable rental profits for REIT purposes. During the initial stages of this major scheme, Longmartin's net rental income is reduced and is less than the cost of financing our investment. Excluding this deficit from the calculation of taxable profits across the Group means the amount we are currently required to distribute to meet our REIT obligations exceeds our distributable accounting profits in the second half. Looking forward, this situation will persist until such time as the eligibility rules permit us to include Longmartin in our REIT election or as Longmartin's scheme progresses and the financing deficit reverses.

Apart from our interest in Longmartin, virtually all of the Group's activities are within the REIT ring fence. Our proposed final dividend, together with a substantial element of dividends in the foreseeable future, will therefore be Property Income Distributions ("PIDs"), which we expect will increase in line with the growth of our underlying income. Clearly, the introduction of REIT distribution obligations is an additional factor which will need to be taken into account in setting the level of dividends, so that the pattern of increase may be less smooth than in the past.

We expect that from next year interim and final dividends will be more evenly balanced.

Finance

The nominal value of bank borrowings at the year end totalled £487.7 million, an increase of £27.1 million over the previous year end. Cash outflows during the year on acquisitions less disposals of investment properties amounted to £31.6 million and expenditure on refurbishments totalled £9.9 million. Revenue operations after interest and taxation produced a net cash surplus of £13.5 million, compared with £12.2 million in the previous year. The refinancing of Debenture Stock in October 2006 cost £9.3 million, largely met out of cash balances held at the last 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 net bank debt, was 56% (2006: 57%). The ratio of the nominal value of debenture and net bank debt to the market value of our property assets was 35% (2006: 36%).

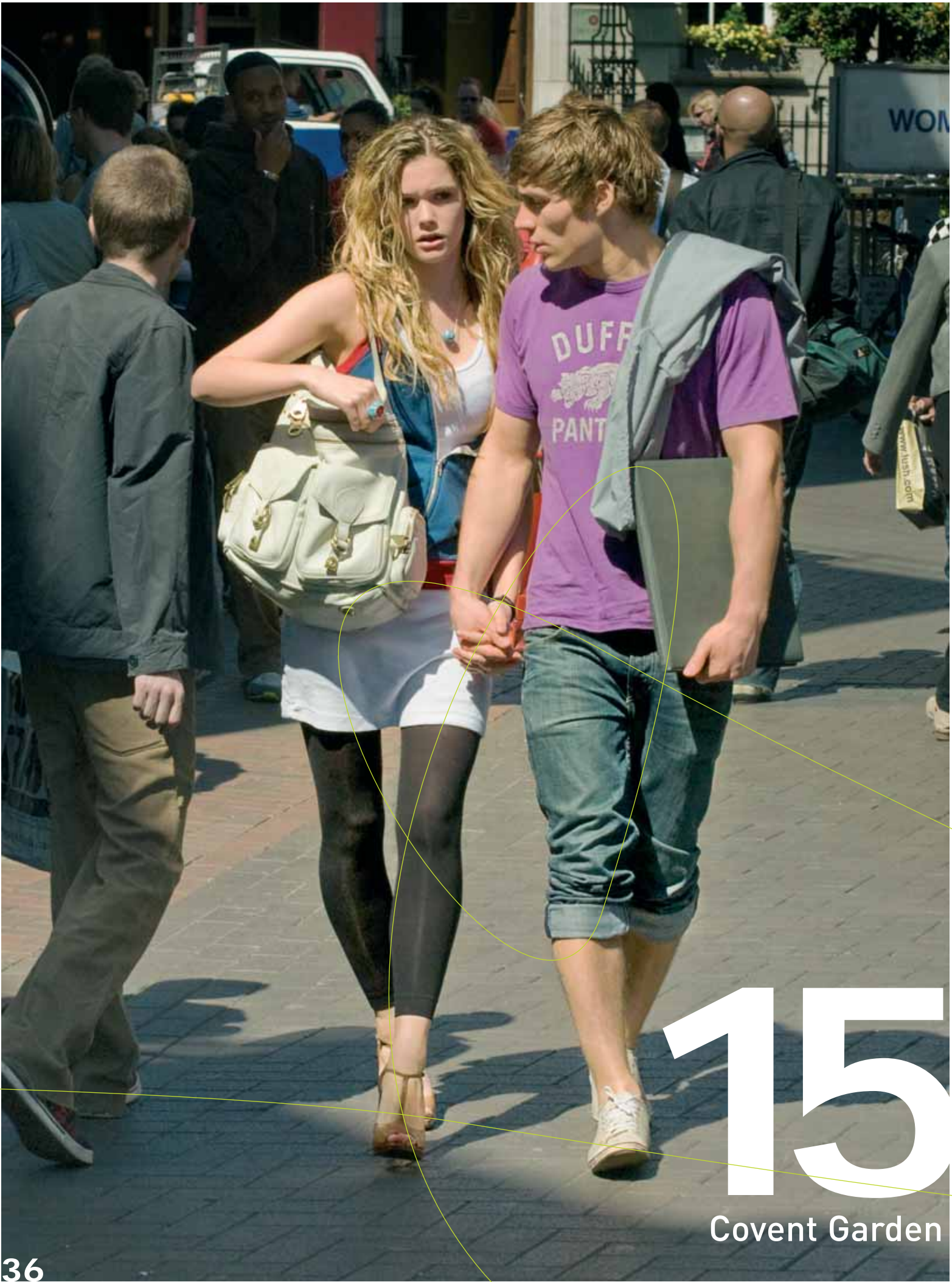
Our strategy is to secure flexible long and medium term finance together with non-speculative hedging of the interest rate exposure on a substantial portion of our floating rate debt. This finance strategy is intended to match our funding with our assets which are held for long term investment, and provide reasonable certainty of finance costs whilst limiting the Group's exposure to 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 £25 million, bringing our total committed facilities to £525 million. The maturity of our largest facility was extended during the year, which accounted for the increase in weighted average maturity of our facilities to 9.9 years (2006: 8.8 years). Committed unutilised facilities at the year end totalled £98 million (2006: £107 million).

At the year end, the weighted average cost of our borrowings including margin was 6.54%, compared with 6.01% at the previous year end. Base rate increased over the year from 4.75% to 5.75%. The turbulence in financial markets since July has resulted in LIBOR rates at up to 1% higher than base rate, although we have mitigated some of this additional cost by taking short term LIBOR fixtures, where the rates have been much closer to base rates.

At the year end, £226 million of borrowings, equivalent to 46% of our bank and debenture debt was either at fixed rate or hedged at fixed rates. In addition, £125 million of borrowings, equivalent to 26% of our bank and debenture debt, was subject to interest rate hedges under which we pay floating rate LIBOR but our exposure to three month LIBOR rates is capped at a maximum of 6.5%. In November 2007 we entered into forward start interest rate hedges for an average term of seven years on a further £45 million notional principal at an average fixed rate of 5.3%. Together with existing arrangements, these new hedges, which commence in April 2008, bring our fixed and hedged debt to a total of £396 million, equivalent to 81% of year end borrowings.



15

Covent Garden

At 30 September 2007, the fair value of the Group's interest rate derivatives contracted at that date represented a liability of £0.6 million (2006: £9.3 million). The reduction in the liability reflects the market expectation of future interest rates at higher levels than were previously expected.

The deficit 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 £14.5 million, based on £61.0 million of Stock in issue (2006: £24.9 million, based on £67.5 million of Stock in issue). The reduction in the deficit has arisen as a result of Stock repurchases, market expectations of higher future interest rates and a widening of bond yields.

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.

The Board monitors both actual and forecast performance against the covenants contained in the Group's bank facilities. Our banking covenants are structured on a Group-wide basis and are broadly similar for each of our facilities. They require us to maintain minimum levels of property security value compared with actual borrowings, minimum levels of interest cover compared with net property income and set a maximum level of gearing on shareholders' funds.

Performance and benchmarking

The table on page 3 summarises our performance this year against our chosen benchmarks.

As explained in previous years, 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 recognises restaurant uses as a component, an important element 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.

As shown in the Performance Summary on page 3, this year our capital value and total returns have again out-performed the IPD All Property Monthly indices by significant margins. The degree of out-performance in total return was less than that for the portfolio return due to the lower yield profile of our assets.

After two years of substantial out-performance, we recorded a negative total shareholder return for the year ended 30 September 2007, of 16.5% against the FTSE 350 Real Estate Index, which recorded a negative return of 14.1% over the year. Adverse sentiment towards the real estate sector in the second half of the year, after two years of exceptional returns, has resulted in significant reductions in share prices across the sector, which in most cases are now at substantial discounts to net asset values. Over the three years to 30 September 2007, Shaftesbury produced a total shareholder return of 85.7% compared with the FTSE Real Estate Index return of 56.5%.

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 3.

The rental growth prospects of the Group's portfolio are 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. At present there are no indications that capacity constraints within the construction industry are delaying the completion of the Group's schemes.

Prospects

The West End economy is extremely buoyant, with increasing numbers of visitors and spending being reported. Consequently there is strong occupier demand for all uses across each of our villages. This is reflected in sustained growth in rental values throughout our portfolio.

In contrast, current financial concerns in the wider economy are leading to an increase in property yields and downward pressure on property values. Our financial resources will enable us to take advantage of opportunities which are more likely to arise in this weakened investment market. We believe the rental growth prospects of our resilient, well-located portfolio, together with our value-creating management initiatives, will continue to deliver out-performance in income and capital values.

Jonathan S. Lane Chief Executive
Brian Bickell Finance Director

5 December 2007

20:32

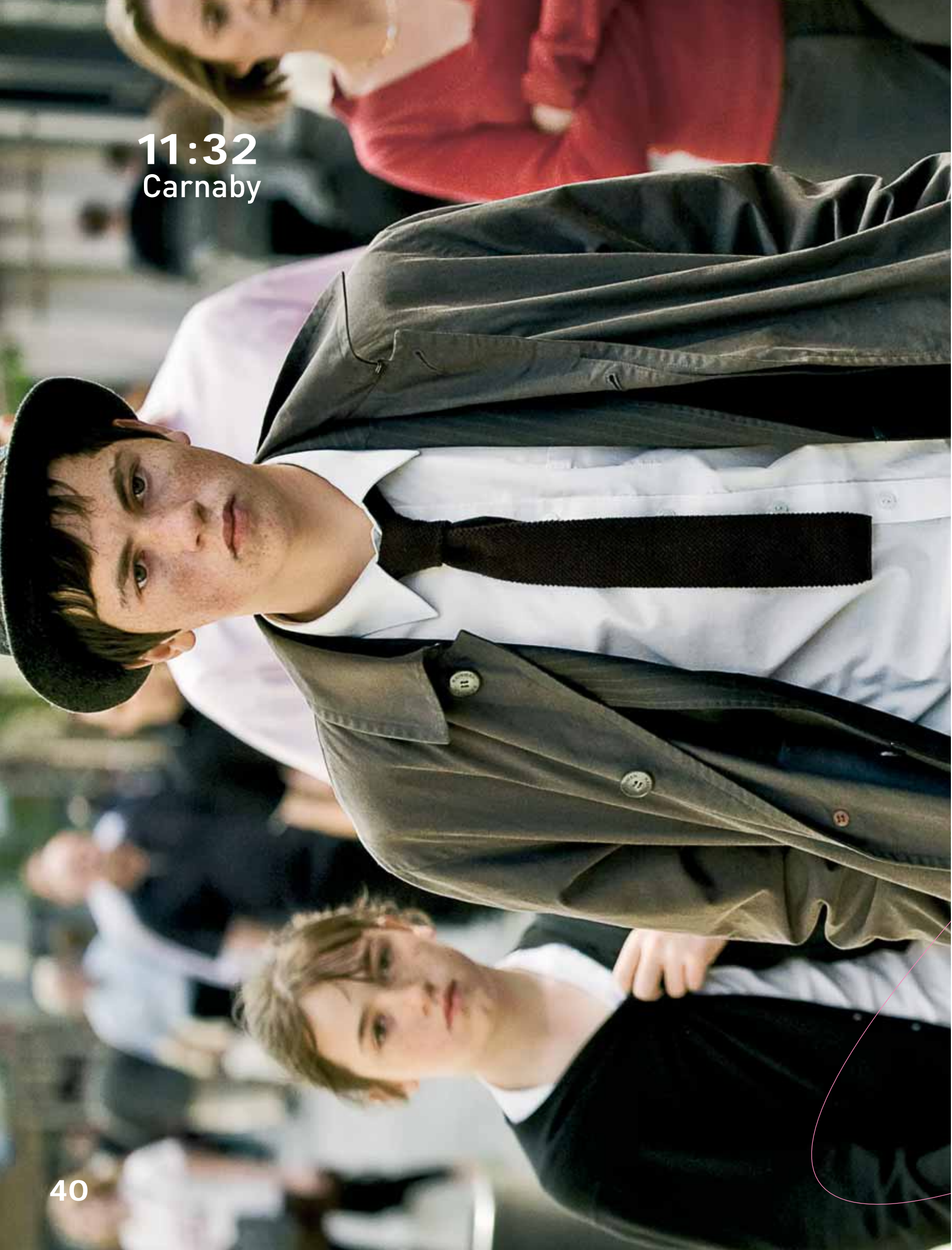
Carnaby



Chinatown 15:48



11:32
Carnaby





Portfolio Analysis

| | Note | Carnaby | Covent Garden | Chinatown | Charlotte Street | Wholly Owned Portfolio | Longmartin | Total Portfolio |
|---------------------------------------|------|---------|---------------|-----------|------------------|------------------------|------------|-----------------|
| Market Value | 1 | £559.4m | £381.1m | £341.6m | £30.2m | £1,312.3m | **£81.7m | £1,394.0m |
| % of total Market Value | | 40% | 27% | 25% | 2% | 94% | **6% | 100% |
| Current gross income | 2 | £23.2m | £15.5m | £15.3m | £1.3m | £55.3m | **£2.6m | £57.9m |
| Estimated rental value (ERV) | 3 | £29.7m | £20.1m | £17.1m | £1.5m | £68.4m | **£4.0m | £72.4m |
| Shops | | | | | | | | |
| Number | | 138 | 98 | 53 | 3 | 292 | 7 | |
| Area – sq.ft | | 186,000 | 123,000 | 55,000 | 4,000 | 368,000 | 16,000 | |
| % of current gross income | 4 | 47% | 47% | 26% | 9% | 41% | 23% | |
| % of ERV | 4 | 47% | 49% | 27% | 9% | 42% | 21% | |
| Vacancy rate by % of ERV | 5 | 2% | 4% | 3% | - | 5% | - | |
| Average unexpired lease length- years | 6 | 5 | 10 | 8 | 14 | 7 | 2 | |
| Restaurants and leisure | | | | | | | | |
| Number | | 36 | 53 | 57 | 7 | 153 | 7 | |
| Area – sq.ft | | 78,000 | 124,000 | 177,000 | 20,000 | 399,000 | 44,000 | |
| % of current gross income | 4 | 12% | 23% | 61% | 46% | 29% | 26% | |
| % of ERV | 4 | 13% | 22% | 59% | 41% | 28% | 18% | |
| Vacancy rate by % of ERV | 5 | 2% | 8% | 3% | - | 3% | - | |
| Average unexpired lease length- years | 6 | 13 | 14 | 16 | 15 | 15 | 5 | |
| Offices | | | | | | | | |
| Number of tenancies | | 189 | 72 | 64 | 9 | 334 | 40 | |
| Area – sq.ft | | 255,000 | 106,000 | 48,000 | 16,000 | 425,000 | ***157,000 | |
| % of current gross income | 4 | 37% | 18% | 7% | 27% | 23% | 38% | |
| % of ERV | 4 | 36% | 17% | 8% | 34% | 23% | 52% | |
| Vacancy rate by % of ERV | 5 | 3% | 1% | 12% | 17% | 5% | 32% | |
| Average unexpired lease length- years | 6 | 4 | 5 | 4 | 2 | 4 | 2 | |
| Residential | | | | | | | | |
| Number | | 58 | 108 | 70 | 18 | 254 | 44 | |
| Area – sq.ft | | 45,000 | 78,000 | 45,000 | 10,000 | 178,000 | 37,000 | |
| % of current passing rent | | 4% | 12% | 6% | 18% | 7% | 13% | |
| % of ERV | 4 | 4% | 12% | 6% | 16% | 7% | 9% | |
| Vacancy rate by % of ERV | 5 | 20% | 23% | 13% | 4% | 22% | 6% | |

* Longmartin statistics refer to existing accommodation at 30 September 2007

** Shaftesbury Group's share

*** Includes 35,000 sq. ft of garaging

Basis of valuation at 30 September 2007

| | | | | | | | |
|--|----|------------------|-------------------|------------------|------------------|-------|-------------------|
| Overall initial yield | 8 | 3.78% | 3.67% | 4.23% | 3.86% | 3.87% | 2.50% |
| Overall equivalent yield | 9 | 4.68% | 4.59% | 4.73% | 4.45% | 4.66% | 4.13% |
| Tone of retail equivalent yield | 10 | 4.35 - 5.85% | 4.00 - 5.60% | 4.75 - 5.50% | 4.35 - 5.00% | | 4.15 - 4.50% |
| Tone of retail estimated rental values [ITZA £ per sq.ft.] | 10 | £75 - £320 | £65 - £350 | £150 - £260 | £72 - £80 | | £317 - £390 |
| Tone of restaurant equivalent yields | 10 | 5.00% | 4.00 - 5.50% | 4.75 - 5.12% | 4.25 - 4.75% | | 4.00 - 6.00% |
| Tone of restaurant estimated rental values [£ per sq.ft.] | 10 | £60 - £90 | £35 - £105 | £130 - £315 ITZA | £70 | | £40 - £81 |
| Tone of office equivalent yields | 10 | 4.80 - 5.75% | 5.00 - 6.00% | 5.25 - 5.60% | 5.00 - 5.75% | | 4.75 - 6.00% |
| Tone of office estimated rental values [£ per sq.ft.] | 10 | £38 - £57 | £29 - £55 | £30 - £42 | £35 - £39 | | £30 - £40 |
| Tone of residential estimated rental values [£ per annum] | 10 | £9,100 - £52,000 | £10,100 - £52,000 | £7,800 - £26,700 | £9,300 - £17,200 | | £13,000 - £29,000 |

Notes:

- The Market Values shown above in respect of the four Villages are, in each case, the aggregate of the market values of several different property interests located within close proximity which, for the purpose of this analysis are combined to create each Village. The different interests in each Village were not valued as a single lot.
- Current gross income includes total actual and 'estimated income' reserved by leases. Current gross income does not reflect any ground rents, head rents or rent charges and estimated irrecoverable outgoings as at 30 September 2007 (the 'date of valuation'). 'Estimated income' refers to gross estimated rental values in respect of rent reviews outstanding at the date of valuation and, where appropriate estimated rental values in respect of lease renewals outstanding at the date of valuation where the Market Value reflects terms for a renewed lease.
- Estimated rental value ("ERV") 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.
- The percentage of current gross income and the percentage of ERV in each of the use sectors are expressed as a percentage of total gross income and total ERV for each village.
- The vacancy rate by percentage of ERV is the ERV of the vacant accommodation within each use sector, on a village-by-village basis, expressed as a percentage of total ERV of each use sector in each village.
- 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.
- Where mixed uses occur within single leases, for the purpose of this analysis the majority use by rental value has been adopted.
- The initial yield is the net initial income at the date of valuation expressed as a percentage of the gross valuation. Yields reflect net income after deduction of any ground rents, head rents and rent charges and estimated irrecoverable outgoings at 30 September 2007.
- Equivalent yield is the internal rate of return, being the discount rate which needs to be applied to the flow of income expected during the life of the investment so that the total amount of income so discounted at this rate equals the capital outlay at values current at the date of valuation. The Equivalent Yield shown for each Village has been calculated by merging together the cash flows and Market Values of each of the different interests within each Village and represents the average Equivalent Yield attributable to each Village from this approach.
- The tone of rental values and yields is the range of rental values or yields attributed to the majority of the properties.



Jonathan S Lane, MA, FRICS
Chief Executive

Joined in 1986 as managing director and appointed to the Board on 3.11.1986. Overall responsibility for the Group's strategy and day-to-day operations.



Brian Bickell, FCA
Finance Director

Joined in 1986 and appointed a Director on 20.7.1987. Responsible for finance strategy, accounting and taxation.



Simon J Quayle, BSc, MRICS
Director

Joined in 1987 and appointed a Director on 1.10.1997. Responsible for strategy and management in Carnaby, and the Longmartin joint venture.



Thomas J C Welton, MRICS
Director

Joined in 1989 and appointed a Director on 1.10.1997. Responsible for strategy and management in Chinatown and the Covent Garden estate.

Secretary and Registered Office
Penny Thomas LLB (Hons), FCIS,
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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 LLP
Eversheds LLP
Forsters LLP

Valuers
DTZ Debenham Tie Leung Limited



P John Manser, CBE, DL, FCA
Chairman and non-executive Director. Chairman of the Nomination Committee.

Appointed to the Board on 20.2.1997 and Chairman from 1.10.2004. 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. Chairman of the Remuneration Committee.

Appointed to the Board on 16.10.2000 and Senior Independent Director from 1.10.2004. 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.



W Gordon McQueen, BSc, CA, FCIBS*
Non-executive Director. Chairman of the Audit Committee.

Appointed to the Board on 25.4.2005. Non-executive director of Scottish Mortgage Investment Trust plc, Alliance Trust plc and JP Morgan Mid-Cap Investment Trust plc.



Alastair W MacDonald*
Non-executive Director

Appointed to the Board on 3.12.2001. Formerly a director of and adviser to a number of private property investment companies and funds.

*Independent non-executive Directors for the purposes of the Combined Code.

Directors, officers and advisors

Web sites

Extensive information on retailers with user registration to receive up-to-date news of shops and events in Carnaby and Seven Dials and information on the Opera Quarter and Chinatown.

Carnaby:
www.carnaby.co.uk

Seven Dials:
www.sevendials.co.uk

Opera Quarter:
www.operaquarter.co.uk

Chinatown:
www.chinatownlondon.org

Corporate:

www.shaftesbury.co.uk

Information available on this site includes:

- A summary of the Group's history, strategy and management
- A library of Annual and Interim Reports from 1999
- Copies of recent results presentations given by management to analysts and institutional investors
- Announcements to the London Stock Exchange

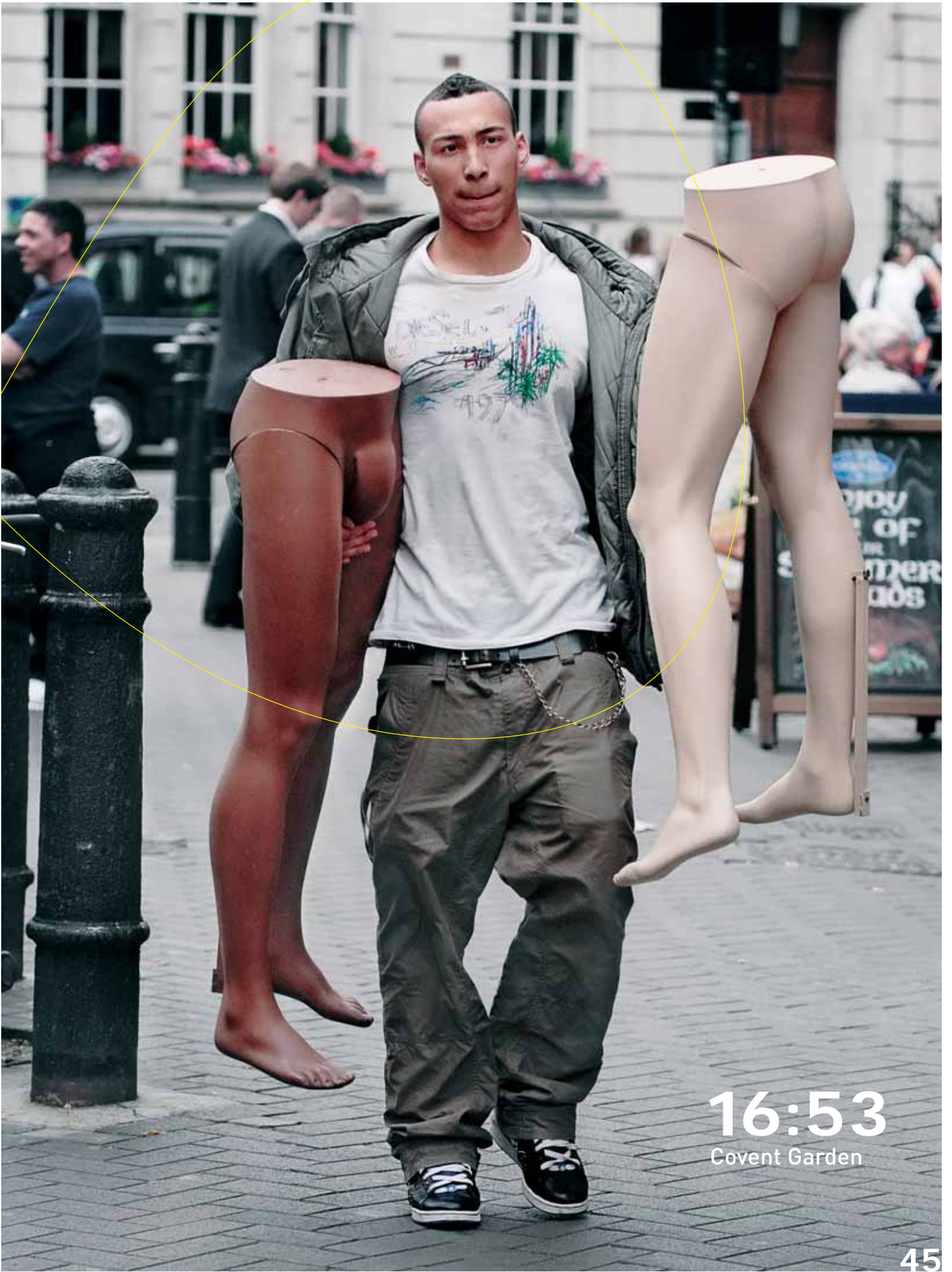
- A "real time" share price service direct from the London Stock Exchange
- Information about Shaftesbury's villages
- Corporate Governance statements (including terms of reference of Committees and Schedule of Matters Reserved to the Board)
- Corporate responsibility statements (as described in the Corporate Responsibility Statement on pages 58 to 59)

- A news alert service allows registered users to receive by e-mail copies of any announcements released to the London Stock Exchange.

21:19

Carnaby





16:53
Covent Garden

Directors' report

The Directors present their report and the financial statements for the year ended 30 September 2007.

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 on pages 16 to 37 of the Business Review and pages 58 to 59 of the Corporate Responsibility Report.

Principal Activity

The Group is engaged in investment in properties with primarily commercial uses and their improvement through refurbishment and active management. The tax status of the Group changed with effect from 1 April 2007 when it became a Real Estate Investment Trust ("REIT").

Results and Dividends

The results for the year ended 30 September 2007 are set out in the Group Income Statement on page 63.

An interim dividend of 2.16p per Ordinary Share was paid on 30 June 2007 (2006: 1.92p).

The Directors recommend a final dividend in respect of the year ended 30 September 2007 of 5.50p per Ordinary Share (2006: 3.73p), making a total dividend for the year of 7.66p per Ordinary Share (2006: 5.65p). If authorised at the Annual General Meeting, the dividend will be paid on 22 February 2008 to members on the register at the close of business on 1 February 2008. The dividend will be paid as a Property Income Distribution (PID). For further information see page 85.

Share Capital

During the year, 1,547,995 Ordinary Shares of 25p each were issued fully paid at prices in the range £1.665 to £2.735 per Ordinary Share pursuant to the exercise of share options granted under the Group's Share Schemes.

Directors

The Directors of the Company who served during the year ended 30 September 2007, together with their interests in the Ordinary Share capital of the Company, were as follows:

| | Ordinary Shares of 25p each | | |
|------------------------------|-----------------------------|-----------|------------|
| | 1.10.2006 | 30.9.2007 | 30.11.2007 |
| Beneficial interests: | | | |
| J S Lane | 307,582 | 454,837 | 454,837 |
| B Bickell | 244,136 | 353,895 | 353,895 |
| S J Quayle | 219,771 | 330,768 | 330,768 |
| T J C Welton | 143,219 | 229,096 | 229,096 |
| P J Manser | 80,000 | 90,000 | 90,000 |
| J R K Emly | 15,000 | 15,000 | 15,000 |
| A W MacDonald | 41,000 | 41,000 | 41,000 |
| W G 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 Company equivalent to the value of one year's basic salary. Newly appointed executive Directors will be expected to accumulate a shareholding to this 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 50 to 56.

At the forthcoming Annual General Meeting, John Manser, Brian Bickell, Alastair MacDonald and Thomas Welton will retire by rotation and will offer themselves for re-election. The unexpired terms of appointment of John Manser and Alastair MacDonald do not extend beyond the date of the 2008 Annual General Meeting. In accordance with the Company's Articles of Association and the Combined Code (2003), John Manser is subject to re-election annually having been first appointed to the Board in 1997. Alastair MacDonald is proposed for a third three year term.

Brian Bickell and Thomas Welton have service contracts with the Group which are terminable by either party upon giving not less than 12 months prior notice of termination. The compensation that would become payable by the Group in the event that either of these Directors was not re-elected is set out in the Directors' Remuneration Report.

The Board considers that all the Directors subject to re-election 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 30 November 2007, the Company had been notified that the following held, or were beneficially interested in, 3% or more of the Company's Ordinary Shares:

| | Percentage of Ordinary Share Capital |
|---|---|
| Co-operative Financial Services Limited | 8.50 |
| Credit Agricole Cheuvreux International Limited | 6.77 |
| Schroders plc | 5.21 |
| Legal & General Group Plc | 4.07 |
| Lloyds TSB Group Plc | 3.997 |
| Prudential plc | 3.96 |
| Stichting Pensioenfonds ABP | 3.56 |

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 30 September 2007, the Group's creditors in respect of invoiced supplies represented 27 days purchases (2006: 23 days).

Purchase of Own Shares

The Company was granted authority at the 2007 Annual General Meeting to make market purchases in its own shares. This authority will expire at the conclusion of the 2008 Annual General Meeting and a resolution will be proposed to seek further authority. No shares were purchased under this authority during the year or in the period to 30 November 2007.

Directors' Indemnities and Directors' and Officers' Liability Insurance

During the year, the Company agreed to indemnify each of the Directors against any liability incurred by the Director in the course of their office to the extent permitted by law. 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.

Charitable and Other Donations

During the year the Group made charitable donations in cash amounting to £95,000 (2006: £90,000). The principal charities supported by the Group are set out in the Corporate Responsibility Report on pages 58 to 59.

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

Employment

The Group's employment policies are summarised in the Corporate Responsibility Report on pages 58 to 59.

Auditors

A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors to the Company and Group will be proposed at the 2008 Annual General Meeting. Their re-appointment has been recommended to Shareholders by the Audit Committee and the Board.

2008 Annual General Meeting

The 2008 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 page 86 together with explanatory notes on page 88.

Disclosure of Information to Auditors

Each Director has confirmed that:

- So far as he is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- 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

5 December 2007

11:57



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 at least an equal number of independent non-executive Directors to 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 entire 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. John Manser was considered independent at the date of his appointment as Chairman in October 2004 but for the purposes of the Combined Code and the balance of executive and non-executive Directors on the Board, he is excluded.

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 43 and their terms of appointment are available for inspection at the Company'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, John 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 held any non-executive directorship at a FTSE 100 company or the chairmanship of such a 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.

The Board has a Senior Independent Director, John Emly, whose role includes being available to shareholders if required. He is also a nominated contact for employees under the Group's whistle blowing policy.

The Group has a highly committed and experienced executive Board with the qualifications and experience for the running of the Group. The Nomination Committee recognises that succession planning is important to the future continuing performance of the Group and it considers succession planning for the Board and senior management on a regular basis.

Functioning of the Board

The Board met five times during the year ended 30 September 2007. 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 frequent and regular communication between executive and non-executive Directors to ensure that the non-executive Directors are fully aware of all aspects of the Group's operations. Non-executive Directors met once 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 required to fulfil their role on the Board and the Board's Committees. Technical updates dealing with changes in legislation and regulation relevant to the Group's business are provided regularly to the Board by the Company Secretary.

There is a formal schedule of matters reserved for the Board for decision which includes, inter alia, approval of all investment property acquisitions and disposals, refurbishment and property management strategies and all significant aspects of finance. The schedule of matters reserved for the Board is available on the Group's website.

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 that Board discussions and decisions are appropriately recorded. Directors may seek independent professional advice at the Group's expense in furtherance of their duties as Directors.

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 website. The Company Secretary acts as Secretary to each of the Committees and the minutes are circulated to all Directors. Separate reports from the Committees are set out on pages 50 to 57.

Attendance at Meetings

Directors' attendance at Board, Committee and General meetings convened in the year ended 30 September 2007 is set out below:

| | Board | Audit Committee | Remuneration Committee | Nomination Committee | AGM/EGM |
|--------------------------------|----------|-----------------|------------------------|----------------------|----------|
| Number of meetings in year | 5 | 3 | 2 | 1 | 2 |
| | Attended | Attended | Attended | Attended | Attended |
| Executive Directors | | | | | |
| J S Lane | 5 | - | - | - | 2 |
| B Bickell | 5 | - | - | - | 2 |
| S J Quayle | 5 | - | - | - | 2 |
| T J C Welton | 5 | - | - | - | 1 |
| Non-Executive Directors | | | | | |
| P J Manser | 5 | - | 2 | 1 | 1 |
| J R K Emly | 5 | 3 | 2 | 1 | 1 |
| A W MacDonald | 4 | 3 | 2 | 0 | 1 |
| W G McQueen | 5 | 3 | 2 | 1 | 1 |

The meetings recorded above are the scheduled Board and Committee meetings. Additional ad hoc meetings are held between the main meetings to deal with routine and operational matters as required and are not included in the meetings reported above.

Board Performance

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 contained in the Higgs Report. The questionnaire addresses the composition and function of the Board and each of its Committees and includes an assessment of each Director and the Chairman by his peers.

The results of the Board Performance 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 Board Performance review carried out in 2007 did not reveal any aspects of the Board's performance or effectiveness which were considered to be unsatisfactory.

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 and regularly during the year to discuss strategic and other issues within the constraints imposed by the Disclosure Rules of the UK Listing Authority. On the announcement of the Group's annual and half year results, the Chief Executive and Finance Director give presentations to institutional investors and analysts and hold a series of one to one briefings with key shareholders. A copy of the presentation is made available on the Group's website. The Board receives regular reports on all shareholder 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 34.

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:

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

- Clearly defined responsibilities and limits of authority. The Board has responsibility for strategy and has adopted a schedule of matters which are required to be brought to it for decision.
- A comprehensive system of financial reporting and forecasting. Financial accounts are prepared quarterly and submitted to the Board. Profit and cash flow forecasts are prepared at least quarterly, approved by the Board and used to monitor actual performance.
- Regular meetings of the Board and Audit Committee at which financial information is reviewed and business risks are identified and monitored.

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

Going Concern

Comprehensive financial forecasts are prepared at least quarterly and submitted to the Audit Committee for review. Based on the information contained in these forecasts, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By Order of the Board

Penny Thomas
Secretary

5 December 2007

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 30 September 2007. 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 audited 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 1 October 2006 to the date of this Report regarding Directors' remuneration have been accepted by the Board without amendment.

Membership of the Remuneration Committee

John Emly (Chairman of the Committee)
John Manser
Alastair MacDonald
Gordon McQueen

The Committee has been chaired throughout the year by John Emly (the Senior Independent Director). The Committee is comprised solely of independent non-executive Directors with the exception of the Group's Chairman, John Manser, who was appointed as a member of the Committee with effect from 1 November 2006. This follows a recommendation made by the Financial Reporting Council and changes to the Combined Code in June 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 twice during the year ended 30 September 2007 to consider the employment terms and remuneration of executive Directors and the Group's employees. The Committee also reviews the fees 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 LLP ("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 and management 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. Employees receive the same range of benefits as Directors outlined below. 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 and staff, 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 twelve months notice. In the case of Jonathan Lane and Brian Bickell, a maximum of twelve 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 Simon Quayle and Thomas 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 2008 Annual General Meeting, John Manser and Alastair MacDonald 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 and salary increases of other employees.

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. An executive Director may elect to receive elements of his benefit entitlement in cash, although the cash equivalent is reduced by any resultant taxation liability borne by the Company.

Fees payable to non-executive Directors are determined by the Board and are reviewed periodically, with advice from NBSC. Fees are within the limits set by the Articles of Association and 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 payable to the Chairman are set by the Committee with advice from NBSC and ratified by the Board. The Chairman is absent for the discussion regarding his fees and takes no part in the discussion.

Fees payable to the Chairman were set at the time of his appointment as Chairman on 1 October 2004. Fees payable to other non-executive Directors in respect of the year ended 30 September 2007 were set in November 2005. Fees were reviewed in November 2007 and new fee levels became effective from 1 December 2007 and will be reviewed after two years.

Annual Bonus Scheme

The Group operates an Annual Bonus Scheme under which executive Directors and staff may receive a bonus based on the achievement of a range of challenging personal and corporate performance targets set annually by the Committee and intended to stretch the individual's performance. These annual targets, which are consistent with the Group's key business objective of long term growth of its net asset value, focus on the attainment of key management and business objectives. They relate to those operational and financial aspects of managing the Group's portfolio which are considered to be critical to maximising and realising its long term income and capital value potential.

In setting these targets and assessing actual performance, the factors the Committee takes into account include the Group's financial and non-financial key performance indicators and its corporate responsibility policies and goals.

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 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. No dividend is payable on these shares whilst they are held in the Scheme. 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

The Long Term Incentive Plan was approved by shareholders at the 2006 Annual General Meeting. Under the Plan all employees are eligible to participate, with the conditional award of shares granted to employees at the discretion of the Remuneration Committee. All awards are subject to performance conditions set by the Committee each year. Awards to executive Directors and all employees are limited to 150% of salary per annum in normal circumstances. Within this limit, 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.

There are two separate performance conditions for the vesting of awards, each applying to one half of the shares awarded. The conditions apply to the awards made in previous and current financial years as the Committee believes the conditions are still appropriate to the Group.

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

Following the establishment of the 2006 Long Term Incentive Plan, no further awards of shares have been made under the 2001 Discretionary Share Option Scheme. Details of outstanding awards 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.

Table 1 – Remuneration (audited)

Directors' remuneration for the year ended 30 September 2007 was as follows:

| | | | | | 2006 | 2005 |
|------------------------|--|-------------------|--------------------|---------------------|-----------------------|----------------|
| | | | | | £'000 | £'000 |
| Aggregate emoluments | Executive Directors | | | | 2,278 | 2,120 |
| | Chairman and other non-executive Directors | | | | 168 | 168 |
| | | | | | 2,446 | 2,288 |
| 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 | | *384 | 248 | 238 | 223 | 1,093 |
| | 2006 | 338 | 239 | 228 | 212 | 1,017 |
| Annual bonus | | 355 | 219 | 240 | 197 | 1,011 |
| | 2006 | 340 | 210 | 201 | 188 | 939 |
| Benefits | | 79 | 26 | 37 | 32 | 174 |
| | 2006 | 78 | 24 | 34 | 28 | 164 |
| Aggregate Emoluments | | 818 | 493 | 515 | 452 | 2,278 |
| | 2006 | 756 | 473 | 463 | 428 | 2,120 |
| Pension Contributions | | 53 | 62 | 59 | 56 | 230 |
| | 2006 | 85 | 59 | 57 | 53 | 254 |

*Includes £31,000 in respect of amount taken as salary in lieu of Company pension contributions.

The levels of bonuses awarded in respect of the year ended 30 September 2007 reflect the substantial achievement of individual and corporate targets set by the Committee at the beginning of the year. All the executive Directors have elected to take their 2007 Annual Bonus entirely in shares.

Chairman and other non-executive Directors

| | P J Manser £'000 | J R K Emly £'000 | A W MacDonald £'000 | W G McQueen £'000 | Total £'000 |
|------|---------------------|---------------------|------------------------|----------------------|----------------|
| Fees | 60 | 36 | 36 | 36 | 168 |
| 2006 | 60 | 36 | 36 | 36 | 168 |

Review of Salaries and Fees

Executive Directors' basic annual salaries were revised with effect from 1 December 2007 to the following levels:

| | £'000 |
|--------------|-------|
| J S Lane | 370 |
| B Bickell | 260 |
| S J Quayle | 255 |
| T J C Welton | 245 |

Non-executive Directors fees were revised with effect from 1 December 2007 to the following levels:

| | £'000 |
|-----------------------|-------|
| P J Manser (Chairman) | 85 |
| J R K Emly | 45 |
| A W MacDonald | 45 |
| W G McQueen | 45 |

Summary of Directors' Share Options

Directors' share options held and exercised during the year ended 30 September 2007 in the Group's schemes are as follows:

Table 2 - Share Options (audited)

| | Options and nil cost options held at 1.10.2006 | Granted | Exercised | Options and nil cost options held at 30.9.2007 | | | Grant Price | Exercise Period | |
|---------------------------|--|---------|-----------|--|---------|------------|-------------|-----------------|---------|
| | | | | Total | Vested | Not Vested | | From | To |
| | | | | | | | | | |
| J S Lane | | | | | | | | | |
| 1997 Scheme 29.11.1999 | 49,104 | - | (49,104) | - | - | - | £2.42 | 11.2002 | 11.2009 |
| 2001 Scheme* | | | | | | | | | |
| 21.2.2001 | 106,600 | - | (53,300) | 53,300 | 53,300 | - | £2.945 | 2.2004 | 2.2011 |
| 13.12.2001 | 242,230 | - | (121,115) | 121,115 | 121,115 | - | £2.735 | 12.2004 | 12.2011 |
| 18.12.2002 | 265,000 | - | (132,500) | 132,500 | 132,500 | - | £2.00 | 12.2005 | 12.2012 |
| 18.12.2003 | 308,445 | - | (154,222) | 154,223 | 154,223 | - | £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 |
| 20.12.2006 | | 47,900 | - | 47,900 | - | 47,900 | **£7.10 | 12.2009 | 6.2010 |
| Sharesave | | | | | | | | | |
| 3.7.2006 | 4,055 | - | - | 4,055 | - | 4,055 | £3.97 | 8.2011 | 1.2012 |
| B Bickell | | | | | | | | | |
| 1997 Scheme 29.11.1999 | 27,136 | - | (27,136) | - | - | - | £2.42 | 11.2002 | 11.2009 |
| 2001 Scheme* | | | | | | | | | |
| 21.2.2001 | 64,890 | - | (32,445) | 32,445 | 32,445 | - | £2.945 | 2.2004 | 2.2011 |
| 13.12.2001 | 138,940 | - | (69,471) | 69,469 | 69,469 | - | £2.735 | 12.2004 | 12.2011 |
| 18.12.2002 | 190,000 | - | (95,000) | 95,000 | 95,000 | - | £2.00 | 12.2005 | 12.2012 |
| 18.12.2003 | 181,820 | - | (90,910) | 90,910 | 90,910 | - | £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 |
| 20.12.2006 | - | 33,800 | - | 33,800 | - | 33,800 | **£7.10 | 12.2009 | 6.2010 |
| Sharesave | | | | | | | | | |
| 3.7.2006 | 4,055 | - | - | 4,055 | - | 4,055 | £3.97 | 8.2011 | 1.2012 |
| S J Quayle | | | | | | | | | |
| 1997 Scheme 29.11.1999 | 25,844 | - | (25,844) | - | - | - | £2.42 | 11.2002 | 11.2009 |
| 2001 Scheme* | | | | | | | | | |
| 21.2.2001 | 64,890 | - | (32,445) | 32,445 | 32,445 | - | £2.945 | 2.2004 | 2.2011 |
| 13.12.2001 | 120,660 | - | (60,331) | 60,329 | 60,329 | - | £2.735 | 12.2004 | 12.2011 |
| 18.12.2002 | 165,000 | - | (82,500) | 82,500 | 82,500 | - | £2.00 | 12.2005 | 12.2012 |
| 18.12.2003 | 151,515 | - | (75,758) | 75,757 | 75,757 | - | £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 |
| 20.12.2006 | | 32,400 | - | 32,400 | - | 32,400 | **£7.10 | 12.2009 | 6.2010 |
| Sharesave | | | | | | | | | |
| 3.7.2006 | 4,055 | - | - | 4,055 | - | 4,055 | £3.97 | 8.2011 | 1.2012 |
| T J C Welton | | | | | | | | | |
| 1997 Scheme 29.11.1999 | 24,552 | - | (24,552) | - | - | - | £2.42 | 11.2002 | 11.2009 |
| 2001 Scheme* | | | | | | | | | |
| 21.2.2001 | 57,938 | - | (28,969) | 28,969 | 28,969 | - | £2.945 | 2.2004 | 2.2011 |
| 13.12.2001 | 102,380 | - | (51,190) | 51,190 | 51,190 | - | £2.735 | 12.2004 | 12.2011 |
| 18.12.2002 | 140,000 | - | (70,000) | 70,000 | 70,000 | - | £2.00 | 12.2005 | 12.2012 |
| 18.12.2003 | 138,530 | - | (69,264) | 69,266 | 69,266 | - | £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 |
| 20.12.2006 | - | 30,300 | - | 30,300 | - | 30,300 | **£7.10 | 12.2009 | 6.2010 |
| Sharesave | | | | | | | | | |
| 3.7.2006 | 4,055 | - | - | 4,055 | - | 4,055 | £3.97 | 8.2011 | 1.2012 |

See notes overleaf

Notes to Table 2

* 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 above resulted in the vesting of options granted under the 2001 Scheme during the year as follows:

| Options Granted | Performance Period | % of options vested in previous years | % of options vested in year |
|-----------------|----------------------|---------------------------------------|-----------------------------|
| 13.12.2001 | 4 years to 30.9.2005 | 82.5% | 17.5% |
| 18.12.2002 | 3 years to 30.9.2005 | 82.5% | 17.5% |
| 18.12.2003 | 3 years to 30.9.2006 | - | 100% |

The closing mid market share price on 27 March 2007, being the date the options vested, was £8.00.

No options lapsed during the year.

** Market value at date of grant of nil cost options based on average closing mid market share on the five days prior to the date of grant.

Closing mid market share price on the date of grant on 15.2.2006 was £5.295 and on 20.12.2006 was £7.48.

2001 Discretionary Share Option Scheme

Under the terms of the 2001 Scheme, performance is measured in terms of growth in net asset value per Ordinary Share prior to distributions compared with that of a Peer Group of listed real estate companies 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 London 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 sliding scale range applies:

| 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 and following the Group's conversion to a REIT, the Committee calculates adjusted net asset value performance with the overriding objective of achieving a fair measurement of the Group's relative performance against its Peer Group.

2007 Long Term Incentive Plan

The performance conditions described in the Long Term Incentive Plan apply to the vesting of awards granted in February and December 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 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 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.

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

| | J S Lane | B Bickell | S J Quayle | T J C Welton |
|---|----------|-----------|------------|--------------|
| Options exercised 15.12.2006 | | | | |
| Market value at date of exercise £6.96 | | | | |
| Range of exercise prices £2.00-£2.945 | | | | |
| Number of shares over which options exercised | 311,637 | 195,269 | 176,125 | 153,503 |
| Gain on exercise £'000 | 1,400 | 884 | 795 | 692 |
| Options exercised 27.3.2007 | | | | |
| Market Value at date of exercise £8.00 | | | | |
| Range of exercise prices £2.00-£2.735 | | | | |
| Number of shares over which options exercised | 198,604 | 119,693 | 100,753 | 90,472 |
| Gain on exercise £'000 | 1,127 | 680 | 573 | 514 |
| Total gains realised during year £'000 | 2,527 | 1,564 | 1,368 | 1,206 |

There have been no changes in options outstanding in the period from 1 October 2007 to 30 November 2007.

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

The mid-market price of the Company's Ordinary Shares at 28 September 2007 (the last day of the financial year on which shares were traded) was £4.955 and during the year then ended was quoted in the range £4.955 to £8.125.

Table 3 – Share Entitlements (audited)

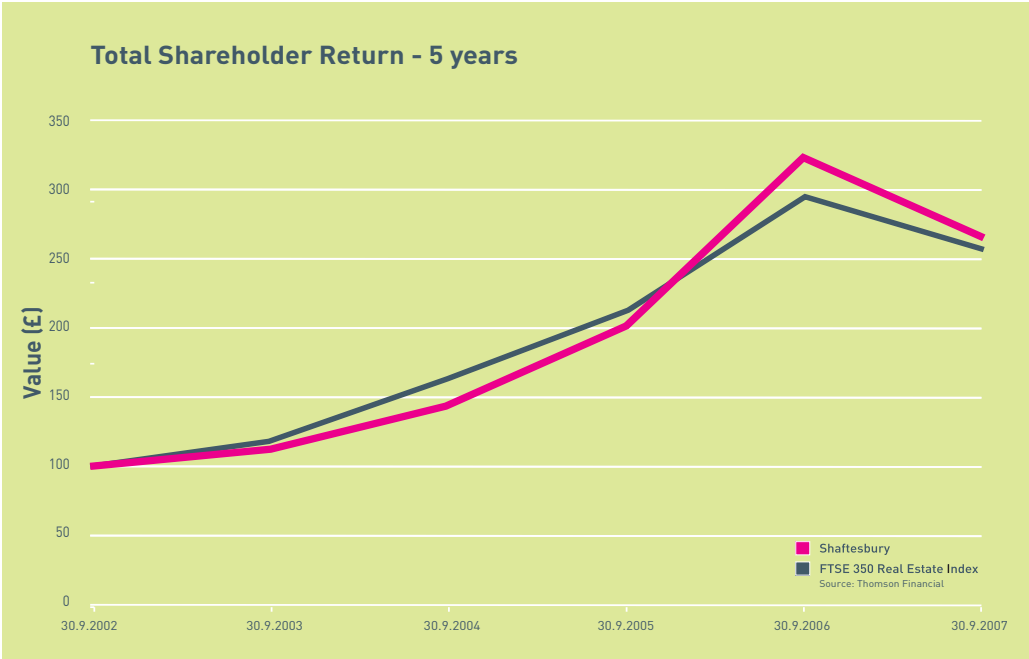
Directors hold entitlements to Ordinary Shares in respect of that part of awards granted under the Deferred Annual Bonus Scheme where Directors have elected to take their annual bonus by way of shares rather than cash. At 30 September 2007 and at 30 November 2007, the trustee of the Shaftesbury PLC Employee Benefit Trust held a total of 243,202 Ordinary Shares in respect of awards granted but not delivered to Directors as set out below:

| Date of Award | Entitlement to Ordinary Shares at 1.10.2006 | Awarded in Year | Delivered in Year | Entitlement to Ordinary Shares at 30.9.2007 |
|----------------------|--|------------------------|--------------------------|--|
| J S Lane | | | | |
| 7.12.2004 | 22,850 | - | (22,850) | - |
| 15.12.2005 | 22,406 | - | - | 22,406 |
| 13.12.2006 | - | 48,364 | - | 48,364 |
| | 45,256 | 48,364 | (22,850) | 70,770 |
| B Bickell | | | | |
| 7.12.2004 | 38,084 | - | (38,084) | - |
| 15.12.2005 | 14,004 | - | - | 14,004 |
| 13.12.2006 | - | 29,871 | - | 29,871 |
| | 52,088 | 29,871 | (38,084) | 43,875 |
| S J Quayle | | | | |
| 7.12.2004 | 47,033 | - | (47,033) | - |
| 15.12.2005 | 45,162 | - | - | 45,162 |
| 13.12.2006 | - | 28,627 | - | 28,627 |
| | 92,195 | 28,627 | (47,033) | 73,789 |
| T J C Welton | | | | |
| 7.12.2004 | 33,799 | - | (33,799) | - |
| 15.12.2005 | 28,008 | - | - | 28,008 |
| 13.12.2006 | - | 26,760 | - | 26,760 |
| | 61,807 | 26,760 | (33,799) | 54,768 |

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 relating to the annual bonus have already been met.

Total Shareholder Return

The graphs below show the Total Shareholder Return for the Company 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 awards of shares under 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 graphs below show relative Total Shareholder Return performance over the last five and ten financial years. The Committee considers the ten year period gives a better indication of the Group's long term performance.



This graph shows the value, by 30 September 2007, of £100 invested in Shaftesbury PLC on 30 September 2002 compared with the value of £100 invested in the FTSE 350 Real Estate Index.



This graph shows the value, by 30 September 2007, of £100 invested in Shaftesbury PLC on 30 September 1997 compared with the value of £100 invested in the FTSE 350 Real Estate Index.

Fees from external appointments

Jonathan Lane received and retained fees in the year ended 30 September 2007 in respect of his directorship of two private companies unconnected with the Group's business totalling £7,650 (2006 - £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

5 December 2007

Nomination committee report

Membership of the Committee

John Manser (Chairman of the Committee)
John Emly
Alastair MacDonald
Gordon McQueen

The Committee is comprised of the Chairman of the Group and independent non-executive Directors. There were no changes to the membership of the Committee during the year.

Meetings

The Committee met once during the year ended 30 September 2007.

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 annual Board and Committee performance evaluations together with recommendations to the Board.

On behalf of the Board

John Manser

Nomination Committee Chairman

5 December 2007

Audit committee report

Membership of the Committee

Gordon McQueen (Chairman of the Committee)
John Emly
Alastair MacDonald

The Audit Committee is comprised solely of independent non-executive Directors. There were no changes to the membership of the Committee during the year. Gordon McQueen is a Member of the Institute of Chartered Accountants of Scotland and a Fellow of the Chartered Institute of Bankers in Scotland. John Emly is a Fellow of the Institute of Chartered Secretaries.

Meetings

The Committee met three times during the year ended 30 September 2007. 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 reviewed and monitored:

- Published annual and interim financial information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- Management's reports to the Board on risk and internal controls and the Group's public statements on these matters;
- The risk and control strategies of the Group's principal managing agents. During the year an external operational review was undertaken of one of these firms;
- Appointment of external consultant to undertake a review of the Group's operational processes and controls;
- The need to establish an internal audit function;

- The Group's whistleblowing policy which was updated during the year and circulated to all employees;
- Developments in accounting and reporting requirements;
- The Committee's effectiveness;
- 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; and
- Non-audit assignments awarded to the external auditors.

Award of Non-audit Assignments to the External Audit Firm

The policy of the Committee is that non-audit assignments will not be awarded to the audit firm where there is a risk of a conflict arising with their audit independence and objectivity. It has been agreed that the Committee will review and approve the award of all non-audit assignments to the external audit firm in excess of £25,000.

The audit fees for the Company and the Group are relatively low due primarily to the simple corporate structure of the Group. Audit fees for the year totalled £115,000. During the year, PricewaterhouseCoopers undertook non-audit work for the Group totalling £191,000. Of this amount, £103,000 related to taxation compliance and associated matters, a one off charge of £58,000 in respect of the Group's conversion to REIT status and £30,000 in connection with the Group's interim results and other services.

The Committee is satisfied that none of the non-audit assignments awarded to PricewaterhouseCoopers during the year gave rise to any risk that the auditors' objectivity and performance of their statutory audit responsibilities would be compromised.

PricewaterhouseCoopers have confirmed to the Committee that they have internal procedures in place to identify any aspects of non-audit work which could compromise their role as auditors, and to ensure the objectivity of their audit report. In addition, they have confirmed that the total fees paid by the Group do not represent a material part of their firm's fee income and that they have maintained their independence.

On behalf of the Board

Gordon McQueen

Audit Committee Chairman

5 December 2007

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 procedures relating to Corporate Responsibility. The Board receives regular reports on Corporate Responsibility and Corporate Responsibility matters are taken into account in annual corporate and personal targets set by the Remuneration Committee.

The Group's Corporate Responsibility 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 2007. The policy document and regular progress reports are available on the Group's website. The annual external review was undertaken in September 2007 by RPS Consultants in order to verify working practices against Policy Goals and achievement of objectives and targets in the Action Plan. The revised Policy, the results of the external review (which includes KPIs and environmental data) in this and previous years and the Action Plan are available in full on the Group's website. The following highlights key achievements and challenges during the year from the external review.

The Group is a constituent of the FTSE4 Good Index, which acts as a guide to socially responsible investment, and this year has also been listed on the Dow Jones Sustainability Index. The Group 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 has also retained its listing in the Kempen SNS Smaller European Index, the first sustainable index for smaller European companies and was placed third out of the FTSE350 in the Good Companies Guide (compiled with research from The Co-operative Investments, part of The Co-operative Group).

Environmental Strategy – Investment and Refurbishments

The Group's strategy is mainly to invest in and refurbish existing buildings. This is in line with Government policy for maximising the re-use of existing development land and buildings which consume a lower level of resources than demolition and construction of new buildings.

Almost all of the Group's buildings are within Conservation Areas and many are "listed". Within these constraints, the Group seeks to refurbish buildings in a sympathetic manner reusing existing timber and original building fixtures and fittings where possible. When installing new fixtures and plant, consideration is given to environmental sustainability as well as building regulations. For example, where practical dual flush cisterns are used, new boilers are condensing boilers, individual radiators have thermostat controls, double or secondary glazing is installed, a minimum of 30% of new lights are required to be energy saving fittings, all new water supplies have water meters. In commercial common parts, spray taps are installed as well as sunlight sensors for lighting. Insulation for both acoustic and energy saving purposes is also fitted. The Group works with tenants to ensure that their plant and machinery is efficient and maintained to minimise the impact on surrounding occupiers and environment.

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

- Eight refurbishment schemes of a capital value of above £75,000 have been registered with the Considerate Constructors Scheme. 75% of the schemes that have been audited achieved the target score of 26/40. This is a small decrease in performance over last year (80%).
- 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 Contractor's Induction leaflet, briefly outlining the key points of Shaftesbury's Corporate Responsibility Policy has been issued to all subcontractors working on Shaftesbury's portfolio.
- The Group continues to adopt a policy of re-using timber where possible in its schemes. If additional timber is required, timber from certified sources is specified, and monitoring is ongoing to identify the proportion that this represents.
- There have been no notifiable environmental incidents within the portfolio during the year.

Waste management activities were again monitored but it continued 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 is a continuing practical problem, which 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. A sample of two refurbishment sites were audited for good practice against duty of care for waste management and were confirmed to be operating satisfactorily.

Environmental Strategy – Longmartin Joint Venture

The environmental strategy being implemented for the Longmartin scheme aims to reduce adverse environmental impacts to create both energy efficient new buildings and improve the efficiency of existing buildings in a sustainable manner. Renewable energy sources are being evaluated to supplement existing power sources. A number of initiatives including green roofs and new planting will enhance the estate's overall biodiversity. Vehicle recharging facilities will be available for hybrid vehicles and a car club and cycle parking will also be made available.

Environmental Strategy – Property Management

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

In September 2006, the electricity contract for Carnaby (40% of the portfolio) was re-tendered and the new contract supplies 100% 'green tariff' energy. It was intended that this would be extended to Seven Dials in 2007, but due to insufficient availability of green tariff energy this has not yet been implemented.

Water meters have now been installed throughout Carnaby and Seven Dials and in high usage areas in Chinatown. Baseline data has been collected.

Within the Group's portfolio, virtually all waste is generated by the Group's tenants. The Group's policy is actively to encourage tenants to reduce waste, increase recycling by modifying their activities and to organise communal facilities wherever possible. Where practical, dedicated refuse storage areas have been included within refurbishment schemes to improve the management of waste and improve the local environment.

In Carnaby, the recycling and compacting schemes continue to be a success and are well used by tenants. It has not been possible to obtain data on waste recycled. An audit of waste and recycling management in Carnaby in February 2007 recommended an extension of waste and recycling to the entire Carnaby estate, new compacting machinery and an estate-wide collection service to reduce the transportation of waste. These recommendations have now been implemented. A new recycling point for the local residential community is being set up in conjunction with the local authority. 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 and oil waste.

The leaflet explaining the principles of the Group's Environmental policy developed to raise awareness of tenants of environmental issues, is given to all new tenants.

Environmental Strategy – Group's Office

In the Group's office, environmental impacts are low risk and relate to energy consumption, resource use and waste production. Energy consumption is relatively low but figures collated for 2006-2007 indicate an increase in consumption over previous years (22 tonnes carbon equivalent against 17.9 tonnes carbon equivalent in 2005-2006). The figure, however, when benchmarked against floor area indicates that energy usage is significantly better than best practice for an air conditioned office at 42.54kgCO₂/m². In October 2006, the Group switched to a 'green tariff' electricity supplier. A paper recycling scheme continues to be operated and volume of paper used is consistent with previous years.

Health and Safety Issues

Health and safety is an important aspect of the Group's business and operations. Overall responsibility rests with the Board of Directors and the Chief Executive has day to day responsibility for ensuring that the Group's Health and Safety Policy is adhered to. Health and safety is identified within pre-tender documentation and is monitored on site by site managers and project managers. The Group's managing agents oversee health and safety on an ongoing basis in respect of the Group's portfolio management responsibilities.

There were no reportable health and safety incidents during the year in either the Group's portfolio or at its offices.

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 Yellow Earth Theatre Company, The Tennis Foundation and Victim Support Westminster Limited.

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. The Group continues to work closely with Westminster City Council, Camden Council, the police 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 Carnaby, 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 which aims to help Soho achieve its full potential whilst preserving its unique character, the Chinatown Action Plan and the Covent Garden Action Plan.

Employment Issues

The Group employs twenty staff including executive Directors. The Corporate Responsibility Policy contains policy statements on equal opportunities in employment and procedures for reporting concerns regarding non-adherence to the Group's ethical standards (which incorporates the Group's whistle blowing policy). The policy statements are supported by full operational policies. Flexible working for staff is accommodated according to individual circumstances. The welfare, safety and training of employees is a key priority.

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. All members of staff are eligible to participate in the Group's bonus and long term incentive schemes.

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 2007 – 2008

For 2007-2008 the following key objectives have been set to build on the achievements to date:

- Continue to utilise 100% "brownfield" sites;
- Continue to track the sourcing of materials, particularly timber, and aim to purchase a minimum of 30% from sustainable sources;
- Ensure all refurbishment schemes above a specified capital value are signed to 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 develop a waste management strategy for Carnaby and Seven Dials in order to encourage recycling by tenants;
- Promote initiatives in Chinatown to improve recycling.
- Continue to support local community groups and continue to be proactive in mentoring charitable and other organisations

Jonathan S Lane
Chief Executive

5 December 2007

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 30 September 2007 (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 16 November 2007 ("our Reports"). Our Reports were prepared for accounts purposes.

All properties have been subject to external inspections between August and November 2007 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 third time that he has been the signatory of 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 30 April 2007, 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 30 September 2007, 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 £1,448,240 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 30 September 2007, 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 16 November 2007, were as follows:

| | |
|---------------------------|--|
| Freehold properties | £1,227,480,000 (One billion, two hundred and twenty-seven million, four hundred and eighty thousand pounds) |
| Long leasehold properties | £84,815,000 (Eighty-four million, eight hundred and fifteen thousand pounds) |
| Total | £1,312,295,000 (One billion, three hundred and twelve million, two hundred and ninety-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

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements are required by law to 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 IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 and the Directors' Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 Directors are responsible for the maintenance and integrity of the Company's website and 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 47.

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 30 September 2007 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 "Corporate Governance" reflects the company's compliance with the nine provisions of the Combined Code 2003 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, "Corporate Responsibility", the Valuers' Summary Report and the 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 30 September 2007 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 30 September 2007 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

5 December 2007

Group income statement

for the year ended 30 September 2007

| | Note | 2007 £'000 | 2006 £'000 |
|---|------|-----------------|-----------------|
| Continuing operations | | | |
| Revenue from properties | 3 | 62,423 | 58,792 |
| Property charges | 4 | (12,843) | (11,809) |
| Net property income | | 49,580 | 46,983 |
| Administration expenses | 5 | (5,628) | (5,320) |
| Charge in respect of equity settled remuneration | 6 | (1,140) | (2,101) |
| Total administration expenses | | (6,768) | (7,421) |
| Operating profit before investment property disposals and valuation movements | | 42,812 | 39,562 |
| Profit on disposal of investment properties | 7 | 2,215 | 748 |
| Investment property valuation movements | 13 | 103,034 | 190,933 |
| Operating Profit | | 148,061 | 231,243 |
| Interest receivable | | 214 | 130 |
| Interest payable | 8 | (30,313) | *(26,202) |
| Change in fair value of financial derivatives | 19 | 8,688 | *2,440 |
| Loss on purchase of debenture stock | 9 | (2,474) | (20,009) |
| Total finance costs | | (23,885) | (43,641) |
| Profit before tax | | 124,176 | 187,602 |
| Current tax | 10 | (27,980) | (391) |
| Deferred tax | 10 | 168,612 | (49,709) |
| Tax credit/(charge) for the year | | 140,632 | (50,100) |
| Profit for the year | | 264,808 | 137,502 |
| Earnings per share: | 11 | | |
| Basic | | 197.90p | 103.75p |
| Diluted | | 196.92p | 103.32p |

* Adjusted to reflect re-classification of payments under hedging contracts (see Note 8)

Balance sheets

as at 30 September 2007

| | | Group | | Company | |
|---------------------------------------|------|---------------|---------------|---------------|---------------|
| | Note | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| Non-current assets | | | | | |
| Investment properties | 13 | 1,393,662 | 1,254,776 | - | - |
| Office assets and vehicles | 14 | 387 | 409 | 387 | 409 |
| Investment in subsidiary undertakings | 26 | - | - | 428,491 | 278,441 |
| Investment in joint venture | 27 | - | - | 78,958 | 78,958 |
| Deferred tax assets | 20 | - | 7,610 | - | 7,619 |
| | | 1,394,049 | 1,262,795 | 507,836 | 365,427 |
| Current Assets | | | | | |
| Trade and other receivables | 15 | 24,622 | 15,058 | 506,513 | 589,899 |
| Cash | | 336 | 9,090 | - | 8,898 |
| Total assets | | 1,419,007 | 1,286,943 | 1,014,349 | 964,224 |
| Current liabilities | | | | | |
| Trade and other payables | 16 | 33,666 | 22,633 | 33,299 | 25,666 |
| Non-current liabilities | | | | | |
| Taxation payable | 17 | 17,901 | - | 17,901 | - |
| Borrowings | 18 | 494,714 | 468,341 | 495,108 | 469,857 |
| Financial derivatives | 19 | 630 | 9,318 | 630 | 9,318 |
| Deferred tax liabilities | 20 | 5,310 | 179,770 | - | - |
| Total liabilities | | 552,221 | 680,062 | 546,938 | 504,841 |
| Net assets | | 866,786 | 606,881 | 467,411 | 459,383 |
| Equity | | | | | |
| Called up share capital | 21 | 33,579 | 33,192 | 33,579 | 33,192 |
| Other reserves | 22 | 126,468 | 123,888 | 126,468 | 123,888 |
| Retained earnings | 22 | 706,739 | 449,801 | 307,364 | 302,303 |
| Total equity | | 866,786 | 606,881 | 467,411 | 459,383 |
| Net assets per share: | | | | | |
| | 23 | | | | |
| Basic | | £6.45 | £4.57 | | |
| Diluted | | £6.41 | £4.54 | | |

On behalf of the Board who approved the financial statements on pages 63 to 82 on 5 December 2007.

Jonathan S Lane

Chief Executive

Brian Bickell

Finance Director

Cash flow statements

for the year ended 30 September 2007

| | Note | 2007 £'000 | Group 2006 £'000 | 2007 £'000 | Company 2006 £'000 |
|--|------|-----------------|------------------------|-----------------|--------------------------|
| Operating activities | | | | | |
| Cash generated from operations | 24 | 43,032 | 41,564 | (5,202) | (3,450) |
| Interest received | | 214 | 130 | 25 | 38 |
| Interest paid | | (30,257) | (27,356) | (31,324) | (28,127) |
| Tax receipts/(payments) in respect of operating activities | | 470 | (2,182) | 1,000 | (943) |
| Cash flows from operating activities | | 13,459 | 12,156 | (35,501) | (32,482) |
| Investing activities | | | | | |
| Property acquisitions | | (32,133) | (107,389) | - | - |
| Capital expenditure on properties | | (10,038) | (8,212) | - | - |
| Net proceeds from sales of properties | | 674 | 60,262 | - | 11,660 |
| Net purchase of office assets and vehicles | | (116) | (185) | (116) | (185) |
| Purchase of shares in joint venture | | - | - | - | (43,455) |
| Cash flows from investing activities | | (41,613) | (55,524) | (116) | (31,980) |
| Financing activities | | | | | |
| Issue of shares | | 3,693 | 1,184 | 3,693 | 1,184 |
| Purchase of debenture stock | | (9,312) | (74,874) | (9,312) | (74,874) |
| Increase in borrowings | | 33,562 | 134,032 | 32,407 | 136,493 |
| Bank loan arrangement costs | | (413) | (773) | (413) | (773) |
| Payment of finance lease liabilities | | (260) | (208) | - | - |
| Equity dividends paid | 12 | (7,870) | (6,903) | (7,870) | (6,903) |
| Net loans from/(to) subsidiary undertakings | | - | - | 8,789 | (1,642) |
| Loan (to)/ from joint venture | | - | - | (575) | 19,875 |
| Cash flows from financing activities | | 19,400 | 52,458 | 26,719 | 73,360 |
| Net change in cash | | (8,754) | 9,090 | (8,898) | 8,898 |

Statement of changes in shareholders' equity

| | | | | |
|--|----------------|----------------|----------------|----------------|
| At 1 October 2006 | 606,881 | 473,161 | 459,383 | 465,144 |
| Profit for the year | 264,808 | 137,502 | 12,931 | (1,979) |
| Dividends paid | (7,870) | (6,903) | (7,870) | (6,903) |
| Proceeds of shares issued for cash | 3,693 | 1,184 | 3,693 | 1,184 |
| Fair value of share based remuneration | 1,036 | 539 | 1,036 | 539 |
| Deferred tax in respect of share based remuneration (released from)/ charged to equity | (1,762) | 1,398 | (1,762) | 1,398 |
| At 30 September 2007 | 866,786 | 606,881 | 467,411 | 459,383 |

Notes to the financial statements

for the year ended 30 September 2007

1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("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 semi-annual revaluation of investment properties and the measurement of financial derivatives at fair value.

Accounting estimates and judgements

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 historical experience and other factors that are believed to be reasonable at the time. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent.

The measurement of fair value constitutes the principal area of judgement exercised by the Board in the preparation of these financial statements. The fair valuations of investment properties, financial derivatives and share based payments are carried out by external advisors who the Board considers to be suitably qualified to carry out such valuations.

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 in all periods presented in these financial statements.

At the date of approval of these financial statements, IFRS 7 'Financial Instruments: Disclosures' and the related amendment to IAS 1 on capital disclosures was in issue. IFRS 7 will require additional disclosure on financial instruments in the year commencing 1 October 2007. The revised standard IAS 23 'Borrowing Costs' was issued in March 2007, effective from 1 January 2009. Upon adoption, the revised standard will have no impact on the financial statements unless there is a change in the nature of the Group's activities or financing arrangements. IFRS 8 'Segmental Reporting' will become effective for accounting periods commencing on or after 1 January 2009 but is not expected to have any material impact on the format of the Group's reporting.

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 initially recognised on acquisition at cost and are revalued semi-annually to reflect fair value. Fair value is determined by 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 period rate of interest on the remaining balance of the liability.

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. Finance costs are not 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.

Tenant leases

All of the Group's leases to its tenants fall within the definition of operating leases, as the risks and rewards of ownership are retained by the Group as lessor. Such leases are included in investment property, with rental income recognised on a straight line basis over the term of the lease.

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 comprises rents receivable from tenants under operating leases recognised on an accruals basis, lease incentives and recoverable expenses incurred on behalf of tenants. Rents are recognised on a straight line basis over the term of the lease. Value added tax is excluded from all amounts. Income arising as a result of rent reviews is recognised when agreement of new terms is reasonably certain.

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. In the case of trade receivables, provision is made for impairment where recovery is uncertain.

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 and amounts payable or receivable under such arrangements, are recognised in the Income Statement within total finance costs.

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 related 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.

Share based 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 7 November 2002.

Lease of property occupied for own use

The lease under which the Group occupies office accommodation for its own administration is accounted for as an operating lease, with rents payable charged to the Income Statement on a straight line basis over the term of the lease.

Dividends

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

3. Revenue from properties

| | 2007 £'000 | 2006 £'000 |
|---------------------------------|---------------|---------------|
| Rents due from tenants | 55,348 | 51,535 |
| Recognition of lease incentives | 278 | 696 |
| Rents receivable | 55,626 | 52,231 |
| Recoverable property expenses | 6,797 | 6,561 |
| | 62,423 | 58,792 |

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

4. Property charges

| | | |
|-------------------------------|--------|--------|
| Property outgoings | 6,046 | 5,248 |
| Recoverable property expenses | 6,797 | 6,561 |
| | 12,843 | 11,809 |

5. Administration expenses

Included in this heading are the following:

Auditor's remuneration relating to:

The audit of the Company and Group financial statements

(Company: 2007: £16,000; 2006: £15,000)

The audit of the financial statements of subsidiary and joint venture undertakings pursuant to legislation

Fees payable to PricewaterhouseCoopers LLP in connection with:

Taxation advice – compliance

Taxation advice – REIT conversion

Taxation advice – Longmartin joint venture structuring (charged to cost of investment)

Other services

Depreciation

Operating lease rentals – office premises

Staff costs (including executive Directors):

Salaries

Annual bonuses

Social security costs

Pension contributions

Equity settled remuneration (see note 6)

| | | |
|--|-------|-------|
| | 42 | 37 |
| | 73 | 63 |
| | 115 | 100 |
| | 103 | 109 |
| | 58 | - |
| | - | 78 |
| | 30 | 12 |
| | 306 | 299 |
| | 130 | 138 |
| | 166 | 166 |
| | 1,804 | 1,677 |
| | 1,271 | 1,138 |
| | 479 | 381 |
| | 347 | 347 |
| | 1,140 | 2,101 |
| | 5,041 | 5,644 |

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

Executive Directors

Administration

Estate management

| | Number | Number |
|--|--------|--------|
| | 4 | 4 |
| | 13 | 12 |
| | 2 | 2 |
| | 19 | 18 |

A summary of Directors' emoluments, including the disclosures required by the Companies Act 1985, is set out in the Directors' Remuneration Report on pages 50 to 56.

6. Charge in respect of equity settled remuneration

| | 2007 £'000 | 2006 £'000 |
|--|---------------|---------------|
| Charge for share based remuneration | 1,036 | 539 |
| Employers National Insurance in respect of share awards and share options vested or expected to vest | 104 | 1,562 |
| | 1,140 | 2,101 |

A summary of the principal assumptions made in the calculation of the charge for share based remuneration is set out in Note 31.

7. Profit on disposal of investment properties

| | | |
|----------------------------|--------------|------------|
| Net sale proceeds | 8,394 | 48,338 |
| Book value at date of sale | (6,179) | (47,590) |
| | 2,215 | 748 |

8. Interest payable

| | | |
|---|---------------|---------------|
| Debenture stock interest and amortisation | 5,100 | 9,868 |
| Bank and other interest | 24,954 | *16,126 |
| Amount payable under finance leases | 259 | 208 |
| | 30,313 | 26,202 |

* Comparative amount restated to include payments under hedging contracts totalling £389,000 previously reported as part of the movement in the fair value of financial derivatives

9. Loss on purchase of debenture stock

| | | |
|-------------------------------------|--------------|---------------|
| Cost of debenture stock purchased: | | |
| Nominal amount - £6.494 million | 9,312 | - |
| Nominal amount - £52.101 million | - | 74,874 |
| Nominal amount of stock purchased | (6,494) | (52,101) |
| | 2,818 | 22,773 |
| Unamortised net premium written off | (344) | (2,764) |
| | 2,474 | 20,009 |

10. Taxation

| | 2007 £'000 | 2006 £'000 |
|---|------------------|---------------|
| Current tax | | |
| UK Corporation tax at 30% | 875 | 754 |
| REIT conversion charge | 27,512 | - |
| Adjustments in respect of prior years | (407) | (363) |
| | 27,980 | 391 |
| Deferred tax | | |
| Revaluation of investment properties | 2,766 | 56,708 |
| Revaluation of financial derivatives | - | 732 |
| Properties sold in year | - | (5,268) |
| Other temporary differences | - | (2,326) |
| Released on REIT conversion | (171,378) | - |
| Adjustments in respect of prior years | - | (137) |
| | (168,612) | 49,709 |
| Tax (credit)/charge for the year | (140,632) | 50,100 |
| Tax charged directly to reserves: | | |
| Deferred taxation in respect of share based remuneration released on REIT conversion | (1,762) | - |
| Deferred taxation in respect of share based remuneration | - | 1,398 |
| | (1,762) | 1,398 |
| Factors affecting the tax charge: | | |
| Profit before tax | 124,176 | 187,602 |
| UK Corporation tax at 30% | 37,253 | 56,280 |
| Taxable profit for the six months to 30.9.2007 no longer liable to UK Corporation tax following conversion to REIT status | (1,929) | - |
| Deferred tax not provided in respect of property and financial derivative movements and capital allowances as a result of REIT conversion | (31,088) | - |
| Difference between expenses and deductions for taxation purposes and amounts charged in the financial statements | (595) | (188) |
| Difference due to tax treatment of property disposals | - | (5,492) |
| Adjustments in respect of prior years | (407) | (500) |
| Effect of REIT conversion: | | |
| REIT conversion charge | 27,512 | - |
| Deferred tax provided in prior years now released | (171,378) | - |
| Tax (credit)/charge for the year | (140,632) | 50,100 |

11. Earnings per share

| | | |
|--|----------------|-----------|
| Profit after tax used for calculation of basic earnings per share | 264,808 | 137,502 |
| Adjusted for: | | |
| Gain on sale of investment properties | (2,215) | (748) |
| Investment property valuation movements | (103,034) | (190,933) |
| Movement in fair value of financial derivatives | (8,688) | *(2,440) |
| Loss on purchase of Debenture Stock | 2,474 | 20,009 |
| Current tax in respect of: | | |
| REIT conversion charge | 27,512 | - |
| Loss on purchase of debenture stock | (742) | (6,002) |
| Deferred tax in respect of: | | |
| Investment property revaluation gains | 2,766 | 56,708 |
| Deferred tax released on REIT conversion | (171,378) | - |
| Adjustment in respect of property disposals | - | (5,268) |
| Movement in the fair value of financial derivatives | - | 732 |
| Profit after tax used for adjusted earnings per share | 11,503 | *9,560 |

11. Earnings per share continued

| | 2007 '000 | 2006 '000 |
|--|--------------|--------------|
| Weighted average number of shares in issue | 133,808 | 132,532 |
| Weighted average number of shares in issue for calculation of diluted earnings per share | 134,475 | 133,084 |
| Earnings per share: | Pence | Pence |
| Basic | 197.90 | 103.75 |
| Diluted | 196.92 | 103.32 |
| Adjusted basic | 8.60 | *7.21 |
| Adjusted diluted | 8.55 | *7.18 |

* Adjusted to reflect re-classification of payments under hedging contracts (see Note 8)

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 non-recurring costs, property disposals, movements in the valuation of investment properties and financial derivatives, and losses on Debenture Stock purchases.

12. Dividends paid

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Final dividend paid in respect of: | | |
| Year ended 30 September 2006 at 3.73p per share | 4,974 | - |
| Year ended 30 September 2005 at 3.30p per share | - | 4,360 |
| Interim dividend paid in respect of: | | |
| Six months ended 31 March 2007 at 2.16p per share | 2,896 | - |
| Six months ended 31 March 2006 at 1.92p per share | - | 2,543 |
| | 7,870 | 6,903 |

A final dividend in respect of the year ended 30 September 2007 of 5.50p per Ordinary share amounting to £7.4 million will be proposed by the Board at the 2008 Annual General Meeting. If approved, this dividend will be paid on 22 February 2008 to shareholders on the register at 1 February 2008. The dividend will be accounted for as an appropriation of revenue reserves in the year ending 30 September 2008.

The trustee of the Company's Employee Benefit Trust waived dividends in respect of 247,323 (2006: 257,295) Ordinary shares during the year.

13. Investment properties

| | Group | | Company | |
|---|------------------|------------------|---------------|---------------|
| | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| At 1 October 2006 – book value | 1,249,215 | 987,516 | - | 11,660 |
| Acquisitions | 32,101 | 107,667 | - | - |
| Refurbishment and other capital expenditure | 9,846 | 8,856 | - | - |
| Disposals | (6,062) | (45,757) | - | (3,200) |
| Intra group disposals | - | - | - | (8,460) |
| Net surplus on revaluation | 103,034 | 190,933 | - | - |
| | 1,388,134 | 1,249,215 | - | - |
| Add: Head lease liabilities | 5,528 | 5,561 | - | - |
| Book value at 30 September 2007 | 1,393,662 | 1,254,776 | - | - |

Market value at 30 September 2007:

Properties valued by DTZ Debenham Tie Leung Limited

Properties valued by Knight Frank LLP

| | | |
|---|------------------|------------------|
| | 1,312,295 | 1,184,255 |
| | 81,750 | 70,685 |
| | 1,394,045 | 1,254,940 |
| Add: Head lease liabilities | 5,528 | 5,561 |
| Less: Lease incentives recognised to date | (5,911) | (5,725) |
| Book value at 30 September 2007 | 1,393,662 | 1,254,776 |
| Historic cost of properties at valuation | 709,310 | 670,386 |

Investment properties were subject to external valuation as at 30 September 2007 by qualified professional valuers, being members of the Royal Institution of Chartered Surveyors, either working for DTZ Debenham Tie Leung Limited, 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 60 to 61.

Investment properties include freehold properties valued at £1,227.4 million (2006: £1,111.6 million), leasehold properties with an unexpired term of over 50 years valued at £88.9 million (2006: £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 £77.7 million (2006: £66.0 million).

Capital Commitments

| | Group | | Company | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| Authorised and contracted | 4,752 | 3,220 | - | - |
| Authorised but not contracted | 7,190 | 9,555 | - | - |

14. Office assets and vehicles

| | Short Leasehold Office Premises £'000 | Equipment and Vehicles £'000 | Total 2007 £'000 | Total 2006 £'000 |
|--|--|------------------------------------|------------------------|------------------------|
| Group and Company | | | | |
| Cost | | | | |
| At 1 October 2006 | 162 | 767 | 929 | 877 |
| Additions | - | 123 | 123 | 231 |
| Disposals | - | [90] | (90) | (179) |
| At 30 September 2007 | 162 | 800 | 962 | 929 |
| Depreciation | | | | |
| At 1 October 2006 | 124 | 396 | 520 | 513 |
| Charge for the year | 4 | 126 | 130 | 138 |
| Eliminated on disposals | - | (75) | (75) | (131) |
| At 30 September 2007 | 128 | 447 | 575 | 520 |
| Net book value at 30 September 2007 | 34 | 353 | 387 | 409 |

15. Trade and other receivables

| | 2007 £'000 | Group 2006 £'000 | 2007 £'000 | Company 2006 £'000 |
|---|---------------|------------------------|----------------|--------------------------|
| Amounts due from tenants | 9,346 | 7,616 | - | - |
| Lease incentives recognised in the Income Statement | 5,911 | 5,725 | - | - |
| Due in respect of property disposals | 7,835 | - | - | - |
| Corporation tax recoverable | 264 | 1,000 | 264 | 1,000 |
| Dividend receivable from joint venture | - | - | 500 | - |
| Amounts due from subsidiary undertakings | - | - | 505,136 | 588,606 |
| Other receivables and prepayments | 1,266 | 717 | 613 | 293 |
| | 24,622 | 15,058 | 506,513 | 589,899 |

16. Trade and other payables

| | | | | |
|---|---------------|--------|---------------|--------|
| Rents invoiced in advance | 11,884 | 11,061 | - | - |
| Corporation tax and REIT conversion charge payable (note 17) | 10,178 | 365 | 9,711 | 100 |
| Amount due to joint venture undertaking | - | - | 18,800 | 19,875 |
| Trade payables in respect of capital expenditure | 1,502 | 1,438 | - | - |
| Other trade payables and accruals* | 10,102 | 9,769 | 4,788 | 5,691 |
| | 33,666 | 22,633 | 33,299 | 25,666 |
| * Includes amounts secured by way of fixed charges on certain investment properties and floating charges over the Group's wholly owned assets | 1,580 | 1,879 | 1,580 | 1,879 |

17. Taxation payable

| | | |
|--|---------------|---|
| Group and Company | | |
| REIT conversion charge | 27,512 | - |
| Less: Payable within one year included in trade and other payables (note 16) | (9,611) | - |
| | 17,901 | - |
| The Group has elected to pay the REIT conversion charge in instalments as follows: | | |
| Year to 30 September 2008 | 9,611 | - |
| Year to 30 September 2009 | 6,847 | - |
| Year to 30 September 2010 | 7,286 | - |
| Year to 30 September 2011 | 3,768 | - |
| | 27,512 | - |

18. Borrowings

| Group | 2007 | | | 2006 | | |
|--|------------------------|--|---------------------|------------------------|--|---------------------|
| | Nominal value £'000 | Unamortised premium and issue costs £'000 | Book Value £'000 | Nominal value £'000 | Unamortised premium and issue costs £'000 | Book Value £'000 |
| 8.5% First Mortgage Debenture Stock 2024 | 61,048 | 3,148 | 64,196 | 67,542 | 3,583 | 71,125 |
| Secured bank loans | 426,665 | (1,675) | 424,990 | 393,103 | (1,448) | 391,655 |
| Debenture and bank borrowings | 487,713 | 1,473 | 489,186 | 460,645 | 2,135 | 462,780 |
| Finance lease obligations | 5,528 | - | 5,528 | 5,561 | - | 5,561 |
| | 493,241 | 1,473 | 494,714 | 466,206 | 2,135 | 468,341 |

| Company | | | | | | |
|--|----------------|--------------|----------------|---------|---------|---------|
| 8.5% First Mortgage Debenture Stock 2024 | 61,048 | 3,148 | 64,196 | 67,542 | 3,583 | 71,125 |
| Secured bank loans | 432,587 | (1,675) | 430,912 | 400,180 | (1,448) | 398,732 |
| Debenture and bank borrowings | 493,635 | 1,473 | 495,108 | 467,722 | 2,135 | 469,857 |

The Group's finance lease obligations represent its share of the net present value of amounts payable under leases with unexpired terms of 173 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 30 September 2007, Group and Company bank loans included overdrafts of £2,087,000 (2006: £3,930,000) 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.

19. 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 35.

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 | Book value £'000 | 2007 | | Book value £'000 | 2006 | |
| | | Facilities* Committed £'000 | Undrawn £'000 | | Facilities* Committed £'000 | Undrawn £'000 |
| Repayable after more than 15 years: | | | | | | |
| 8.5% First Mortgage Debenture Stock 2024 | 64,196 | 61,048 | - | 71,125 | 67,542 | - |
| Repayable between 10 and 15 years | 99,520 | 100,000 | - | 99,484 | 100,000 | - |
| Repayable between 5 and 10 years | 325,470 | 425,000 | 98,335 | 203,409 | 300,000 | 95,758 |
| Repayable between 2 and 5 years | - | - | - | 88,762 | 100,000 | 11,139 |
| | 489,186 | 586,048 | 98,335 | 462,780 | 567,542 | 106,897 |
| Finance lease obligations | 5,528 | 5,528 | - | 5,561 | 5,561 | - |
| | 494,714 | 591,576 | 98,335 | 468,341 | 573,103 | 106,897 |

* Nominal value

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.

19. Financing continued

Interest rate hedging

At the year end, in addition to its fixed rate debenture debt, the Group had in place the following interest rate hedging on a total of £290.25 million of debt:

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 at an average fixed rate of 4.92% expiring between January 2017 and March 2017.
5. Interest rate hedges on £75 million notional principal at fixed rates of 5.00% expiring between November 2016 and January 2017.

In November 2007, the Group entered into further interest rate hedges on £45 million notional principal at average fixed rates of 5.29% commencing in April 2008 for seven year terms.

Interest rate profile of financial liabilities

| | 2007 | | 2006 | |
|---|----------------------------------|---|---------------|---|
| | Debt (book value) £'000 | Weighted Average Interest Rate % | Debt £'000 | Weighted Average Interest Rate % |
| Floating rate borrowings | | | | |
| LIBOR-linked loans – interest rates fixed until October 2007 at latest (including margin) | 134,745 | 6.66 | 236,405 | 5.61 |
| Hedged borrowings | | | | |
| Interest rate hedges in operation at year end (including margin) | 290,250 | 6.17 | 155,250 | 5.45 |
| Fixed rate borrowing | | | | |
| 8.5% First Mortgage Debenture Stock - interest rate fixed for 17.5 years until 31 March 2024 (2006 - now stated at effective interest rate) | 64,196 | 7.93 | 71,125 | 7.93 |
| Weighted average cost of borrowings | | 6.54 | | *6.01 |

*As at the year end, ignoring interest rate hedges which commenced after that date.

19. Financing continued

| Fair values of financial derivatives | 2007 £'000 | 2006 £'000 |
|--|-----------------------|-----------------------|
| Interest rate hedges | | |
| At 1 October 2006 – Deficit | (9,318) | (11,758) |
| Reduction in fair value deficit in year credited in the Income Statement | 8,688 | *2,440 |
| At 30 September 2007 – Deficit | (630) | (9,318) |

* Comparative amount restated to exclude payments under hedging contracts previously reported as part of the movement in the fair value of financial derivatives

Changes in the fair value of the Group's financial derivatives, which are not held for speculative purposes, are reflected in the Income Statement as none of the Group's hedging arrangements qualify for hedge accounting under the provisions of IAS 39 (Financial Instruments: Recognition and Measurement"). 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.

| 8.5% Mortgage Debenture Stock 2024 | 2007 £'000 | 2006 £'000 |
|---|-----------------------|-----------------------|
| Fair value deficit not recognised in the reported results for the year: | | |
| At 30 September 2007 (nominal value of Stock in issue £61.048 million) | (14,464) | - |
| At 30 September 2006 (nominal value of Stock in issue £67.542 million) | - | (24,921) |

The fair value of the outstanding Debenture Stock has been calculated by J.C. Rathbone Associates Limited at 93 basis points (2006: 55 basis points) above the yield to redemption of the 5% Treasury Stock 2025 at the balance sheet date.

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 31 March 2024, when repayment of the stock in issue will be at par value.

20. Deferred tax

| | Capital allowances £'000 | Valuation of investment properties and financial derivatives £'000 | Other timing differences £'000 | Total £'000 |
|---|---|---|---|------------------------|
| Group | | | | |
| At 1 October 2006 | 3,494 | 172,505 | (3,839) | 172,160 |
| Recognised in Income Statement | (3,494) | (167,195) | 2,077 | (168,612) |
| Recognised in equity: | | | | |
| Share based payments | - | - | 1,762 | 1,762 |
| At 30 September 2007 – liability | - | 5,310 | - | 5,310 |
| Company | | | | |
| At 1 October 2006 | (9) | (2,795) | (4,815) | (7,619) |
| Recognised in Income Statement | 9 | 2,795 | 3,053 | 5,857 |
| Recognised in equity: | | | | |
| Share based payments | - | - | 1,762 | 1,762 |
| At 30 September 2007 | - | - | - | - |

21. Called Up Share Capital

| | 2007 Number '000 | 2006 Number '000 | 2007 £'000 | 2006 £'000 |
|---|------------------------|------------------------|---------------|---------------|
| Ordinary Shares of 25p each Authorised | 200,000 | 200,000 | 50,000 | 50,000 |
| Issued, called up and fully paid At 1 October 2006 | 132,768 | 132,185 | 33,192 | 33,046 |
| Issued in connection with the exercise of share options | 1,548 | 583 | 387 | 146 |
| At 30 September 2007 | 134,316 | 132,768 | 33,579 | 33,192 |

The following options to subscribe for Ordinary Shares granted to executive Directors and staff under the Company's Share Option Schemes were outstanding at 30 September 2007:

| Date of Grant | Ordinary Shares of 25p each | | Option Exercise Price | Exercise Period |
|---|-----------------------------|-------------------|-----------------------------|--------------------|
| | Vested | Not yet vested | | |
| 2001 Discretionary Share Option Schemes | | | | |
| 21 February 2001 | 147,158 | - | £2.945 | 2004-2011 |
| 13 December 2001 | 306,607 | - | £2.735 | 2004-2011 |
| 18 December 2002 | 383,355 | - | £2.00 | 2005-2012 |
| 18 December 2003 | 408,203 | - | £2.31 | 2006-2013 |
| 15 December 2004 | - | 676,915 | £3.40 | 2007-2014 |
| 2001 Sharesave Scheme | | | | |
| 14 April 2003 | 19,133 | - | £1.305 | 2008 |
| 3 July 2006 | 38,372 | - | £3.97 | 2009-2012 |
| 2007 Long Term Incentive Plan | | | | |
| 15 February 2006 | | 260,550 | Nil Cost | 2009 |
| 20 December 2006 | | 190,600 | Nil Cost | 2009 |
| Number of shares under option at 30 September 2007 | 1,302,828 | 1,128,065 | | |

The rules of the Schemes referred, which apply on the same basis to options granted to Directors and other employees, are described on page 54 of the Directors' Remuneration Report.

22. Reserves

| Group | Share premium £'000 | Share based payments £'000 | Retained earnings £'000 | Total £'000 |
|---|---------------------------|-------------------------------------|-------------------------------|----------------|
| At 1 October 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 30 September 2006 | 120,734 | 3,154 | 449,801 | 573,689 |
| Shares issued on exercise of options | 3,306 | - | - | 3,306 |
| Fair value of share based payments | - | 1,036 | - | 1,036 |
| Deferred tax in respect of share based remuneration released on REIT conversion | - | (1,762) | - | (1,762) |
| Profit for the year | - | - | 264,808 | 264,808 |
| Dividends paid during the year | - | - | (7,870) | (7,870) |
| At 30 September 2007 | 124,040 | 2,428 | 706,739 | 833,207 |

22. Reserves continued

| | Share premium £'000 | Share based payments £'000 | Retained earnings £'000 | Total £'000 |
|--------------------------------------|---------------------------|-------------------------------------|-------------------------------|----------------|
| Company | | | | |
| At 1 October 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 |
| Loss for the year | - | - | (1,979) | (1,979) |
| Dividends paid during the year | - | - | (6,903) | (6,903) |
| At 30 September 2006 | 120,734 | 3,154 | 302,303 | 426,191 |
| Shares issued on exercise of options | 3,306 | - | - | 3,306 |
| Fair value of share based payments | - | 1,036 | - | 1,036 |
| Deferred tax adjusted in equity | - | (1,762) | - | (1,762) |
| Profit for the year | - | - | 12,931 | 12,931 |
| Dividends paid during the year | - | - | (7,870) | (7,870) |
| At 30 September 2007 | 124,040 | 2,428 | 307,364 | 433,832 |

The Company's retained earnings at 30 September 2007 include amounts not distributable of £265.6 million (2006: £265.1 million). As permitted by Section 230 of the Companies Act 1985, no Income Statement has been presented for the Company.

23. Net assets per share

| | 2007 £'000 | 2006 £'000 |
|--|----------------|---------------|
| Net assets used for calculation of basic net assets per share | 866,786 | 606,881 |
| Adjusted for: | | |
| Cumulative fair value adjustment in respect of financial derivatives | 630 | 9,318 |
| Cumulative deferred tax provided in respect of: | | |
| Investment property revaluation gains | 5,310 | 175,300 |
| Financial derivatives | - | (2,795) |
| Adjusted net assets | 872,726 | 788,704 |
| Additional equity if all vested share options exercised | 3,159 | 3,968 |
| Net assets used for adjusted diluted net asset calculations | 875,885 | 792,672 |
| Ordinary shares in issue | 134,316 | 132,768 |
| Diluted Ordinary shares | 135,619 | 134,425 |
| Net assets per share: | | |
| Basic | £6.45 | £4.57 |
| Diluted | £6.41 | £4.54 |
| Adjusted basic | £6.50 | £5.94 |
| Adjusted diluted | £6.46 | £5.90 |

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

24. Cash generated from operations

| | Group | | Company | |
|---|---------------|---------------|----------------|----------------|
| | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| Operating profit/(loss) | 148,061 | 231,243 | (5,452) | (3,892) |
| Adjustment for non-cash items: | | | | |
| Amortisation of lease incentives | (278) | (696) | - | - |
| Share option expense | 1,036 | 539 | 1,036 | 539 |
| Depreciation and losses on disposals | 138 | 140 | 138 | 140 |
| Profit on sale of investment properties | (2,215) | (748) | - | (1,841) |
| Investment property valuation movements | (103,034) | (190,933) | - | - |
| Cash flows from operations before changes in working capital | 43,708 | 39,545 | (4,278) | (5,054) |
| Change in trade and other receivables | (2,279) | (249) | (320) | 519 |
| Change in trade and other payables | 1,603 | 2,268 | (604) | 1,085 |
| Cash generated from operations | 43,032 | 41,564 | (5,202) | (3,450) |

25. Analysis of changes in net debt

| | 1.10.2006 £'000 | Cash Flows £'000 | Non-cash Items £'000 | 30.9.2007 £'000 |
|--|--------------------|------------------------|----------------------------|--------------------|
| Group | | | | |
| 8.5% First Mortgage Debenture Stock 2024 | (71,125) | 9,312 | (2,383) | (64,196) |
| Secured bank loans | (391,655) | (33,149) | (186) | (424,990) |
| Cash at bank | 9,090 | (8,754) | - | 336 |
| Finance lease obligations | (5,561) | - | 33 | (5,528) |
| | (459,251) | (32,591) | (2,536) | (494,378) |
| Company | | | | |
| 8.5% First Mortgage Debenture Stock 2024 | (71,125) | 9,312 | (2,383) | (64,196) |
| Secured bank loans | (398,732) | (31,994) | (186) | (430,912) |
| Cash at bank | 8,898 | (8,898) | - | - |
| | (460,959) | (31,580) | (2,569) | (495,108) |

26. Investment in Subsidiary Undertakings

| | 2007 £'000 | 2006 £'000 |
|---------------------------------|----------------|----------------|
| Shares at cost | | |
| At 1 October 2006 | 278,441 | 1 |
| Shares acquired during the year | 150,050 | 278,440 |
| At 30 September 2007 | 428,491 | 278,441 |

At 30 September 2007 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.

27. Investment in Joint Venture

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Shares at cost: | | |
| At 1 October 2006 | 78,958 | - |
| 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 30 September 2007 | 78,958 | 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 year ended 30 September 2007, and its assets and liabilities at that date, which have been consolidated in the Group's Income Statement and Balance Sheet, are as follows:

| | Year ended 30.9.2007 £'000 | 5.12.2006 to 30.9.2007 £'000 |
|---|----------------------------------|------------------------------------|
| Income Statement | | |
| Rents receivable | 2,841 | 2,485 |
| Recoverable property expenses | 176 | 272 |
| | 3,017 | 2,757 |
| Property expenses | (619) | (275) |
| Recoverable property expenses | (176) | (272) |
| | (795) | (547) |
| Net property income | 2,222 | 2,210 |
| Administration expenses (2006 – restated to include administration fees payable to Shaftesbury PLC) | (382) | (349) |
| Operating profit before investment property disposals and revaluation | 1,840 | 1,861 |
| Profit on disposal of investment property | - | 40 |
| Investment property revaluation movements | 9,217 | 8,479 |
| Operating profit | 11,057 | 10,380 |
| Interest receivable | 1,078 | 794 |
| Interest payable | - | (208) |
| Profit before tax | 12,135 | 10,966 |
| Current tax | (875) | (746) |
| Deferred tax | (2,766) | (2,544) |
| Tax charge | (3,641) | (3,290) |
| Profit for the year | 8,494 | 7,676 |
| Dividends paid | (2,050) | (1,150) |
| Profit retained for the year | 6,444 | 6,526 |

27. Investment in Joint Venture continued

| | | |
|---|-----------------------|-----------------------|
| Balance Sheet | 2007 £'000 | 2006 £'000 |
| Non-current assets | | |
| Investment properties at market value | 81,750 | 70,685 |
| Head lease liability grossed up | 5,529 | 5,561 |
| | 87,279 | 76,246 |
| Current assets | | |
| Trade and other receivables | 715 | 544 |
| Amounts due from shareholders | 18,800 | 19,875 |
| Cash | 335 | 193 |
| Total assets | 107,129 | 96,858 |
| Current liabilities | | |
| Trade and other payables | 2,389 | 1,296 |
| Non-current liabilities | | |
| Deferred tax | 5,310 | 2,544 |
| Head lease liability | 5,529 | 5,561 |
| Total liabilities | 13,228 | 9,401 |
| Net assets attributable to the Shaftesbury Group | 93,901 | 87,457 |

28. Commitments under operating leases

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

| | Group | | Company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007 £'000 | 2006 £'000 | 2007 £'000 | 2006 £'000 |
| Leases expiring between two and five years | 12 | 12 | 12 | 12 |
| Leases expiring after more than five years | 468 | 210 | 210 | 210 |

29. Related party transactions

During the year, the Company received from its wholly owned operating subsidiaries administration fees totalling £5.32 million (2006: £4.57 million), interest in respect of inter-company debt totalling £31.78 million (2006: £32.99 million) and dividends totalling £10.75 million (2006: £8.7 million). 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 net amount owing to the Company by subsidiary undertakings at the year end totalled £505.14 million (2006: £588.61 million).

During the year the Company received from Longmartin Properties Limited, a 50% owned joint venture, administration fees totalling £0.67 million (2006: £0.54 million) and paid interest in respect of a loan from that company totalling £1.06 million (2006: £0.77 million). The amount owing by the Company to Longmartin Properties Limited at the year end totalled £18.80 million (2006: £19.87 million).

30. Post Balance Sheet event

In November 2007 Shaftesbury Carnaby Limited acquired the entire issued share capital of Carnaby Investments Limited for a total consideration of £4.89 million, settled by the issue of 889,422 Ordinary 25p shares at £5.50. The sole property asset of that company was a freehold property in Carnaby Street, London W1.

31. Share based remuneration

The charge for share based remuneration 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 - £7.48 |
| Range of exercise prices | £2.00 - £3.40 | £1.305 - £3.97 | Nil Cost Options |
| Expected share return volatility per annum | 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 years |
| Risk free interest rate per annum | 4.4% - 4.7% | 3.9% - 4.8% | 4.3% - 5.1% |
| Expected dividend yield per annum | 1.2% - 1.9% | 1.0% - 2.5% | 0.8% - 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 120% 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 vesting per annum: | | | |
| Accounting periods or grant prior to 31.3.2007 | 5% | 5% | 5% |
| Accounting periods or grant after 31.3.2007 | 0% | 0% | 0% |
| Employee turnover after vesting per annum | 5% | 5% | 5% |
| Return volatility of FTSE 350 Real Estate Index per annum | - | - | 15% |
| Assumed statistical correlation between the total return on the Company's shares and those in the FTSE 350 Real Estate Index | - | - | 0.5 - 0.67 |
| 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 | 215.9 | - |
| Other staff | 45.7 - 91.9 | 43.8 - 215.9 | - |
| 2007 LTIP: | | | |
| NAV comparator | - | - | 515.0 - 731.0 |
| TSR comparator | - | - | 335 - 442 |

The vesting conditions relating options granted under the 2001 Discretionary Share Option Schemes and the 2006 Long Term Incentive Plan are described in the Directors' Remuneration Report on page 54.

Five year financial summary

Net Assets

| | IFRS 2007 £'000 | IFRS 2006 £'000 | IFRS 2005 £'000 | IFRS 2004 £'000 | UK GAAP 2003 £'000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|
| Investment Properties | | | | | |
| At 1 October | 1,249,215 | 987,516 | 820,431 | 723,808 | 698,195 |
| Acquisitions | 32,101 | 107,667 | 37,571 | 16,361 | 14,377 |
| Refurbishment expenditure | 9,846 | 8,856 | 10,580 | 9,728 | 14,040 |
| Disposals | (6,062) | (45,757) | (11,070) | (771) | (6,167) |
| Net revaluation surplus/(deficit) | 103,034 | 190,933 | 130,004 | 71,305 | 7,698 |
| | 1,388,134 | 1,249,215 | 987,516 | 820,431 | 728,143 |
| Head lease liabilities | 5,528 | 5,561 | - | - | - |
| At 30 September – book value | 1,393,662 | 1,254,776 | 987,516 | 820,431 | 728,143 |
| Deferred tax assets | - | 6,244 | 4,849 | - | - |
| Other assets | 387 | 409 | 364 | 296 | 262 |
| | 1,394,049 | 1,261,429 | 992,729 | 820,727 | 728,405 |
| Net current assets/(liabilities) | (8,708) | 2,881 | 5,320 | (4,782) | (16,095) |
| | 1,385,341 | 1,264,310 | 998,049 | 815,945 | 712,310 |
| Taxation payable | (17,901) | - | - | - | - |
| Borrowings | (494,714) | (468,341) | (384,432) | (344,431) | (322,065) |
| Financial derivatives | (630) | (9,318) | (11,758) | (7,724) | |
| Deferred taxation | (5,310) | (179,770) | (128,698) | (84,311) | (3,825) |
| Reported Net Assets | 866,786 | 606,881 | 473,161 | 379,479 | 386,420 |
| Add: | | | | | |
| Fair value deficit in respect of financial derivatives | 630 | 9,318 | 11,758 | 7,724 | |
| Deferred tax provisions in respect of property revaluations and financial derivatives | 5,310 | 172,505 | 118,723 | 80,083 | |
| Adjusted Net Assets | 872,726 | 788,704 | 603,642 | 467,286 | |
| Reported Diluted Net Asset Value per Ordinary Share | £6.41 | £4.54 | £3.57 | £2.87 | £2.92 |
| Adjusted Diluted Net Asset Value per Ordinary share | £6.46 | £5.90 | £4.55 | £3.53 | - |
| Mid market share price at 30 September | £4.95 | £6.00 | £3.80 | £2.76 | £2.22 |

Income Statements

| | IFRS 2007 £'000 | IFRS 2006 £'000 | IFRS 2005 £'000 | UK GAAP 2004 £'000 | UK GAAP 2003 £'000 |
|---|-----------------------|-----------------------|-----------------------|--------------------------|--------------------------|
| Rents invoiced | 55,348 | 51,535 | 48,688 | 42,067 | 40,606 |
| Recognition of lease incentives | 278 | 696 | 173 | 2,361 | 832 |
| Recoverable property expenses | 6,797 | 6,561 | 3,938 | 4,279 | 2,949 |
| Turnover | 62,423 | 58,792 | 52,799 | 48,707 | 44,387 |
| Property outgoings | (12,843) | (11,809) | (9,398) | (8,529) | (7,544) |
| Net property income | 49,580 | 46,983 | 43,401 | 40,178 | 36,843 |
| Administrative expenses | (6,768) | (7,421) | (5,804) | (4,375) | (4,010) |
| Operating profit | 42,812 | 39,562 | 37,597 | 35,803 | 32,833 |
| Surplus on disposal of properties | 2,215 | 748 | 4,220 | 616 | 40 |
| Property revaluation surpluses | 103,034 | 190,933 | 130,004 | - | - |
| | 148,061 | 231,243 | 171,821 | 36,419 | 32,873 |
| Net interest payable | (30,953) | (25,683) | (23,644) | (21,095) | (20,529) |
| Change in fair value of financial derivatives | 9,542 | 2,051 | (4,171) | - | - |
| Loss on purchase of debenture stock | (2,474) | (20,009) | (3,655) | - | - |
| Profit before tax | 124,176 | 187,602 | 140,351 | 15,324 | 12,344 |
| Taxation credit/(charge) | 140,632 | (50,100) | (41,574) | (4,520) | (4,106) |
| Reported Profit after taxation | 264,808 | 137,502 | 98,777 | 10,804 | 8,238 |
| Adjust for: | | | | | |
| Exceptional administration costs | - | - | 297 | - | - |
| Property disposal surpluses | (2,215) | (748) | (4,220) | (616) | (40) |
| Property revaluation surpluses | (103,034) | (190,933) | (130,004) | - | - |
| Change in fair value of financial derivatives | (8,688) | *(2,440) | 4,171 | - | - |
| Loss on purchase of debenture stock | 2,474 | 20,009 | 3,655 | - | - |
| Taxation movements relating to the above | 2,024 | 46,170 | 37,454 | - | - |
| Effect of REIT conversion | (143,866) | - | - | - | - |
| Adjusted Profit after taxation | 11,503 | *9,560 | 10,130 | 10,188 | 8,198 |
| Reported diluted Post Tax Earnings per Ordinary Share | 196.92p | 103.32p | 74.62p | 8.18p | 6.25p |
| Adjusted diluted Post Tax Earnings per Ordinary Share | 8.55p | *7.18p | 7.65p | 7.71p | 6.22p |
| Total Dividends per Ordinary Share declared in respect of the financial year | 7.66p | 5.65p | 5.00p | 4.413p | 3.915p |

* Adjusted to reflect re-classification of payments under hedging contracts (see Note 8)

Shareholders and corporate information

Analysis of Shareholders

at 30 September 2007

| | Number of accounts | Shares Held '000 | % |
|--------------------------------------|-----------------------|---------------------|-------|
| Shareholder type: | | | |
| Banks | 3 | 292 | 0.2 |
| Nominees | 458 | 125,059 | 93.1 |
| Limited and public limited companies | 42 | 186 | 0.1 |
| Other organisations | 17 | 3,810 | 2.8 |
| Individuals | 229 | 4,969 | 3.7 |
| | | 134,316 | 100.0 |
| Number of shares: | | | |
| 1 – 100,000 | 638 | 12,505 | 9.3 |
| 100,000 – 500,000 | 66 | 15,859 | 11.8 |
| 500,000 – 1,000,000 | 11 | 7,433 | 5.6 |
| Over 1,000,000 | 34 | 98,519 | 73.3 |
| | | 134,316 | 100.0 |

Corporate timetable

Financial Calendar

| | |
|--|------------------|
| Annual Results announced | 5 December 2007 |
| Annual Report posted to shareholders | 21 December 2007 |
| Annual General Meeting | 14 February 2008 |
| Interim Management Statement (first half) | 14 February 2008 |
| 2008 Interim Results to be announced | 28 May 2008 |
| Interim Management Statement (second half) | July 2008 |

Dividends and Debenture Interest

| | |
|-------------------------------------|-------------------------------------|
| Proposed 2007 Final Dividend: | |
| Ex-Dividend | 30 January 2008 |
| Record date | 1 February 2008 |
| Payment date | 22 February 2008 |
| 2008 Interim Dividend to be paid | 27 June 2008 |
| Debenture Stock interest to be paid | 31 March 2008 and 30 September 2008 |

Shareholder Information

Equiniti Limited maintains the Group's Register of Members. They may be contacted at:

Equiniti Limited
Aspect House, Spencer Road, Lancing
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 Group.

Impact of REIT Conversion on payment of dividends

Following the Group's conversion to a REIT, certain categories of shareholder may be able to receive their dividends gross without deduction of withholding tax. Categories which may claim this exemption include: UK companies, charities, local authorities, UK pension schemes and managers of PEPs, ISAs and Child Trust Funds.

For further information and the forms for completion to apply for dividends to be paid gross, please see the Group's website or contact the Group's Registrar. The deadline for completed forms to be with the Group's Registrar for payment of the final dividend is 1 February 2008.

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-Second Annual General Meeting of Shaftesbury PLC (the "Company") will be held at Pegasus House, 37/43 Sackville Street, London W1S 3DL, on Thursday 14 February 2008 at 12 noon for the following purposes:

Ordinary Business

1. To receive and adopt the audited financial statements for the year ended 30 September 2007, and the reports of the Directors and auditors.
2. To approve the report on Directors' Remuneration for the year ended 30 September 2007.
3. To declare a final dividend for the year ended 30 September 2007 of 5.50p per Ordinary Share payable on 22 February 2008 to holders of Ordinary Shares registered at the close of business on 1 February 2008.
4. To re-elect P J Manser as a Director of the Company.
5. To re-elect B Bickell as a Director of the Company.
6. To re-elect A W MacDonald as a Director of the Company.
7. To re-elect T J C Welton as a Director of the Company.
8. 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.
9. 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 10 and 13 and as special resolutions in the case of resolutions 11 and 12:

10. THAT, in substitution for all previous authorities pursuant to section 80 of the Companies Act 1985 (the "1985 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 1985 Act to exercise all powers of the Company to allot relevant securities as defined in section 80(2) of the 1985 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 14 February 2008 if earlier save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

11. THAT, the Directors be and they are hereby empowered pursuant to section 95 of the 1985 Act to allot equity securities (within the meaning of section 94 of the 1985 Act);

- a. for cash pursuant to the authority conferred by Resolution 10; or
- b. by way of the sale of treasury shares (within the meaning of section 162A of the 1985 Act), for cash,

as if, in either case, subsection (1) of section 89 of the 1985 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 14 February 2008 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 1985 Act.

12. THAT the Company is hereby unconditionally and generally authorised to make market purchases (as defined in section 163(3) of the 1985 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 30 September 2007);
- 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 14 February 2008 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

13. 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 366 of the Companies Act 2006 (the "2006 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 14 February 2008 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

21 December 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. If you wish to appoint someone other than the Chairman, please insert the name of your appointed proxy holder in the space provided. If necessary, please enter in the box next to the proxy holder's name, the number of shares in relation to which you authorise them to act as your proxy. If left blank, they will act in respect of your entire shareholding. A form of proxy for use by members is enclosed.
2. Multiple proxy votes: To appoint more than one proxy, you should photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which you authorise them to act as your proxy. Please also indicate by marking the box on the proxy form if the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and should be returned to the Registrars in the same envelope.
3. Appointment of a proxy will not preclude a member from attending and voting in person at the Meeting.
4. Forms of proxy must be lodged with the Registrar not less than 48 hours before the Meeting.
5. 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 12 February 2008 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 12 February 2008 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
6. The Register of Directors' Interests in the Company kept under section 809 of the 2006 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.
7. Biographical details of the Directors standing for re-election are set out on page 43 of the Annual Report.
8. 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 14 February 2008 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.
9. 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.
10. 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 10 – Authority to issue shares

This resolution authorises the Board, for a period of 15 months from 14 February 2008 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 30 November 2007 (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 1985 Act ("Treasury shares"). Save in respect of the issue of new Ordinary Shares pursuant to the share incentive schemes, the Directors currently have no present intention to allot relevant securities but the Directors believe it to be in the interests of the Company for the Board to be granted this authority to enable the Board to take advantage of appropriate opportunities which may arise in the future.

Resolution 11 – Disapplication of pre-emption rights

This resolution, which will be proposed as a special resolution, seeks to disapply the pre-emption right provisions of Section 89 of the 1985 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 30 November 2007 (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. There is no current intention to issue more than 7.5% of the Company's share capital on this basis over 3 years in line with ABI guidelines.

Resolution 12 – 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 30 November 2007 (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 have any current intention to use this authority.

The total number of options to subscribe for equity shares that are outstanding on 30 November 2007 (the latest practicable date prior to the publication of this document) is 2,557,527. This represents 1.89 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 2.10 per cent. of the reduced issued share capital (excluding any treasury shares).

The 1985 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 13 – Political donations

This resolution authorises the Board to make donations under Section 366 of the 2006 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 2006 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 2006 Act, any expenditure or donations in excess of £200 which is within the ambit of the definitions of the 2006 Act.



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